

HB

749

225-9658
225-9659



640 Park Avenue
Post Office Box 8340
Ketchikan, Alaska 99901

CHAIRMAN
Richard Madden

TREASURER
Kathy Pesterfield

CLERK
Allen Strahle

MEMBER
Lucille Hedrich
Estelle Thompson

January 24, 1978

Representative Terry Gardiner
Alaska State House of Representatives
Pouch V
Juneau, Alaska, 99811

Dear Representative Gardiner:

Enclosed you will find several resolutions passed by the Southeast Island School District Board at their regular meeting on January 19, 1978. As each resolution requests the enactment of specific legislation, the following comment is to provide rationale for, and to clarify, the Southeast Island School District's position on each request:

I. Instructional Unit Value (Resolution No. 78-3):

The last session of the Legislature passed SCS CSIB 212, one section of which adopted a new set of cost differentials for determining instructional unit allotments. The final bill, which incorporated elements of previously introduced bills, especially SB 225, used cost differentials based upon a composite cost-of-living index developed by the Institute of Social and Economic Research, University of Alaska (see attached letter from Governor Jay Hammond to Senator John Rader, page 4, last paragraph).

During the last session, I wrote to you expressing my concerns regarding the proposed change in instructional unit value (letter of March 18, 1977, attached). You responded that the bill, at that stage, maintained the 5% isolation factor and, furthermore, that a grandfather clause would prevent any reduction in funding (letter of March 25, 1977, attached). That, of course, would have been completely acceptable, so that I did not comment further upon the bill. In the final days of the session, the bill was apparently modified so that the isolation factor was dropped, while the grandfather clause was established for only a one year period.

The net result of the bill is that rural districts in the same geographic area, and therefore with some of the similar cost problems, were given higher instructional unit values than the Southeast Island School District. This District,

however, has some unique problems which are not faced by these other centralized rural Southeast districts and which further add to its operating costs. The following are offered as examples:

- A. Board travel: The Southeast Island School District Board members must travel from their respective communities for meetings in a central location, at a cost of approximately \$1,000.00 per month.
- B. Federal funds: Due to the cultural and economic makeup of its population, this District receives proportionately less Federal funding than most, if not all, Alaskan school districts. As a result, supplemental programs have to be funded with basic instruction monies.
- C. Travel by certificated staff: Our Special Education and Correspondence Programs rely upon itinerant staff who travel throughout the District to 16 schools and a number of other locations in an area from Ketchikan to Frederick Sound. The delivery of these programs is costly in terms of both time and money, but additional funds are not provided to meet this additional burden. For example, in a centrally located district, a special education teacher may provide daily instruction to relatively large numbers of children, while in this District it may take a teacher 4-5 days to travel and provide a program for a single child. The special education program is currently subsidized by basic instruction and Federal funds, with the latter expected to diminish by 30% in FY 1979.
- D. Building relocation: Due to the transiency of logging operations, school buildings have to be frequently moved and reinstalled at the new locations.
- E. Inservice training: Again due to the geographic remoteness of the District, inservice training for teachers is an extremely costly item.

Finally, attached are: (1) a copy of a letter to Michael Scott of the Institute for Social and Economic Research; (2) his response, which clearly indicates weaknesses in the data used; and (3) as an example, a copy of the "Transportation Cost Index, 1976" from the Alaskan Interregional Cost Differentials prepared by the Institute for Social and Economic Research. Note how the cost for the Southeast Island School District is that of Ketchikan, while the cost for neighboring rural school districts (Craig, Klavock, Hydaburg, Annette Island) are all considerably higher.

As a result of the above factors, the Southeast Island School District Board is requesting that the instructional unit value be adjusted so that it is comparable to that of other rural Southeast school districts. As a new district, Southeast Island School District would like to develop relevant instructional programs, provide new programs in the areas of music and art, and make inservice opportunities available to its teachers so that their expertise may be kept up to date. If the instructional unit value is amended, it is expected that a large portion of the additionally generated funds (approximately \$80,000.00) would be used for these purposes.

II. Correspondence Study (Resolution No. 78-4):

At the time that Alaska State-Operated School System was decentralized, it was assumed that all educational programs would be placed under control of the R.E.A.A. Boards. The intent of SB 35 was successfully carried out at both the Department of Education and R.E.A.A. levels, with the single exception of the correspondence study program. While some school districts do not offer and therefore have a need for a centralized State program, this District has an excellent correspondence program and does not have such a need.

III. Unemployment Compensation Benefits (Resolution No. 78-5):

This resolution, which is related to the first resolution, requests the Legislature to modify the unemployment compensation laws so that all school district employees on normal school vacations do not qualify for benefits. This is of great importance to Southeast Island School District due to the transiency of the population and the large number of classified employees (mostly part time instructional aides for the correspondence and special education programs, but also including clerical, secretarial and custodial personnel). Southeast Island School District has a normal working force consisting of 60 classified employees. In 1977, a total of 41 classified employees were terminated. In each case, the termination was due to the employee moving to another community. In addition, all classified employees had normal school vacations as did certificated staff. If legislative relief is not provided, the burden on this District of the costs for terminated employees and employees on normal vacations will be detrimental to current programs, especially in view of the anticipated reduction in the Southeast Island School District instructional unit value.

Your consideration of these matters will be greatly appreciated. Please contact me at 225-9658 if you have any questions.

Sincerely,



Bruce H. Hill
Superintendent

BL:js

Incl.

cc: Richard Madden, Jr.,
Chairman, Southeast Island School District Board



707 A Street, Suite 205
Anchorage, AK 99501

UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

Mr. Bruce H. Hill, Superintendent
Southeast Island School District
640 Park Avenue - P. O. Box 8340
Ketchikan, AK 99901

April 29, 1977

Dear Mr. Hill:

Thank you for your letter of April 26. First of all, you have pointed out several facts regarding local conditions in the Southeast Island School District which, as you so clearly demonstrate, make the use of Ketchikan as the point at which living costs are computed misleading. Early in the process of computing costs for the REAA districts we decided to use the headquarters town as the basis for the district, recognizing that in doing so, we were in effect sweeping under the rug a myriad of intra-district distribution and transportation problems for which consistent data were not available for all (or even most) districts, except at costs in project time and effort that neither funding nor time constraints permitted. The problem is common to most REAA's in the state.

Secondly, I would like to give you my thoughts on what might be done about the problem. Variability of cost within a district is very great - for example, you mention that in SISD transportation costs increase air freight by 75 to 100 percent, and that air fares vary from \$42.00 to \$140.00. In addition, one must determine in what proportions it is appropriate to assume that groceries, for example, move by sea or air to each community in SISD to determine the proper weighted average premium in grocery prices above Ketchikan prices. The first alternative, that of simply adjusting the cost of living as determined at the regional center for intra-district costs, appears to be impractical for the reason that extensive additional data collection on freight movements within a district (and probably all REAA's) would be necessary.

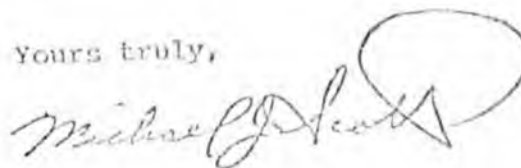
A second alternative would be to adjust the "isolation factor" in the funding formula to reflect the higher costs of doing business in communities within districts which are relatively isolated and costly places in which to live. This would be over and above any "isolation factor" for the district as a whole, and apart from the provision which lets you count isolated schools as separate attendance centers. I don't know what the

new factor would be, but looking at your data, I tentatively conclude that it may well be far above the traditional 5 percent.

A third alternative would be to do a comprehensive and extensive statewide cost of living survey, and to do it right, with adequate time and resources committed to the task. This has been recommended in the legislature from time to time, but it has never been done, so far as I am aware. The allocation of funds from several state programs, plus several Federal ones, might well be improved by a well-supported survey of high professional quality repeated at reasonably frequent intervals. However, the expense of doing this for more than just a few places probably renders this alternative impractical as a solution to the specific problems you raise in your letter because virtually every city, town, and village in the state would have to be surveyed.

Finally, I am referring your letter and my reply to Dean Coon at CNER and Nat Cole at the Department of Education, because I am in complete sympathy with your views on the matter of intra-district cost variation, because DOE may wish to take your comments into account, and because I think they should be aware of reactions to our study at the district level. I also urge you to send copies of your letter to your fellow superintendents, as I am sure they share your feelings and may also want to comment. Good luck.

Yours truly,



Michael J. Scott
Assistant Professor of Economics

MJS/ra

cc: Dean Coon, CNER
Nat Cole, Department of Education
Richard Madden, Chairman SUSD Board ✓
Representative Oral Freeman
Representative Terry Gardiner
Senator Robert Ziegler
Representative Charles Parr
Senator Glenn Hackney
Representative Steve Cowper
Senator John Sackett

Table 2.7

Transportation Cost Index, 1976¹

District or REAA and Place	Annual Local Transportation Cost, Less Gasoline	Annual Gasoline Cost (auto only) ³	Annual Intercity Transportation Cost ⁴	Total Transportation Cost	Total Cost as a Percent of Anchorage
Anchorage	\$1,196 ²	\$469	\$ 0	\$1,665	100.0
Boistol Bay (King Salmon)	1,196	430	698	2,324	139.5
Ordova	1,196	469	385	2,050	123.1
Craig	1,196	364	311	1,871	112.4
Dillingham	1,196	500	824	2,520	151.4
Fairbanks	1,196	508	0	1,704	102.3
Galena	925	0	628	1,553	93.3
Maines	1,196	469	454	2,119	127.3
Hoonah	1,196	469	322	1,987	119.3
Hydaburg	1,196	469	336	2,001	120.2
Juneau	1,196	469	0	1,665	100.0
Kake	1,196	469	811	2,476	148.7
Kenai	1,196	492	210	1,898	114.0
Ketchikan	1,196	467	0	1,663	99.9
King Cove	325	0	2,280	2,605	156.5
Klawock	1,196	364	336	1,896	113.9
Kodiak	1,196	470	636	2,302	138.3
Kiwanuk-Susitna (Palmer/Talkeetna)	1,196	475	216 ⁵	1,887	113.3
Nenana	1,196	515	288 ⁶	1,999	120.1
Nome	1,196	506	1,034	2,736	164.3
North Slope (Barrow)	925	0	1,020	1,945	116.8
Pelican	325	0	598	923	55.4
Petersburg	1,196	469	531	2,196	131.9
Selawik	925	0	1,410	2,335	140.2
Sitka	1,196	469	404	2,069	124.3
Stegsøy	1,196	469	484	2,149	129.1
St. Marys	925	0	1,020	1,945	116.8
Unalaska	1,196	430	2,672	4,298	258.1
Upernivik	1,196	469	315	1,980	118.6
Wrangell	1,196	469	473	2,138	128.4
Yakutat	325	0	502	827	49.1

Notes: See end of table.

District or RMAA and Place	Annual Local Transportation Cost, Less Gasoline	Annual Gasoline Cost (auto only)	Annual Intercity Transportation Cost	Total Transportation Cost	Total Cost as Percent Anchor
N.W. Arctic (Nome)	\$ 925	\$ 0	\$1,034	\$1,959	117.7
Bering Straits (Nome)	925	0	1,034	1,959	117.7
Lower Yukon (Mt. Village)	925	0	1,368	2,293	137.7
Lower Kuskokwim (Bethel)	925	0	936	1,861	111.0
Kuspuk (Aniak)	925	0	922	1,847	110.9
S.W. Region (Dillingham)	925	0	824	1,749	105.0
Lake and Peninsula (King Salmon)	925	0	698	1,623	97.1
Aleutian Chain (Cold Bay)	325	0	2,070	2,395	143.1
Pribilof Islands (St. Paul)	925	0	2,868	3,793	227.1
Iditarod (McGrath)	925	0	530	1,455	87.1
Yukon-Koyukuk (Hemana/Tonana)	925	0	288	1,213	103.1
Yukon Flats (Pt. Yukon)	925	0	420	1,345	80.1
Upper Railbelt (Clear)	1,196	508	480 ⁷	2,184	131.1
Delta Greely (Big Delta)	1,196	515	546	2,257	135.1
Alaska Gateway (Tok/Northern)	1,196	529	546	2,271	136.1
Copper River (Glennallen)	1,196	515	315	2,026	121.1
Chatham (Angoon)	325	406	406	731	43.1
S.E. Islands (Ketchikan)	1,196	467	0	1,663	99.1
Annette Island (Petalukatta)	1,196	467	196	1,859	111.1
Chugach Schools (Whittier)	1,196	469	850 ⁸	2,515	151.1

Notes: See end of table.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 749
 Title Act Relating to Instructional Unit Allotments
 Requested by Freeman and Gardiner Date 2-7-78

II. FISCAL DETAIL

Agency Affected Department of Education
 Program Category Affected Education
 Budget Request Unit(s) Affected Financial Support Programs

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		68.4	72.5	76.8	81.4	86.2
TOTAL		68.4	72.5	76.8	81.4	86.2

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		68.4	72.5	76.8	81.4	86.2
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

59 (Instructional Units) x 31,320 (108% I.U. Proposed) = 1847.8
 59 (Instructional Units) x 30,160 (104% in statute) = 1779.4
 Increase = 68.4

FY 79-82 inflation @ 6%

IV. DATE 2-22-78 PREPARED BY Nathaniel Cole, Deputy Commissioner
 AGENCY Education
 PHONE 465-2800
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

SUPERINTENDENT
Bruce H. Hill

225-9658
225-9659

SOUTHEAST ISLAND SCHOOL DISTRICT

640 Park Avenue
Post Office Box 8340
Ketchikan, Alaska 99901

March 18, 1977

CHAIRMAN
Richard Madden

TREASURER
Kathy Pesterfield

CLERK
Allen Strahle

MEMBER
Estelle Thompson
Lucille Hedrich

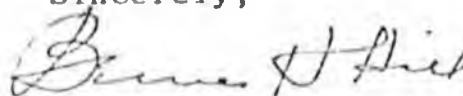
Representative Terry Gardiner
Alaska State House of Representatives
Juneau, Alaska 99811

Dear Representative Gardiner:

This is to comment on SB 225, a bill recently submitted by the Governor for the purpose of amending the value of the educational instructional unit. Under this bill our area differential, which is given for lack of access to "Anchorage, Ketchikan, or Fairbanks by road, railroad or Alaska State Ferry System (AS 14.17.051)," would be reduced from 5% to 4%. The same bill recommends an increase for most other rural Southeast school districts to 8% above the basic allotment. It is our position that, due to the fact our 13 schools are spread over such a large area and that our costs for providing an effective educational program are relatively high, this bill should be amended so that the Southeast Island School District is put on a par with other rural Southeast school districts. We certainly feel that any reduction in the current level of funding would be most detrimental to the children of our District.

In addition, the same position applies to SB 139 (Ferguson), which could result in an even more serious reduction in our funding.

Sincerely,



Bruce H. Hill
Superintendent

BHH:ys

cc: Richard A. Madden, Jr.,
S.I.S.D. Board Chairman

Terry Gardiner

Box 6092, Ketchikan, Alaska 99901 Pouch V, Juneau, Alaska 99811

March 25, 1977

Bruce H. Hill, Superintendent
Southeast Island School District
P.O. Box 8340
Ketchikan, Alaska 99901

Dear Bruce:

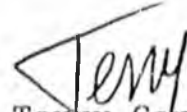
Thank you for your letter in regard to SB 225 and SB 139 on the school instructional unit.

I have checked into this situation and discovered that the Southeast REAAs presently get 100% base allotment plus 5% for not being on the ferry route. Under proposed legislation they would get 104% base allotment plus 5% for an isolation factor.

Additionally, there is a "grandfather" clause so that a school district wouldn't be getting any less than they do presently.

Hopefully, this has been of help to you.

Sincerely,



Terry Gardiner
State Representative
Alaska Legislature

RECEIVED

MAR 30 1977

Southeast Island
School District

225-9658
225-9659

SOUTHEAST ISLAND SCHOOL DISTRICT

640 Park Avenue
Post Office Box 8340
Ketchikan, Alaska 99901

April 26, 1977

TREASURER
Kathy Pesterfield

CLERK
Allen Strahle

MEMBER
Estelle Thayer
Lucille Hedrich

Mr. Michael J. Scott
Institute of Social and
Economic Research
University of Alaska
Fairbanks, Alaska 99701

Dear Mr. Scott:


This is to respond to your recent publication entitled "Alaskan Interregional Cost Differentials." While I would like to commend you on your efforts in outlining living costs in various Alaskan communities relative to instructional unit allotments and school operating costs, I would like to point out that glaring errors were made with regard to the Southeast Island School District (SISD). While our administrative office is located in Ketchikan, our schools are located on islands in an area extending from Ketchikan to Frederick Sound, or approximately one-half of Southeast Alaska. Apparently you concluded that data compiled for Ketchikan itself was appropriate for the SISD area.

As a result, several crucial errors were made. First, in Table 2.2 (pp.33-34), the food price index you gave for SISD is identical to that for Ketchikan. While food for our communities is ordered from Ketchikan, there is a 5% preparation charge made by local grocery stores in addition to the freight (sea or air) charges. 7%
Second, Table 2.6 (pp.51-52) clearly shows a lack of understanding with regard to the SISD. Here you show no "Alaska Destination in Region" under SISD. This should have been Ketchikan, which is the major transportation, shopping, and medical center in the area. The round trip fares to our communities from Ketchikan range from \$42.00-140.00 for a single adult seat fare. Also, the Air Freight Rate neglects the cost of transshipment from Ketchikan, which would increase the cost by 75-100%. In Table 2.7, Transportation Cost Index (pp.53-54), once again you have assumed that Ketchikan data is appropriate for the SISD area. Your conclusions here are once again erroneous, as you state that the total SISD average cost is \$1,663, whereas Annette Island, for example, has a total average cost of \$1,859. Keep in mind that Annette Island is much closer to Ketchikan than any SISD site and has limited ferry connections, and thus the transportation costs would be considerably lower than for SISD communities. Twelve of the thirteen SISD communities have no ferry access, while the one that does has twice weekly service with a 130 mile round trip over less than adequate roads to the ferry terminal (with the result that people fly). As a result,

air transportation is a very major item in the SISD operating budget. Similar errors are found in Table 2.8, Air Freight Costs and Household Furnishings and Operations Indices (pp.58-59).

Finally, Table 2.10, which is a composite consumption index (pp.64-65), represents a further compounding of all the errors previously mentioned, and therefore presents an extremely inaccurate and misleading picture with regard to living costs in the SISD area. I therefore would like to suggest that data pertaining to the SISD area be revised so that a reader may have a truly knowledgeable understanding of living costs in the area as well as costs relative to school operation in the SISD. I trust that similar errors were not made with respect to the other REAA's; if so, the validity of your report would be further eroded.

Sincerely,



Bruce H. Hill, Superintendent

cc: Richard Madden, Chairman SISD Board
Representative Oral Freeman
Representative Terry Gardiner
Senator Robert Ziegler
Representative Charles Parr
Senator Glenn Hackney
Representative Steve Cowper
Senator John Sackett

RESOLUTION NO. 78-5

INSTRUCTIONAL UNIT VALUE

WHEREAS, SCS CSHB 212 was designed to provide more equitable funding for all school districts in the State of Alaska, and

WHEREAS, the area differentials in Section 8 of the bill were based upon a composite cost-of-living index developed by the Institute of Social and Economic Research of the Center for Northern Educational Research, University of Alaska, and

WHEREAS, the index for the Southeast Island School District was erroneously based on data for Ketchikan itself, and

WHEREAS, the cost-of-living in the communities comprising the Southeast Island School District is considerably higher than in Ketchikan itself, and

WHEREAS, all rural school districts in Southeast Alaska with the exception of Southeast Island School District were granted a minimum of 108% of the base instructional unit allotment, and

WHEREAS, the Southeast Island School District was given a reduction in the value of its instructional unit from 105% to 104% (effective FY 1979) due to the erroneous data in the composite cost of living index developed by the Institute of Social and Economic Research, and

WHEREAS, the reduction is contrary to the established goal of equitable funding in all Alaska School Districts and will adversely affect programs, both present and planned, in the Southeast Island School District, then

THEREFORE BE IT RESOLVED, that the Southeast Island School District Board formally requests the Legislature to amend AS 14.17.051 by changing the instructional unit allotment for the Southeast Island School District so that it is equitable with other rural Southeast Alaska School Districts, so that it accurately reflects the composite cost of living index for Southeast Island School District communities rather than Ketchikan, and so that it prevents an actual reduction in the value of the instructional unit for the Southeast Island School District had SCS CSHB 212 not been enacted.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 8, 1977

The Honorable John L. Rader
President of the Senate
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art, III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill which would make a number of changes to the current provisions in AS 14, the education code, relating to funding of public education. These changes are being proposed in order to provide more equitable funding for all school districts in the state -- city and borough school districts and the regional educational attendance areas of the unorganized borough.

The bill includes statutory authorization for the state to offset state aid payments to the districts by up to 100 per cent of the federal payments to the districts under P.L. 81-874; implements a new method of funding small school programs having an average daily membership of 20 or less; reduces, beginning on July 1, 1978, the number of additional students required for the state's large districts to receive additional instructional units where the average daily membership exceeds 3,005; and adopts an entirely new set of area cost differentials for determining the instructional unit allotment for the school districts of the state, based on the School Finance Study initiated by last year's legislature.

The authority to offset state aid by an amount of federal aid under P.L. 81-874 is contained in sections 1 and 2 of the bill. Federal law authorizes a state to discount the P.L. 81-874 payments made by the federal

government in the current or the prior year against state aid payments for the current year if the state has a program for funding education which is designed to equalize expenditures for all districts of the state. Before the individual regional educational attendance areas in the unorganized borough were established, this offset mechanism occurred essentially automatically. The P.L. 81-874 payments for the schools in the unorganized borough were made directly to the state and shown as a revenue in the S.O.S., A.S.O.S.S. and A.U.B.S.D. appropriations.

When ch. 124 SLA 1975, establishing the regional educational attendance areas, was written and enacted, the state did not expect that any change in payment procedures for the schools in the unorganized borough would occur. Consequently, the formula for funding the REAA's set out in ch. 124 (AS 14.08.121) was developed on the assumption that P.L. 81-874 entitlements would still be paid directly to the state and that those anticipated receipts would be used to fund a part of the amount of the computed state entitlement of the individual REAA's. However, the U.S. Office of Education has determined that these REAA's are local educational agencies for purposes of P.L. 81-874 and that payments must be made directly to each individual REAA. This means that the state will no longer receive some \$16.5 million in anticipated revenues that had been expected to be available to the state as a part of the FY 1977 appropriation from which FY 1978 state aid to the REAA's is paid. (The federal entitlement for the contracted military base schools and tuition students continues to be paid directly to the state.) Since the federal government has determined that payment will no longer be made directly to the state, the state funding formula must be altered to reflect the change in the flow of the federal P.L. 81-874 money or the state will be required to fund the entire formula entitlement for each of the REAA's out of the state's general fund. Further, the various REAA's will receive both the full amount of the formula which was initially determined by the legislature to provide an adequate amount of funding for those schools, an additional amount to each separate REAA of the local P.L. 81-874 entitlement.

Some of the REAA's have significantly higher proportions of P.L. 81-874 students than others. For example, the Adak region has close to 100 per cent P.L. 81-874 students, while the Copper River region has less than 50 per cent. Thus, the effect of funding the school districts at the full amount of the state formula coupled with permitting each district to retain its own entitlement to the P.L. 81-874 funding would be to create a disequalizing effect on the educational funding of the various REAA's. If this happened, there would no longer be any assurance that essentially comparable funding is being provided to those districts for the operation of comparable program levels. Additionally, it should be borne in mind that P.L. 81-874 funds are provided to districts as in-lieu-of-taxation payments to compensate them for the fact that federally owned property within the district is not taxable. The REAA's exercise no local taxing authority and all non-federal funds received by them are state funds derived through the exercise of the state's taxing authority. Therefore, the only manner in which the real purpose of P.L. 81-874 can actually be accomplished is by the state's applying the in-lieu-of-taxation (P.L. 81-874) payments to reduce the amount of state raised revenues used to fund education costs. This was done when the schools in the unorganized borough were operated by the state.

The only equitable way to address these problems is to authorize the offsetting of the P.L. 81-874 money received by the REAA's against the amount of their state aid entitlement computed under the funding formula in AS 14.08.121. A simple across-the-board reduction of the total amount of state funding, prorated for each of the REAA's, would not accomplish the goal of maintaining equalization across the districts. The result of the wide range in the number of P.L. 81-874 students in those districts, generates wide discrepancies in federal funding provided to the various REAA's under that program. This funding discrepancy does not reflect true differences in actual program needs.

If P.L. 81-874 payments are to be offset against state aid for the REAA's, they must also be offset, to the extent permitted under the federal law, against the

P.L. 81-874 payments made to the city and borough school districts of the state. However, the adjustments which would be made to the state aid for those districts would be only a portion of the P.L. 81-874 payments. The federal law only permits P.L. 81-874 receipts to offset state funding in the ratio of the amount of required local effort under the foundation program (AS 14.17) to the total amount of local revenues applied to education in the districts. However, the net effect to the city and borough school districts should not be one of any loss in actual state funding for FY 1979 due to the changes made in area cost differentials and the instructional unit allotment for each of the city and borough school districts.

Sections 3, 4, and 5 of the bill would implement the change in the manner of determining funding for school districts for those schools which have average daily membership (ADM) of 20 or less. Under this proposed program, the funding of small school units would be determined by the commissioner of education annually on an approved program basis. The approved program funding would be determined based on applications submitted by the school districts to the commissioner.

Section 4 also proposes another change to the computation in the number of instructional units to which a school district is entitled. Effective on July 1, 1978 the number of instructional units for schools having an ADM of 3,005 or more would be computed on the basis of 160 units plus one for each additional 21 pupils or fraction of 21 instead of the current 160 instructional units plus one for each additional 23 pupils or fraction of 23.

Last year when I vetoed CSHB 763 (Finance), dealing with a proposed change in area differentials for two election districts in the state, I indicated that it was my belief that these issues should be resolved in conjunction with the School Finance Study then developing under a contract between the Department of Education and the Center for Northern Educational Research. Section 6 of the bill proposes a revision in the area differentials for all areas of the state based on that study. The area differentials which I am proposing in this bill are based on a composite cost-of-living index developed by the Institute of Social and Economic Research of the University of Alaska and the Center for Northern Educational Research. The index is based on a family-of-four cost-of-living adjustment throughout the state using Anchorage as the base.

Because these indices varied considerably within given election districts, it was decided to abandon the present method of determining area differentials on the basis of election districts in favor of applying area differentials by school districts. In almost every case the revised area differentials have resulted in an increase over the area differentials presently in effect. However, in order to assure those school districts for which a drop in the area differential will occur that they will continue to receive the amount of funding they had anticipated based on the current funding statutes, I am proposing in section 8 of the bill a provision which essentially guarantees that the value of the foundation program receipts for all school districts will not be less than it would have been beginning on July 1, 1977 under the current funding statutes.

Two years ago I initiated the practice of building into the law the base instructional unit figure a year in advance to improve planning capabilities at both the school district and state levels. I strongly believe this to be a wise step in aiding both levels of government in responsible fiscal management. However, I am not at this time proposing to build into the funding program a higher value for the instructional unit for the fiscal year beginning July 1, 1978. Based on current estimates of projected revenues, it does not appear that the state will have sufficient additional recurring revenues available to it in fiscal year 1979 to fund any increase in the value of the instructional unit. I am aware that bills have been introduced in the legislature to accomplish such an increase. While at this time I am unable to support those proposed increases, I am prepared to approve an increase for fiscal years beginning on or after July 1, 1978 to as high as \$29,000 if the legislature enacts measures to provide additional recurring revenues in fiscal year 1979 which would be available to fund that increase. Without the revenue increase, the unit will remain at \$27,500.

Sincerely,

Jay S. Hammond
Governor

SUPERINTENDENT
Bruce H. Hill

CHAIRMAN
Richard Madder

225-9658
225-9659

SOUTHEAST ISLAND SCHOOL DISTRICT

640 Park Avenue
Post Office Box 8340
Ketchikan, Alaska 99901

TREASURER
Kathy Pesterfeld

CLERK
Allen Strahle

MEMBER
Estelle Thom
Lucille Hedrich

April 26, 1977

Mr. Michael J. Scott
Institute of Social and
Economic Research
University of Alaska
Fairbanks, Alaska 99701

Dear Mr. Scott:

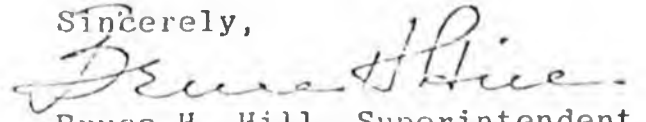
This is to respond to your recent publication entitled "Alaskan Interregional Cost Differentials." While I would like to commend you on your efforts in outlining living costs in various Alaskan communities relative to instructional unit allotments and school operating costs, I would like to point out that glaring errors were made with regard to the Southeast Island School District (SISD). While our administrative office is located in Ketchikan, our schools are located on islands in an area extending from Ketchikan to Frederick Sound, or approximately one-half of Southeast Alaska. Apparently you concluded that data compiled for Ketchikan itself was appropriate for the SISD area.

As a result, several crucial errors were made. First, in Table 2.2 (pp.33-34), the food price index you gave for SISD is identical to that for Ketchikan. While food for our communities is ordered from Ketchikan, there is a (5%) preparation charge made by local grocery stores in addition to the freight (sea or air) charges. Second, Table 2.6 (pp.51-52) clearly shows a lack of understanding with regard to the SISD. Here you show no "Alaska Destination in Region" under SISD. This should have been Ketchikan, which is the major transportation, shopping, and medical center in the area. The round trip fares to our communities from Ketchikan range from \$42.00-140.00 for a single adult seat fare. Also, the Air Freight Rate neglects the cost of transshipment from Ketchikan, which would increase the cost by 75-100%. In Table 2.7, Transportation Cost Index (pp.53-54), once again you have assumed that Ketchikan data is appropriate for the SISD area. Your conclusions here are once again erroneous, as you state that the total SISD average cost is \$1,663, whereas Annette Island, for example, has a total average cost of \$1,859. Keep in mind that Annette Island is much closer to Ketchikan than any SISD site and has limited ferry connections, and thus the transportation costs would be considerably lower than for SISD communities. Twelve of the thirteen SISD communities have no ferry access, while the one that does has twice weekly service with a 130 mile round trip over less than adequate roads to the ferry terminal (with the result that people fly). As a result,

air transportation is a very major item in the SISD operating budget. Similar errors are found in Table 2.8, Air Freight Costs and Household Furnishings and Operations Indices (pp.58-59).

Finally, Table 2.10, which is a composite consumption index (pp.64-65), represents a further compounding of all the errors previously mentioned, and therefore presents an extremely inaccurate and misleading picture with regard to living costs in the SISD area. I therefore would like to suggest that data pertaining to the SISD area be revised so that a reader may have a truly knowledgeable understanding of living costs in the area as well as costs relative to school operation in the SISD. I trust that similar errors were not made with respect to the other REAA's; if so, the validity of your report would be further eroded.

Sincerely,


Bruce H. Hill, Superintendent

cc: Richard Madden, Chairman SISD Board
Representative Oral Freeman
Representative Terry Gardiner
Senator Robert Ziegler
Representative Charles Parr
Senator Glenn Mackney
Representative Steve Cowper
Senator John Sackett



707 A Street, Suite 206
Anchorage, AK 99501

UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

Mr. Bruce H. Hill, Superintendent
Southeast Island School District
640 Park Avenue - P. O. Box 8340
Ketchikan, AK 99901

April 29, 1977

Dear Mr. Hill:

Thank you for your letter of April 26. First of all, you have pointed out several facts regarding local conditions in the Southeast Island School District which, as you so clearly demonstrate, make the use of Ketchikan as the point at which living costs are computed misleading. Early in the process of computing costs for the REAA districts we decided to use the headquarters town as the basis for the district, recognizing that in doing so, we were in effect sweeping under the rug a myriad of intra-district distribution and transportation problems for which consistent data were not available for all (or even most) districts, except at costs in project time and effort that neither funding nor time constraints permitted. The problem is common to most REAA's in the state.

Secondly, I would like to give you my thoughts on what might be done about the problem. Variability of cost within a district is very great - for example, you mention that in SISD transshipment costs increase air freight by 75 to 100 percent, and that air fares vary from \$42.00 to \$140.00. In addition, one must determine in what proportions it is appropriate to assume that groceries, for example, move by sea or air to each community in SISD to determine the proper weighted average premium in grocery prices above Ketchikan prices. The first alternative, that of my simply adjusting the cost of living as determined at the regional center for intra-district costs, appears to be impractical for the reason that extensive additional data collection on freight movements within a district (and probably all REAA's) would be necessary.

A second alternative would be to adjust the "isolation factor" in the funding formula to reflect the higher costs of doing business in communities within districts which are relatively isolated and costly places in which to live. This would be over and above any "isolation factor" for the district as a whole, and apart from the provision which lets you count isolated schools as separate attendance centers. I don't know what the

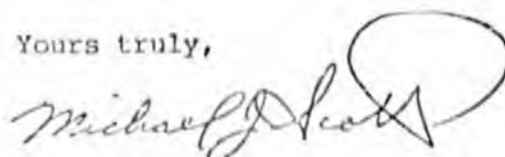
page 2

new factor would be, but looking at your data, I tentatively conclude that it may well be far above the traditional 5 percent.

A third alternative would be to do a comprehensive and extensive statewide cost of living survey, and to do it right, with adequate time and resources committed to the task. This has been recommended in the Legislature from time to time, but it has never been done, so far as I am aware. The allocation of funds from several state programs, plus several Federal ones, might well be improved by a well-supported survey of high professional quality repeated at reasonably frequent intervals. However, the expense of doing this for more than just a few places probably renders this alternative impractical as a solution to the specific problems you raise in your letter because virtually every city, town, and village in the state would have to be surveyed.

Finally, I am referring your letter and my reply to Dean Coon at CNER and Nat Cole at the Department of Education, because I am in complete sympathy with your views on the matter of intra-district cost variation, because DOE may wish to take your comments into account, and because I think they should be aware of reactions to our study at the district level. I also urge you to send copies of your letter to your fellow superintendents, as I am sure they share your feelings and may also want to comment. Good luck.

Yours truly,



Michael J. Scott
Assistant Professor of Economics

MJS/m

cc: Dean Coon, CNER
Nat Cole, Department of Education
Richard Madden, Chairman SISD Board ✓
Representative Oral Freeman
Representative Terry Gardiner
Senator Robert Ziegler
Representative Charles Parr
Senator Glenn Hackney
Representative Steve Cowper
Senator John Sackett

Table 2.7

Transportation Cost Index, 1976¹

District or REAA and Place	Annual Local Transportation Cost, Less Gasoline	Annual Gasoline Cost (auto only) ³	Annual Intercity Transportation Cost ⁴	Total Transportation Cost	Total Cost as a Percent of Anchorage
Anchorage	\$1,196 ²	\$469	\$ 0	\$1,665	100.0
Bristol Bay (King Salmon)	1,196	430	698	2,324	139.6
Cordova	1,196	469	385	2,050	123.1
Craig	1,196	364	311	1,871	112.4
Dillingham	1,196	500	824	2,520	151.4
Fairbanks	1,196	508	0	1,704	102.3
Galena	925	0	628	1,553	93.3
Haines	1,196	469	454	2,119	127.3
Hoonah	1,196	469	322	1,987	119.3
Hydaburg	1,196	469	336	2,001	120.2
Juneau	1,196	469	0	1,665	100.0
Kake	1,196	469	811	2,476	148.7
Kenai	1,196	492	210	1,898	114.0
Ketchikan	1,196	467	0	1,663	99.9
King Cove	325	0	2,280	2,605	156.5
Klawock	1,196	364	336	1,896	113.9
Kodiak	1,196	470	636	2,302	138.3
Matanuska-Susitna (Palmer/Talkeetna)	1,196	475	216 ⁵	1,887	113.3
Nenana	1,196	515	288 ⁶	1,999	120.1
Nome	1,196	506	1,034	2,736	164.3
North Slope (Barrow)	925	0	1,020	1,945	116.8
Pelican	325	0	598	923	55.4
Petersburg	1,196	469	531	2,196	131.9
Selawik	925	0	1,410	2,335	140.2
Sitka	1,196	469	404	2,069	124.3
Skagway	1,196	469	484	2,149	129.1
St. Marys	925	0	1,020	1,945	116.8
Unalaska	1,196	430	2,672	4,298	258.1
Valdez	1,196	469	315	1,980	118.9
Wrangell	1,196	469	473	2,138	128.4
Yakutat	325	0	502	827	69.1

Notes: See end of table.

Table 2.7 (continued)

District or REAA and Place	Annual Local Transportation Cost, Less Gasoline	Annual Gasoline Cost (auto only)	Annual Intercity Transportation Cost	Total Transportation Cost	Total Cost as Percent Anchorage
N.W. Arctic (Kotzebue)	\$ 925	\$ 0	\$1,034	\$1,959	117.7
Bering Straits (Nome)	925	0	1,034	1,959	117.7
Lower Yukon (Mt. Village)	925	0	1,368	2,293	137.7
Lower Kuskokwim (Bethel)	925	0	936	1,861	111.8
Kuspuk (Aniak)	925	0	922	1,847	110.9
S.W. Region (Dillingham)	925	0	824	1,749	105.0
Lake and Peninsula (King Salmon)	925	0	698	1,623	97.5
Aleutian Chain (Cold Bay)	325	0	2,070	2,395	143.8
Pribilof Islands (St. Paul)	925	0	2,868	3,793	227.8
Iditarod (McGrath)	925	0	530	1,455	87.4
Yukon-Koyukuk (Nenana/Tanana)	925	0	288	1,721	103.4
Yukon Flats (Ft. Yukon)	925	0	420	1,345	80.8
Upper Railbelt (Clear)	1,196	508	480 ⁷	2,184	131.2
Delta Greely (Big Delta)	1,196	515	546	2,257	135.6
Alaska Gateway (Tok/Northway)	1,196	529	546	2,271	136.4
Copper River (Glennallen)	1,196	515	315	2,026	121.7
Chatham (Angoon)	325	406	406	731	43.9
S.E. Islands (Ketchikan)	1,196	467	0	1,663	99.8
Annette Island (Metlakatla)	1,196	467	196	1,859	111.7
Chugach Schools (Whittier)	1,196	469	850 ⁸	2,515	151.1

Notes: See end of table.

SUPERINTENDENT
Bruce H. Hill

225-9658
225-9659



640 Park Avenue
Post Office Box 8340
Ketchikan, Alaska 99901

739

CHAIRMAN
Richard Madden

TREASURER
Kathy Pesterfield

CLERK
Allen Strahle

MEMBER
Lucille Hedrich
Estelle Thompson

January 24, 1978

The Honorable Jay Hammond, Governor
Office of the Governor
Pouch A
Juneau, Alaska, 99811

Dear Governor Hammond:

Enclosed you will find several resolutions passed by the Southeast Island School District Board at their regular meeting on January 19, 1978. As each resolution requests the enactment of specific legislation, the following comment is to provide rationale for, and to clarify, the Southeast Island School District's position on each request:

I. Instructional Unit Value (Resolution No. 78-3):

The last session of the Legislature passed SCS CSHB 212, one section of which adopted a new set of cost differentials for determining instructional unit allotments. The final bill, which incorporated elements of previously introduced bills, especial SB 225, used cost differentials based upon a composite cost-of-living index developed by the Institute of Social and Economic Research, University of Alaska (see attached letter from Governor Jay Hammond to Senator John Rader, page 4, last paragraph).

The net result of the bill is that rural districts in the same geographic area, and therefore with some of the similar cost problems, were given higher instructional unit values than the Southeast Island School District. This District, however, has some unique problems which are not faced by these other centralized rural Southeast districts and which further add to its operating costs. The following are offered as examples:

- A. Board travel; The Southeast Island School District Board members must travel from their respective communities for meetings in a central location, at a cost of approximately \$1,000.00 per month.

- B. Federal funds: Due to the cultural and economic makeup of its population, this District receives proportionately less Federal funding than most, if not all, Alaskan school districts. As a result, supplemental programs have to be funded with basic instruction monies.
- C. Travel by certificated staff: Our Special Education and Correspondence Programs rely upon itinerant staff who travel throughout the District to 16 schools and a number of other locations in an area from Ketchikan to Frederick Sound. The delivery of these programs is costly in terms of both time and money, but additional funds are not provided to meet this additional burden. For example, in a centrally located district, a special education teacher may provide daily instruction to relatively large numbers of children, while in this District it may take a teacher 4-5 days to travel and provide a program for a single child. The special education program is currently subsidized by basic instruction and Federal funds, with the latter expected to diminish by 30% in FY 1979.
- D. Building relocation: Due to the transiency of logging operations, school buildings have to be frequently moved and reinstalled at the new locations.
- E. Inservice training: Again due to the geographic remoteness of the District inservice training for teachers is an extremely costly item.

Finally attached are: (1) a copy of a letter to Michael Scott of the Institute for Social and Economic Research; (2) his response, which clearly indicates weaknesses in the data used; and (3) as an example, a copy of the "Transportation Cost Index, 1976" from the Alaskan Interregional Cost Differentials prepared by the Institute for Social and Economic Research. Note how the cost for the Southeast Island School District is that of Ketchikan, while the cost for neighboring rural school districts (Craig, Klawock, Hydaburg, Annette Island) are all considerably higher.

As a result of the above factors, the Southeast Island School District Board is requesting that the instructional unit value be adjusted so that it is comparable to that of other rural Southeast school districts. As a new district, Southeast Island School District would like to develop relevant instructional programs, provide new programs in the areas of music and art, and make inservice opportunities available to its teachers so that their expertise may be kept up to date. If the instructional unit value is amended, it is expected that a large portion of the additionally generated funds (approximately \$80,000.00) would be used for these purposes.

II. Correspondence Study (Resolution No. 78-4):

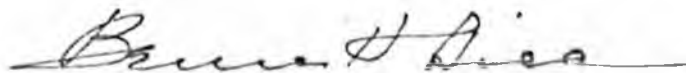
At the time that Alaska State-Operated School System was decentralized, it was assumed that all educational programs would be placed under control of the R.E.A.A. Boards. The intent of SB 35 was successfully carried out at both the Department of Education and R.E.A.A. levels, with the single exception of the correspondence study program. While some school districts do not offer and therefore have a need for a centralized State program, this District has an excellent correspondence program and does not have such a need.

III. Unemployment Compensation Benefits (Resolution No. 78-5):

This resolution, which is related to the first resolution, requests the Legislature to modify the unemployment compensation laws so that all school district employees on normal school vacations do not qualify for benefits. This is of great importance to Southeast Island School District due to the transiency of the population and the large number of classified employees (mostly part time instructional aides for the correspondence and special education programs, but also including clerical, secretarial and custodial personnel). Southeast Island School District has a normal working force consisting of 60 classified employees. In 1977, a total of 41 classified employees were terminated. In each case, the termination was due to the employee moving to another community. In addition, all classified employees had normal school vacations as did certificated staff. If legislative relief is not provided, the burden on this District of the costs for terminated employees and employees on normal vacations will be detrimental to current programs, especially in view of the anticipated reduction in the Southeast Island School District instructional unit value.

Your consideration of these matters will be greatly appreciated. Please contact me at 225-9658 if you have any questions.

Sincerely,



Bruce H. Hill
Superintendent

BH:js
Encl.

cc: Richard Madden, Jr., Chairman,
Southeast Island School District Board
Senator Glenn Hackney
Representative Charles Parr ✓
Commissioner Marshall Lind

RESOLUTION NO. 78-4

CORRESPONDENCE STUDY

WHEREAS, the intent of SB 35 was to grant local control of educational programs to the newly created Regional Educational Attendance Areas, and

WHEREAS, both the Southeast Island School District and the State offer correspondence programs within the Southeast Island School District area, and

WHEREAS, the effect of this dual system is to reduce the potential program offered by the Southeast Island School District and to create an additional financial burden on the State, then

THEREFORE BE IT RESOLVED, the Southeast Island School District Board supports the Association of Alaska School Boards resolution requesting an amendment to AS 14.30.010 (b)(10) to state that where a district has its own correspondence study program, the State Department of Education shall not offer its correspondence study program.

RESOLUTION NO. 78-5

UNEMPLOYMENT COMPENSATION BENEFITS

WHEREAS, prior to January 1, 1978, unemployment compensation benefits were subsidized by the Federal government, and

WHEREAS, the recently enacted P.L. 94-566 shifts liability for such benefits to the employer, including public school districts, and

WHEREAS, the additional anticipated financial burden will detract from educational programs in Alaska school districts, and

WHEREAS, this financial burden will be particularly felt in the Southeast Island School District due to the transiency of a large portion of its population, including classified staff, and

WHEREAS, the Federal legislation specifically excludes certificated employees from eligibility for unemployment benefits when between normal school terms and permits a state to exclude classified employees from eligibility when between school terms, then

THEREFORE BE IT RESOLVED, that the Southeast Island School District Board requests the Legislature to enact legislation to exclude classified employees from eligibility benefits between school terms when the employees are given reasonable assurances of employment upon the beginning of the next school term, and to make the State Department of Labor liable for all costs relating to unemployment benefits for public school district employees.