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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

Date: 5/13/82

Mr. Speaker:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had CSSB 649(R1s)am

Under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS ~~for~~ WLS CS 52 649 (H. 649) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without ^{individual} recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

Speaker

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

same title - new number

CHAIRMAN

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 11, 1982

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to payment for public education in the state.

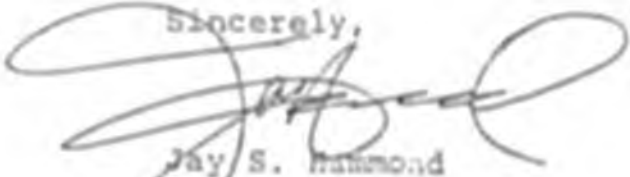
Section 1 of this bill bases the calculation of supplemental equalization aid upon certain tax contributions made in the fiscal year immediately preceding the prior fiscal year. This would allow the Department of Education to base payments on audited figures, rather than mere estimates.

Sections 2 -- 4 of this bill correct drafting errors that were contained in FCCS SB 23, which I allowed to become law without my signature last session. See, ch. 119, SLA 1981.

The problems in the law as enacted last year were addressed in my August 7, 1981, letter to the President of the Senate on the handling of FCCS SB 23. 1981 S.J., p. 1827. I indicated in that letter that I would offer corrective legislation at this time. In the statute amended in sec. 2 of the attached bill, it is evident that both numbers have to be the same - either both "11" or both "14." The tape of the free conference committee meeting on SB 23 indicates that the intent was to make it "11." Section 3 of this bill deletes the Copper River School District from the statute providing for 115 percent of the base instructional unit allotment because sec. 6 of FCCS SB 23 added that district to the statute providing 120 percent. Section 4 of this bill covers FY 82 and makes clear that there was no intent to eliminate the base instructional unit value for this fiscal year.

The attached bill, which is consistent with both the clear intention of the legislature and the actions of the Department of Education, provides needed clarification of agency obligations in the area of special education.

Sincerely,


Jay S. Hammond
Governor

MEMORANDUM

State of Alaska

TO The Honorable Michael Beirne
Alaska State Representative
Alaska State Legislature

DATE: May 10, 1982

FILE NO:

TELEPHONE NO: 465-2890

FROM  Steve Hole, Administrator
Division of Management, Law and Finance
Department of Education

SUBJECT: Status of school
district budgets

Presently, most school districts are waiting for final action by the legislature and the governor on the operating budget before they submit to us their final FY-83 budgets.

4/24/82 Anchorage Daily News

House bill alters aid to education

The Associated Press

JUNEAU — State financial aid to school districts would be distributed on a per-student basis for the next two years if a bill approved by the Senate Thursday becomes law.

The switch is intended to curb fluctuations in the amount of state money paid to individual school districts and simplify the process of aid to education. In the meantime, a study of possible alternates to the current method of support is under way. Sen. Terry Stimson, D-Anchorage, said.

The 15-3 vote sends the bill to the House.

The bill would base per-pupil payments to school districts on the amount they would receive through the existing foundation-formula funding equation.

The bill describes the current method for channeling state money to school districts as "no longer equitable," and directs the state Department of Education to conduct a comprehensive study of the funding program.

The Senate's proposal includes \$560,000 for the study.

Stimson said the inequities resulted because the formula used to disburse money to school districts was established before Alaska's Bush schools were organized into 21 Rural Education Attendance Areas in 1975.

Stimson said the reorganization meant the administration for schools statewide was doubled, but the funding formula was not changed to reflect the difference.

Sen. Charlie Parr, D-Fairbanks, said he opposed the bill (CSSB649 Rules) because

it would continue for two more years existing inequities in funding for school districts.

He said the amount of state aid to St. Mary's City School District would be \$16,361 per student, while Sand Point City School District would receive \$9,934 per student. Both districts have similar populations and service areas.

The bill calls for schools to continue receiving their current level of funding from the state for fiscal 1983.

... be sur- in the state capital.
... present in community The district, he said, has
to make sure that the people common needs and goals. Con-

4-23-82

School aid based on student counts

By The Associated Press

State financial aid to school districts would be distributed on a per-student basis for the next two years, rather than by a more complicated formula that is now used, under a bill approved by the Senate Thursday.

The switch is intended to curb fluctuations in the amount of state money paid to individual school districts while a study is conducted of possible alternates to the current method of support, said Sen. Terry Stinson, D-Anchorage.

The 15-3 vote sends the bill to the House. The bill would set in law per-pupil payments to school districts based on the amount they would receive through the existing foundation formula funding equation.

The bill describes the current method for channeling state money to school districts as "no longer equitable," and directs the state Department of Education to conduct a comprehensive study of the funding program.

The Senate's proposed operating budget includes \$560,000 for the study.

Stinson said the inequities resulted because the formula used to disburse money to school districts was established before Alaska's bush schools were organized into 21 Rural Education Attendance Areas in 1975.

Stinson said the reorganization meant the administration for schools statewide was doubled, but the funding formula was not changed to reflect the difference.

Sen. Charlie Parr, D-Fairbanks, said he opposed the bill (CS-SB649 Rules) because it would continue for two more years existing inequities in funding for school districts.

He pointed out that the amount of state aid to St. Mary's City School District would be \$16,361 per student, while Sand Point City School District would receive \$9,934 per student. Both districts have similar populations and service areas.

Stinson agreed that the bill would allow disparities to continue. But he said bill has the advantage of adjusting payments to school districts based on the number of students attending school.

The bill calls for schools to continue receiving their current level of funding from the state for fiscal 1983, and get a 5 percent hike payments in fiscal 1984.

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REQUEST

Bill Resolution No. J-77-032-82

Title An Act Relating to Education

Requested by Governor

Date 12-9-81

II. FISCAL DETAIL

Agency Affected Department of Education

Program Category Affected Elementary and Secondary Education

BRU, Program, or Subprogram(s) Affected Foundation Support, Financial Support Districts

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS CLAIMS ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	N/A					
PART TIME						
TEMPORARY						

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

This bill has no fiscal impact.

IV. DATE 12-9-81

PREPARED BY

Steve Hole

AGENCY

Department of Education

PHONE

465-2890

Original: Legislative Finance

cc: Budget and Management

Print Sponsor (Full Legislator Name)

The 1980 amendment added subsection (c).

Secs. 14.14.170—14.14.200.
 Repealed by § 6 ch 24 SLA 1979.

Cross references. — As to advisory school boards in regional educational attendance areas, see AS 14.06.115.

Editor's notes. — The repealed sections derived from § 1, ch. 98, SLA 1966; §§ 10, 11, ch. 46, SLA 1970; §§ 12, 67, ch. 32,

SLA 1971; §§ 1, 2, ch. 101, SLA 1971; §§ 23, 24, ch. 53, SLA 1973; § 1, ch. 37, SLA 1974; §§ 3-5, ch. 72, SLA 1974; §§ 4, 5, ch. 13, SLA 1975; §§ 7-10, ch. 124, SLA 1975.

Chapter 17. Public School Foundation Program.

Article 1. State Aid to Local School Districts.

Section

- 21. Basic state aid
- 23. Supplemental equalization aid
- 31. Instructional units
- 41. Table of allowable instructional units

Section

- 51. Instructional unit allotment
- 56. Base instructional unit value
- 71. [Repealed]

Sec. 14.17.021. Basic state aid. (a) The amount of basic state aid for which each district is eligible is calculated by multiplying the instructional unit allotment of the district as established under AS 14.17.051 by the number of allowable instructional units in the district as established under AS 14.17.041.

(b) If permitted under § 5(d)(2) of P.L. 81-874, as amended, (20 U.S.C. 240(d)) and the regulations adopted under it (45 C.F.R. 115.60 — 115.66), the amount of basic state aid to a district may be reduced by up to 80 percent of the entitlement of the district to federal financial assistance under P.L. 81-874, as amended, (20 U.S.C. 236 — 244), for the prior fiscal year. (§ 4 ch 238 SLA 1970; am §§ 1, 2 ch 81 SLA 1975, am §§ 1, 2 ch 173 SLA 1976, am §§ 2, 3 ch 90 SLA 1977; am §§ 3, 4 ch 26 SLA 1980)

Effect of amendments. — The 1976 amendment, in subsection (c), substituted "95 per cent" for "93 per cent" in paragraphs (2) and (3).

The 1977 amendment added the second sentence of subsection (a); substituted "97 per cent" for "95 per cent" in paragraphs (2) and (3) of subsection (c).

Section 3 ch 26, SLA 1980 in subsection

(a), substituted "if" for "To the maximum extent" at the beginning of the second sentence, substituted "may" for "shall" following "state aid" and inserted "up to 80 percent of" following "be reduced by" near the middle of the second sentence, while § 4 of ch. 26, effective later, reverts the section.

Sec. 14.17.023. Supplemental equalization aid. (a) In addition to basic state aid under AS 14.17.021, each district is entitled to supplemental equalization aid, as determined in (b), (c) and (d) of this section.

(b) The amount of supplemental equalization aid for a district is calculated by multiplying the ADM of the district as reported for the

prior fiscal year under AS 14.17.180 by the amount per ADM calculated in (c) of this section. This amount shall be reduced by the amount of the average local tax contributions per pupil in average daily membership for school operating costs in that district in the prior fiscal year or in the fiscal year ending June 30, 1979, whichever is higher.

(c) The amount per ADM of supplemental equalization aid is calculated as the amount equal to the average local tax contributions per pupil in average daily membership for school operating costs in the city and borough school districts in the prior fiscal year.

(d) The amount of supplemental equalization aid for each district determined in (b) of this section shall be adjusted by the district's instructional unit allotment established in AS 14.17.051. (§ 5 ch 26 SLA 1980)

Sec. 14.17.031. Instructional units. (a) The total number of instructional units within each school district is the sum of

(1) the number of units for elementary schools and the number of units for secondary schools as determined from AS 14.17.041(a), (b), (c), or (d);

(2) the number of units for vocational education determined from AS 14.17.041(e) as approved by the department;

(3) the number of units from special education determined from AS 14.17.041(f) as approved by the department;

(4) if the district has five or more correspondence pupils enrolled in an approved district correspondence study program, the number of units for correspondence pupils determined by applying the number of correspondence pupils to AS 14.17.041(a); and

(5) the number of units for bilingual education determined from AS 14.17.041(g) as approved by the department.

(b) A school district shall compute separately the number of allowable instructional units for each of its elementary and secondary schools except as provided in (c) of this section.

(c) The commissioner shall authorize any school in a remote location to establish an associated secondary school when the sum of the average daily membership in grades five through eight is greater than 20. Notwithstanding AS 14.17.041, any school or school district operating a remote elementary school with 20 or fewer total average daily membership in grades five through eight may conduct a secondary program subject to approval of the commissioner and use the following table to calculate the number of allowable instructional units for the combined elementary and secondary program of the remote school

ADM	No Instructional Units
under 12	3
12-20	4
21-32	5

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(d) If the instructional units which a school district is entitled to under (a) of this section decrease by 10 percent or more from one year to the next, the school district may use the last year before the reduction as a base year and offset its reduction according to the following schedule: (1) For the first year after the base year, the school district is entitled to the instructional units determined under (a)(1) of this section plus 75 percent of the difference in instructional units between the base year and the first year; (2) for the second year after the base year, the school district is entitled to the instructional units determined under (a)(1) of this section plus 50 percent of the difference in instructional units between the base year and the second year; (3) for the third year after the base year, the school district is entitled to the instructional units determined under (a)(1) of this section plus 25 percent of the difference in instructional units between the base year and the third year. The schedule established in this subsection is available to a school district for the three years following the base year only so long as the entitlement to instructional units under (a)(1) of this section for each year is less than the entitlement in the base year. This subsection does not apply to a decrease in instructional units resulting from a loss of enrollment which occurs as a result of a boundary change under AS 29 03 010 — 29.95.030.

(e) The commissioner may authorize a school district operating a school in a remote area to calculate the number of instructional units to which the remote school would be entitled if that school were a separate school district and to include that number of instructional units in the total number of instructional units for the district. (§ 4 ch 236 SLA 1974; am § 3 ch 81 SLA 1975; am § 4 ch 190 SLA 1975; am §§ 4 — 6 ch 90 SLA 1977; am § 1 ch 115 SLA 1978; am §§ 6 — 8 ch 26 SLA 1980)

Effect of amendments. — The 1977 amendment substituted "§ 41(a), (b), (c), or (d)" for "§ 41(a) or (b)" in paragraph (1), "§ 41(c)" for "41(c)" in paragraph (2), and "§ 41(d)" for "41(d)" in paragraph (3), all in subsection (b), added "except as provided in (c) of this section" to the end of subsection (b), rewrote subsection (c), and added subsection (d).

The 1978 amendment added paragraph (b) of subsection (a).

The 1980 amendment inserted "elementary and" preceding "secondary schools" in subsection (b), substituted "(a) of this section" for "(a) of this section" wherever it appears in subsection (d), substituted "third year" for "second year" at

the end of the first sentence in subsection (d), added the present last sentence in subsection (d) and added subsection (e). The addition of subsection (e) is retroactive to July 1, 1978.

Editor's notes. — Section 22, ch. 36, SLA 1980 provides "The amendments made to AS 14 17 031(d) by § 7 of this Act, substituting references to AS 14 17 031(a) for references to AS 14 17 031(c), do not apply to a school district using a base year ending on or before June 30, 1980, for instructional unit computation under the schedule of instructional unit reductions set out in AS 14 17 031(d) for a period of three years following the base year."

Sec. 14.17.041. Table of allowable instructional units.

(a) Elementary schools:

ADM	No. Instructional Units
under 32	3
32 — 46	4
47 — 62	5
63 — 80	6
81 and over	6 plus 1 for each 18 pupils in ADM or fraction of 18

(b) Repealed by § 20 ch 26 SLA 1980.

(c) Secondary schools:

ADM	No. Instructional Units
under 30	4
30 — 59	6
60 — 89	8
90 and over	10 plus 1 for each 18 pupils or fraction of 18

(d) Repealed by § 20 ch 26 SLA 1980.

(e) Vocational education schedule:

ADM	No. Instructional Units
Full-Time Equivalent	
5—10	1
11—25	2
26—40	3
41 and over	3 plus 1 for each 20 pupils or fraction of 20 pupils in Full-Time Equivalent ADM

(f) Special education schedule:

(1) in districts with ADM of less than 3,000, one instructional unit for each 15 special education pupils or fraction of 15 pupils in ADM.

(2) in districts with ADM of 3,000 or more, one instructional unit for each 11 special education pupils or fraction of 14 pupils in ADM.

(g) Bilingual education schedule:

Weighted ADM	No. Instructional Units
1 — 12	1
13 — 18	2
19 — 42	3
43 and over	3 plus 1 for each 24 weighted ADM or fraction of 24 weighted ADM

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(§ 4 ch 238 SLA 1970; am § 1 ch 137 SLA 1972; am § 4 ch 81 SLA 1975; am § 7 ch 90 SLA 1977; am § 2 ch 115 SLA 1978; am §§ 9 — 11, 20 ch. 26 SLA 1980; am § 1 ch 119 SLA 1981)

Revisor's notes. — AS 14.17.041(f)(2) was rewritten by Section 1, Chapter 119, SLA 1981. The paragraph is flawed by a drafting error. There is no evidence of whether the legislature intended the paragraph to read "... one instructional unit for each 11 special education pupils or fraction of 11 pupils in ADM" or "... one instructional unit for each 14 special education pupils or fraction of 14 pupils in ADM".

Effect of amendments. — The 1977 amendment rewrote this section.

The 1978 amendment added subsection (g).

Section 9, ch. 26, SLA 1980 rewrote subsection (a). Section 10, ch. 26, SLA 1980 rewrote subsection (c). Section 11, ch. 26, SLA 1980 substituted "16" for "20" where it appears at the bottom of the second column in subsection (c). Section 20, ch. 26,

SLA 1980 repealed subsections (b) and (d).

The 1981 amendment, effective August 8, 1981, rewrote subsection (f).

Editor's notes. — Section 3, ch. 119, SLA 1981, provides: "The amendment to AS 14.17.041 (f) made by this Act may not be applied to reduce the number of allowable instructional units for special education below the number of units allowed during the school term ending in 1981."

Section 4, ch. 119, SLA 1981, provides: "Notwithstanding sec. 1 of this act, in computing the state aid for special education under AS 14.17 for the fiscal year beginning July 1, 1981, a school district or a rural educational attendance area has the same number of allowable instructional units for special education that it had during the fiscal year beginning July 1, 1980."

Sec. 14.17.051. Instructional unit allotment. The instructional unit allotment for each school district or regional educational attendance area is as follows:

(1) for Gateway Borough School District, City and Borough of Juneau School District, and Anchorage School District, the district is entitled to receive the base instructional unit allotment;

(2) for Annette Island School District, Petersburg City School District, Wrangell City School District, Sitka Borough School District, and Matanuska-Susitna Borough School District, the district or area is entitled to receive 104 per cent of the base instructional unit allotment;

(3) for Craig City School District, Hydaburg City School District, Klawock City School District, Kake City School District, Chatham School District, Skagway City School District, Southeast Island School District, and Kenai Peninsula Borough School District, the district or area is entitled to receive 108 per cent of the base instructional unit allotment;

(4) for Pelican City School District, Hoonah City School District, and North Star Borough School District, the district or area is entitled to receive 112 per cent of the base instructional unit allotment;

(5) for Copper River School District, Cordova City School District, Valdez City School District, and Haines Borough School District, the district or area is entitled to receive 115 per cent of the base instructional unit allotment;

(6) for Nenana City School District, Delta School District, Alaska Gateway School District, Upper Railbelt Regional School District,

Yakutat City School District, Chugach School District, and Copper River School District, the district or area is entitled to receive 120 percent of the base instructional unit allotment;

(7) for Adak Regional School District the area is entitled to receive 140 per cent of the base instructional unit allotment;

(8) for Pribilof Islands School District, Aleutian Chain School District, King Cove City School District, Sand Point City School District, and Unalaska City School District, the district or area is entitled to receive 150 percent of the base instructional unit allotment;

(9) for Yukon Flats School District, Dillingham City School District, Bristol Bay Borough School District, Southwest Regional School District, Lake Peninsula School District, Lower Kuskokwim School District, Galena City School District, Kuspuk School District, Yukon-Koyukuk School District, Northwest Arctic School District, Selawik City School District, Nome City School District, Bering Straits School District, Iditarod Area School District, North Slope Borough School District, Lower Yukon School District, and St. Mary's City School District, the district or area is entitled to receive 155 per cent of the base instructional unit allotment.

(10) for Kodiak Island School District, the district is entitled to receive 116 per cent of the base instructional unit allotment. (§ 4 ch 238 SLA 1970; am § 1 ch 40 SLA 1971; am § 5 ch 81 SLA 1975; am § 12 ch 124 SLA 1975; am § 8 ch 90 SLA 1977; am §§ 3 - 6 ch 115 SLA 1978; am § 12 ch 26 SLA 1980; am § 6 ch 119 SLA 1981)

Revisor's notes. - The Copper River School District was added to AS 14.17.051(6) by Chapter 119, SLA 1981. As a result of a drafting error, the Copper River School District was not removed from AS 14.17.051(5).

Effect of amendments. - The 1977 amendment, rewrote the section.

The 1978 amendment deleted "Southeast School District" following "Annette Island School District" in paragraph (2); inserted "Southeast Island School District" in paragraph (3); deleted "Kodiak Island Borough School District" following "Pelican City School District" in paragraph (4); and added paragraph (10).

The 1980 amendment inserted "Sand Point City School District" following "King Cove City School District" in paragraph (6).

Editor's notes. Section 14, ch 26, SLA 1980, provides "The Legislative Budget and Audit Committee shall undertake a study of the differential instructional unit value applicable to school districts under AS 14.17.051. The study shall establish the appropriate differential elements and weighting factors for instructional units and shall include a process for periodic revisions of the differential instructional unit allotment values. The committee shall submit the study and its recommendations on the study to the legislature no later than January 18, 1981."

The 1981 amendment, effective August 8, 1981, deleted "and" preceding "Chugach School District" and added "and Copper River School District" preceding "the district or area is entitled" in paragraph (6).

Sec. 14.17.056. Base instructional unit value. The base instructional unit value for fiscal years beginning on or after July 1, 1982, is \$42,430. (§ 4 ch 238 SLA 1970, am § 1 ch 86 SLA 1973, am § 1 ch 140 SLA 1974, am § 6 ch 81 SLA 1975, am § 3 ch 173 SLA 1976; am § 10 ch 90 SLA 1977, am § 7 ch 115 SLA 1978, am §§ 13, 14 ch 26 SLA 1980; am § 5 ch 119 SLA 1981)

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Revisor's notes. — As the result of a drafting error, the amendment made by section 5, Chapter 119, SLA 1981 inadvertently repealed the base instructional unit value for the fiscal year ending June 30, 1982.

Effect of amendments. — The 1976 amendment, in this section as it existed prior to the 1980 amendment, substituted "July 1, 1976 and ending June 30, 1977 is \$25,000" for "July 1, 1975 and ending June 30, 1976 is \$23,500" in subsection (a) and substituted "July 1, 1977 is \$27,500" for "July 1, 1976 is \$25,000" in subsection (b).

The 1977 amendment, in this section as it existed prior to the 1980 amendment, substituted "July 1, 1977 and ending June 30, 1978 is \$27,500" for "July 1, 1976 and ending June 30, 1977 is \$25,000" at the end of subsection (a) and "July 1, 1978 is

\$29,000" for "July 1, 1977 is \$27,500" at the end of subsection (b).

The 1978 amendment, in this section as it existed prior to the 1980 amendment, substituted "July 1, 1978 and ending June 30, 1979 is \$29,000" for "July 1, 1977 and ending June 30, 1978 is \$27,500" at the end of subsection (a) and "July 1, 1979 is \$31,900" for "July 1, 1978 is \$29,000" at the end of subsection (b).

Section 13, ch. 26, SLA 1980 rewrote the section. Section 14, ch. 26, SLA 1980 substituted "after July 1, 1981, is \$38,590" for "after July 1, 1980, is \$34,935" at the end of the section.

The 1981 amendment, effective August 6, 1981, substituted "July 1, 1982" for "July 1, 1981" and substituted "\$42,450" for "\$38,590."

Sec. 14.17.071. Required local effort.
 Repealed by § 21 ch 26 SLA 1980.

Editor's notes. — The repealed section derived from § 4, ch. 236, SLA 1970

Article 2. Preparation of Public School Foundation Budget.

Section	Section
81 Minimum expenditure for instruction	140. Determination of full and true value by Department of Community and Regional Affairs
82 Fund balance changes in school operating fund	

Sec. 14.17.081. Minimum expenditure for instruction. (a) Each district shall budget for and spend a minimum of 55 percent of its school operating expenditures in each fiscal year on the instructional component of the district budget.

(b) The commissioner shall reject a district budget which does not comply with (a) of this section and, unless a waiver has been granted by the state Board of Education under (d) of this section, shall withhold payments of state aid from that district, beginning with the payment for the second full month after rejection and continuing until the school board of the district revises the district budget to comply with (a) of this section.

(c) The commissioner shall review the annual audit of each district for compliance with the expenditure requirements of (a) of this section. If he determines that a district does not meet those requirements, the commissioner shall advise the district of his determination and calculate the percentage of deficiency in required expenditure and deduct that percentage from state aid paid to the district for the current fiscal year, beginning with the payment for the second full month after his determination, unless a waiver has been granted by the state Board of Education under (d) of this section.

(d) A district which has been determined by the commissioner to be out of compliance with the requirements of this section may, within 20 days of the commissioner's determination, request a waiver by the state Board of Education of the imposition by the commissioner of any reduction in state aid payments under (b) or (c) of this section. The request must be submitted to the Legislative Budget and Audit Committee and must be in writing and include an analysis of the reasons and causes for the district's inability to comply with the requirements of this section. The Legislative Budget and Audit Committee shall review the district's request and forward it, along with the committee's recommendations on it, to the state Board of Education which shall either grant or deny the waiver.

(e) The commissioner shall submit an annual report on actions taken by him or the state Board of Education under this section to the Legislative Budget and Audit Committee by April 15 of each year. (§ 15 ch 26 SLA 1980)

Sec. 14.17.082. Fund balance changes in school operating fund. (a) Each district having at least 400 instructional units under AS 14.17.031(a) may accumulate a fund balance in the school operating fund of seven percent of its expenditures. Each district having less than 400 instructional units may accumulate a fund balance of 10 percent of its expenditures.

(b) The commissioner shall review the annual audit of each district to ascertain changes in the year-end operating fund balance of the districts, and notify districts and the state Board of Education, through a written report, of any fund balance accumulation greater than that permitted under (a) of this section.

(c) The state Board of Education shall review the reports submitted to it under (b) of this section and submit a report making recommendations with respect to the legislative treatment of the fund balances of those districts to the Legislative Budget and Audit Committee by April 15 of each year. (§ 15 ch 26 SLA 1980)

Sec. 14.17.140. Determination of full and true value by Department of Community and Regional Affairs. (a) To determine the equalized percentage to be applied to basic need under AS 14.17.021, and the matching ratio for required local effort under AS 14.17.071, the Department of Community and Regional Affairs, in consultation with the assessor for each district, shall determine the full value of the taxable real and personal property in each district. Exemptions granted under ch. 129, SLA 1957, known as the Alaska Industrial Incentive Act (AS 43.25.010 — 43.25.170), shall be honored. If there is no local assessor or current local assessment for a district, then the Department of Community and Regional Affairs shall make the determination of full value from information available. In making the determination, the Department of Community and Regional Affairs shall be

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guided by AS 29.53.060. The determination of full value shall be made before October 1 and sent by certified mail, return receipt requested, before that date to the president of the school board in each district. Duplicate copies shall be sent to the commissioner. The governing body of the borough or city which is the district may obtain judicial review of the determination by filing a motion in the superior court of the judicial district in which the district is located within 30 days after receipt of the determination. The superior court may modify the determination of the Department of Community and Regional Affairs only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

(b) Motor vehicles subject to the motor vehicle registration tax under AS 28.10.431 shall be treated as taxable property for purposes of (a) of this section.

(c) To determine the debt-to-valuation ratio to be applied to the determination of state aid for school construction under AS 43.18.105 — 43.18.135, the Department of Community and Regional Affairs, in consultation with the responsible financial officer of each municipality which is a school district, shall annually determine the debt of the municipality and report the determination to the mayor of the municipality and the commissioner of the Department of Education. The determination shall be made by October 1 of each year and shall report the outstanding debt as of July 1 each year. (§ 2.07 ch 164 SLA 1962; am § 2 ch 95 SLA 1969; am § 6 ch 238 SLA 1970; am § 9 ch 200 SLA 1972; am § 1 ch 218 SLA 1976; am § 2 ch 256 SLA 1976; am § 14 ch 147 SLA 1978; am § 12 ch 94 SLA 1980)

Effect of amendments. — The first 1976 amendment substituted "AS 29.53.060" for "AS 29.10.396" at the end of the fourth sentence of present subsection (a).

The second 1976 amendment added subsection (b).

The 1978 amendment added subsection (c).

The 1980 amendment substituted "AS 28.10.431" for "28.10.255" near the middle of subsection (b).

Editor's notes. — AS 14.17.071, referred to in the first sentence of subsection (a), was repealed by § 21, ch. 26, SLA 1980.

Article 3. Procedure for Payment of Public School Foundation Funds to Districts.

Section

180 Payment under final computation

Sec. 14.17.180. Payment under final computation. Before June 16 each district shall transmit to the commissioner a final computation of the district's state aid. The commissioner shall process each district's computation in the manner provided by AS 14.17.150(a). However, in no event may the entitlement of a school district to state aid under AS 14.17.021 be less than that computed under this section for the

preceding year, except as otherwise provided in AS 14.17.031, or under AS 14.17.170, whichever is greater. Additional state aid shall be obligated by the commissioner before June 30. If the district received more state aid money than it was entitled to under AS 14.17.010 — 14.17.250, it shall immediately, after notice from the commissioner of the overpayment, remit the amount of overpayment to the commissioner to be returned to the public school foundation account. (§ 3.03 ch 164 SLA 1962; am § 5 ch 95 SLA 1969; am § 10 ch 238 SLA 1970; am § 2 ch 135 SLA 1975; am § 16 ch 26 SLA 1980)

Effect of amendments. — The 1980 amendment substituted the present third sentence for the former.

Article 4. General Provisions.

<p>Section 205. State aid to districts operating approved school food service programs 215. [Repealed]</p>	<p>Section 225. Construction and implementation of chapter 250. Definitions</p>
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Sec. 14.17.205. State aid to districts operating approved school food service programs. A school district that qualifies for and provides free and reduced-price lunches to students who qualify under the Federal Nutrition Act shall receive state aid in an amount for each free or reduced-price meal equal to the federal allowances multiplied by the school district's area differential in AS 14 17 051. (§ 11 ch 90 SLA 1977)

Sec. 14.17.215. State aid to districts affected by state activities.
Repealed by § 20 ch 26 SLA 1980.

Editor's notes. — The repealed section derived from § 7, ch. 95, SLA 1969

Sec. 14.17.225. Construction and implementation, of chapter.

(1) Funds necessary to carry out the provisions of AS 14.17.205 may be appropriated annually to the Department of Education. If amounts appropriated are insufficient to meet the allocations authorized under AS 14 17 205, such funds as are available shall be distributed pro rata among eligible districts (am § 12 ch 90 SLA 1977)

Effect of amendments. — The 1977 amendment added subsection (1). As the rest of the section was not affected by the amendment, it is not set out.

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1 DEPARTMENT OF REVENUE (CONT.)

	ALLOCATIONS	APPROPRIATION ITEMS	APPROPRIATION GENERAL FUND	FUND SOURCES OTHER FUNDS
4 CHILD SUPPORT ENFORCEMENT (70 POSITIONS)		3,090,200	1,047,100	2,043,100
5 DURING THE FIRST YEAR OF OPERATION IN FAIRBANKS AND JUNEAU, THE AGENCY IS TO PROVIDE ADMINISTRATIVE SUPPORT FROM AUTHORIZED				
6 POSITIONS IN ANCHORAGE.				
7 ADMINISTRATION AND SUPPORT		2,698,900	2,698,900	
8 OFFICE OF THE COMMISSIONER (16 POSITIONS)	98,000			
9 THE NEGATIVE LINE-ITEM INCLUDED UNDER MISCELLANEOUS IN THE COMMISSIONER'S OFFICE BUDGET MAY BE ALLOCATED AT THE DIRECTION OF				
10 THE COMMISSIONER AMONG THE VARIOUS FUNCTIONS OR PROGRAMS OF THE DEPARTMENT.				
11 ADMINSTRATIVE SERVICES (31 POSITIONS)	1,720,900			
12 REFUNDABLE CREDITS		1,033,000	1,033,000	
13	*****	*****		
14	***** DEPARTMENT OF EDUCATION	*****		
15	*****	*****		
16 EDUCATION				
17 FINANCIAL SUPPORT		391,500,900	389,656,000	1,844,900
18 STUDENT ADM SUPPORT	279,461,600			
19 THE REDUCTION OF 8259,400 FROM THE GOVERNOR'S BUDGET REQUEST IS TO BE MADE IN THE INTERAGENCY TRANSFER OF FUNDS TO THE				
20 CORRESPONDENCE STUDY - DOE PROGRAM. THIS REDUCTION IS NOT TO BE USED TO REDUCE FOUNDATION SUPPORT TO DISTRICTS.				
21 THE REDUCTION OF 97,172,300 REPRESENTS A 2 1/2% REDUCTION IN FOUNDATION SUPPORT TO DISTRICTS. THE REDUCTION SHALL BE				
22 PRORATED BY THE DEPARTMENT OF EDUCATION AMONG ALL SCHOOL DISTRICTS.				
23 SPECIAL EDUCATION ADJUSTMENTS	46,991,600			
24 THE REDUCTION OF 91,204,900 REPRESENTS A 2 1/2% REDUCTION IN FOUNDATION SUPPORT TO DISTRICTS. THE REDUCTION SHALL BE				
25 PRORATED BY THE DEPARTMENT OF EDUCATION AMONG ALL SCHOOL DISTRICTS.				

1 DEPARTMENT OF EDUCATION (CONT.)					
2		APPROPRIATION	APPROPRIATION FUND SOURCES		
3		ALLOCATIONS	ITEMS	GENERAL FUND	OTHER FUNDS
4	VOCATIONAL EDUCATION ADJUSTMENTS	23,002,300			
5	THE REDUCTION OF \$589,800 REPRESENTS A 2 1/2% REDUCTION IN FOUNDATION SUPPORT TO DISTRICTS. THE REDUCTION SHALL BE PRORATED				
6	BY THE DEPARTMENT OF EDUCATION AMONG ALL SCHOOL DISTRICTS.				
7	CORRESPONDENCE STUDY-DOE (29 POSITIONS)	1,844,900			
8	PROGRAM EXPENDITURES FOR CORRESPONDENCE STUDY - DOE ARE TO BE REVIEWED BY THE DEPARTMENT OF EDUCATION. FUNDING, AS CONTAINED				
9	IN THE APPROVED BUDGET LEVEL OF \$1,844,900, IS TO INCLUDE CORRESPONDENCE STUDY COURSE DEVELOPMENT.				
10	CORRESPONDENCE STUDY-LOCAL	4,775,900			
11	THE REDUCTION IN CORRESPONDENCE STUDY - LOCAL FOUNDATION PROGRAM COMPONENT IS TO BE PRORATED BY THE DEPARTMENT OF EDUCATION				
12	AGAINST ONLY THAT PORTION OF FOUNDATION SUPPORT GENERATED BY THE LOCAL CORRESPONDENCE STUDY PROGRAMS.				
13	BILINGUAL PROGRAM ADJUSTMENT	8,500,000			
14	THE REDUCTION IN BILINGUAL PROGRAM ADJUSTMENT SUPPORT IS TO BE PRORATED BY THE DEPARTMENT OF EDUCATION AGAINST ONLY THAT				
15	PORTION OF THE FOUNDATION PROGRAM SUPPORT GENERATED BY THE BILINGUAL PROGRAMS.				
16	SUPPLEMENTAL EQUALIZATION AID	26,924,600			
17	FINANCIAL SUPPORT-DISTRICTS		80,744,500	40,588,300	40,156,200
18	PUPIL TRANSPORTATION-PUBLIC	20,300,000			
19	STUDENT LUNCH PROGRAM	6,000,000			
20	CIGARETTE TAX DISTRIBUTION	7,400,000			
21	FEDERAL PROGRAMS	14,756,200			
22	TUITION STUDENTS	3,558,200			
23	BOARDING HOME GRANTS	651,000			
24	STATE CONTRACT PROGRAMS	27,079,100			
25	THE APPROPRIATION FOR STATE CONTRACT PROGRAMS INCLUDES \$250,000 FOR GRANTS TO SCHOOL DISTRICTS TO CONDUCT VOCATIONAL				
26	EDUCATION SUMMER SCHOOL PROGRAMS. THE APPROPRIATION OF \$250,000 IS CONTINGENT UPON ITS EXPENDITURE FOR GRANTS FOR VOCATIONAL				
27	EDUCATION SUMMER PROGRAMS.				

SB 649

This is an attempt to address the inequities of the present Foundation program. The bill started out as a revision of the statutes (AS 14.17). Because of problems with the statutory language and the lack of knowledge sufficient to equalize the funding allotments, Senate Finance adopted a version which 1) suspends the current system set out in statute; 2) authorizes a two-year study by freezing the allotments to a certain amount per child per year (this comes from FY 82 figures); 3) after setting the amounts, 1984 funding is set at a 5% increase overall. Two amendments regarding the funding for special education and vocational and bilingual education allotments were added in the Senate on the floor. Revised versions have been changes in figures. Average allotment is \$9116.42.

Jody-

What other referral on this Bill?

Finance

Southeast Island School District

640 Park Ave. - P.O. Box 8340 - Ketchikan, Alaska 99901 - (907) 225-9658 or 225-9659



April 16, 1982

Governor Jay Hammond
Office of the Governor
Pouch A
Juneau, AK 99811

Dear Governor Hammond:

Enclosed you will find a copy of a letter from the undersigned to Marshall Lind regarding the interim financing system proposed in SB 649. I have some serious reservations about the proposal because:

1. it could negatively impact a district with many small schools;
2. it probably will have a negative effect on special education programs in Alaska;
3. it does not appear to be much of an improvement over the current foundation program, upon which it is based.

Finally, I am somewhat surprised that a major change in what is basically regarded as a good school finance program may occur with little opportunity for public discussion throughout the state.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert Weinstein".

Robert Weinstein
Superintendent

RW:jb

Southeast Island School District

640 Park Ave. - P.O. Box 8340 - Ketchikan, Alaska 99901 - (907) 225-658 or 225-9659



April 16, 1982

Commissioner Marshall Lind
Department of Education
Pouch F
Juneau, AK 99811

Dear Commissioner Lind:

This is to express some concerns with the interim financing proposal which was proposed by your office and is now part of SB 649.

- I. The proposed system does have some merit, including administrative advantages at both the state and local levels. However, the proposed system seems far more suitable for districts with large schools and stable populations rather than, as the case in this district, those with very small schools and relatively unstable populations. To quote from the proposal sent by your office, "Given the small size of some schools and the lack of a tax base in regional districts, there is a need for heavier funding at the front end of any funding schedule in order to compensate for high overhead at small sites. Perhaps some combinations of units to cover front end costs and an ADM schedule may warrant consideration."

I definitely am in agreement with that, and would be more supportive of an interim funding system based upon such a combination.

No other district, to my knowledge, has so many schools open, close, or move as does this one. When we start a new school, we generally not only have to hire staff and purchase standard supplies and equipment, but also make large, one-time expenditures for such items as a housing trailer, temporary trailer-type schools, and so on. The proposed interim funding system would not be adequate for this purpose. For example, we started a school in late October at Long Island, a logging camp which exists as a result of native timber selections. At this time last year, we had no idea that a new community and a school with an initial enrollment of 12 students would be at that location. So far this year, we have had over \$75,000 of expenditures in excess of those for regular salaries, supplies and equipment, and maintenance/operations. While the current funding system permits us to do this by establishing a minimum of instructional units per school, the proposal would not permit us to provide a

safe, temporary school building and decent teacher housing. It could also prevent us from having the capability of moving a school from one location to another when a logging operation shifts to a new area, as did Tyler Logging this month when it moved from St. John's Harbor to Cape Pole.

As a result, I can not see how the proposal in its current form would be appropriate for Southeast Island School District. I believe that the proposal should be amended by setting a minimum per school allocation.

I would suggest that the following minimums be established:

- A. for an established school with an ADM of less than 14, the minimum be set as the equivalent of one instructional unit plus the per ADM allocation provided by the interim funding system;
- B. for a new school (defined, for an REAA, as the establishment of a school in a community which has not had a school for at least the previous 2 school years) with:
 - a. an ADM of less than 14, the minimum be set as the equivalent of two instructional units plus the per ADM allocation; or
 - b. with an ADM of 14-17, the equivalent of one instructional unit plus the per ADM allocation. The minimums for a new school would apply for one year only.

Such a combination of units and ADM schedule would:

- A. be in accordance with the statements in the Department's interim proposal;
- B. guarantee adequate revenues to meet high costs at small sites, especially those costs involved when establishing a school in a typical logging community in Southeast Alaska.

II. Another area of concern involves the data and calculations used to establish an ADM schedule in SB 649.

- A. The per ADM schedule as contained in SB 649 shows a figure of \$10,380 for SISD. Due to a calculation error, the supplemental equalization figure of \$116.13 was not multiplied by our regional differential of 108%. The figure for this district should have been \$1,097.42. If the proper figure had been used, the Southeast Island School District per ADM figure in SB 649 would be \$10,461. I have discussed this error with Bob Davis and Steve Hole, who assured me that it would be rectified when the bill went to the House.

B. Your message of April 8 indicated that incorrect ADM data and ADM data for new schools would be accepted through Tuesday, April 13. I reported on both April 9 and April 13 via EIS that we will be starting a new combination elementary/secondary school at View Cove next year. The school will be in a new logging camp being established by Sealaska Corporation on Dall Island, and will have an initial enrollment of 16. This would, under the current foundation program, generate 4 instructional units. If this data was used, our per ADM figure would be \$10,546.

III. By deleting the current categorical approach to school funding, I feel that there is an excellent possibility that necessary services to special education students will be neglected. As a person whose original training and experience was in special education, I have noted that a number of school administrators have little, if any, commitment to meeting the needs of such students. While the current statute provides both a legal requirement and moral requirement (in the sense that funds are generated by the provision of services and therefore should be spent on such services) for an intensive level of special education services, the interim proposal would make it relatively easy for a school district to minimize its special education programs. In other words, the interim proposal could encourage a school district to meet the letter rather than the spirit of the law. In addition to children not receiving services, the change might mean that hundreds of professionals, parents, and legislators in Alaska have wasted a great effort by working to make Alaska a leader in this area.

IV. I have some general comments regarding the proposal. There is no question that the foundation program needs to be reviewed. As you may remember, I had some serious reservations with the recommendations of the 1980 Task Force on Foundation Support. I believed then that the proposal would maintain and create additional inequities in the foundation program. I continue to feel that the foundation program needs a comprehensive review and improvements to meet the many concerns which have been expressed, including those in your office's interim proposal.

I feel that some abuses of the current program, such as the "tinkering" of school configurations mentioned in the Department's report, could be eliminated by administrative and regulatory action. However, I question whether the interim proposal, based as it is upon the existing foundation program, would offer other than administrative ease. Until the funding of public schools can be reviewed in an orderly and comprehensive manner and some funding method with advantages over the current system can be developed, I am reluctant to accept an interim proposal which in essence "throws the baby out with the bath water."

Sincerely,

Robert Weinstein

Robert Weinstein
Superintendent

RW:jb

cc: Governor Jay Hammond
Senator Robert Ziegler
Senator Terry Stimson
Senator Richard Eliason
Representative Terry Gardiner
Representative Oral Freeman
Representative E. J. Haugen
Representative Bob Grussendorf

School Districts

(figures to be adjusted)

School District	Revised 1st Qtr. ADM 1981-82	Projected 1982-83 ADM	Instr. Units	Instr. Unit Allotment	Basic Need	Supp. Eq. Aid 1016.13	Preliminary Computation of Entitlement	Per AIXI
Anchorage	33,279	34,372	2,605	42,450	110,502,250	6,977,172	117,559,422	3,420
Bristol Bay	203	212	28	65,797	1,842,316	273,027	2,115,343	9,978
Cordova	415	415	45	48,817	2,196,765	19,462	2,216,227	5,340
Craig	108	185	23	45,846	1,054,458	199,496	1,253,954	6,778
Dillingham	364	363	40	65,797	2,631,880	523,906	3,155,786	8,694
Fairbanks	8,824	9,367	763	47,544	36,276,072	-0-	36,276,072	3,873
Galena	132	132	21	65,797	1,387,737	203,683	1,585,420	12,011
Haines	375	349	42	48,817	2,050,314	17,800	2,068,114	5,926
Hoonah	228	229	25	47,544	1,188,600	238,216	1,426,816	6,231
Hydaburg	89	92	16	45,846	733,536	98,263	831,799	9,041
Juneau	4,080	3,962	350	42,450	14,857,500	97,148	14,954,648	3,774
Kake	194	209	27	45,846	1,237,842	213,759	1,451,601	6,945
Kenai	6,262	6,587	585	45,846	26,819,910	1,375,128	28,195,038	4,280
Ketchikan	2,354	2,276	195	42,450	8,277,750	-0-	8,277,750	3,637
King Cove	136	125	17	63,675	1,082,475	139,164	1,221,639	9,773
Klawock	95	118	20	45,846	916,920	127,075	1,043,995	8,847
Kodiak	2,057	2,068	214	49,242	10,537,788	935,083	11,472,871	5,548
Mat-Su	4,808	4,959	427	44,148	18,851,196	-0-	18,851,196	3,801
Metana	214	208	28	50,940	1,426,320	218,472	1,644,792	7,908
Nome	729	736	74	65,797	4,868,978	539,199	5,408,177	7,340
North Slope	1,061	1,124	152	65,797	10,001,144	-0-	10,001,144	8,898
Pelican	47	56	14	47,544	665,616	51,867	717,483	12,812
Petersburg	561	554	50	44,148	2,207,400	177,774	2,385,174	4,305
Sand Point	141	128	17	63,675	1,082,475	189,097	1,271,572	9,934
Sitka	1,683	1,710	146	44,148	6,445,608	-0-	6,445,608	3,769
Skagway	189	187	21	45,846	962,766	150,414	1,113,180	5,953
St. Marys	96	117	27	65,797	1,776,519	137,775	1,914,294	16,361
Unalaska	191	160	23	63,675	1,464,555	-0-	1,464,525	9,153
Valdez	848	827	86	48,817	4,198,202	-0-	4,198,262	5,076
Wrangell	490	474	47	44,148	2,074,956	230,055	2,305,011	4,863
Yakutat	154	159	22	50,940	1,120,680	161,957	1,282,637	8,067
TOTALS	70,487	72,460	6,150		280,814,558	13,294,992	294,109,550	4,059
Centralized Corres	721	800	48	42,450	2,037,600	-0-	2,037,600	2,547

4/29/82

REAA's

(Requires to be adjusted)

REAA	Revised 1st Qtr. ADM 1981-82	Projected 1982-83 ADM	Instr. Units	Instr. Unit Allotment	Basic Need	Supp. Eq. Aid 1016.13	Less PL 874	Preliminary Computation of Entitlement	Per ADM
Adak	611	630	56	59,430	3,328,080	896,227	707,959	3,516,348	5,581
Alaska Gateway	476	480	77	50,940	3,922,380	585,291	278,848	4,228,823	8,810
Aleutian Region	111	119	33	63,675	2,101,275	181,379	141,805	2,140,849	17,990
Annette Island	348	338	47	44,148	2,074,956	357,190	573,066	1,859,080	5,500
Bering Strait	582	828	166	65,797	10,922,302	1,304,101	709,241	11,517,162	13,910
Chatham	196	221	42	45,846	1,925,532	242,530	211,257	1,956,805	8,854
Chugach	68	92	18	50,940	916,920	112,181	31,192	997,909	10,847
Copper River	568	569	68	50,940	3,463,920	693,814	217,205	3,940,529	6,925
Delta Greely	895	970	83	50,940	4,228,020	1,182,775	430,122	4,980,673	5,135
Editarod	311	315	67	65,797	4,408,399	496,125	362,795	4,541,729	14,418
Kuspuk	324	313	84	65,797	5,526,948	492,975	438,957	5,580,966	17,831
Lake & Peninsula	321	317	82	55,797	5,395,354	499,275	522,382	5,372,247	16,947
Lower Kuskokwim	1,865	2,518	379	65,797	24,937,063	3,965,854	2,093,659	26,809,258	10,647
Lower Yukon	1,183	1,453	183	65,797	12,040,851	2,288,477	1,788,822	12,540,506	8,631
Northwest Arctic	1,495	1,452	197	65,797	12,962,009	2,286,902	1,639,962	13,608,949	9,372
Pribilof	174	185	30	63,675	1,910,250	281,976	262,898	1,929,328	10,429
Railbelt	353	351	56	50,940	2,852,640	427,994	(325)	3,280,959	9,347
Southeast Island	432	377	77	45,846	3,530,142	413,727	422,209	3,521,660	9,341
Southwest Region	476	478	100	65,797	6,579,700	752,851	692,908	6,639,643	13,890
Yukon Flats	299	333	73	65,797	4,803,181	524,475	364,846	4,962,810	14,903
Yukon Koyukuk	569	588	116	65,797	7,632,452	926,101	757,180	7,801,373	13,268
TOTALS	11,657	12,927	2,034		125,462,374	18,912,220	12,646,988	131,727,606	10,190

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

COVERED
POUCH F
STATE OFFICE BUILDING
JUNEAU, ALASKA 99811
PHONE:

MEMORANDUM

To: Superintendents
From: Marshall L. Lind, Commissioner
Subject: Public School Foundation Support System
Date: February 5, 1982

During the past two years significant changes have been made in the structure of the Foundation System which either are now or are about to have a profound impact on the level of financial support for school programs in the state. First, SB 199, enacted during the 1980 Legislative Session, implemented some of the recommendations of a Department of Education Task Force on Foundation Support. Second, SB 23, passed during the 1981 Session, will provide substantially greater support for special education beginning with the 1982-83 school year.

We have been witnessing increases in foundation support at a rate far greater than increases for other components of government. While no one seriously questions the need to provide adequate support for education, there is concern that it may be difficult to sustain the current rate of increases in funding for public schools. In the event that the voters do approve a spending limit, education will operate under that limit.

Staff members in the Department have been involved in reviewing the existing Foundation System and have concluded that there is a need for an extensive review of the system. In addition, it has become apparent that some action should be taken regarding the current system while an extensive study is in progress. Accordingly, two papers have been developed by staff members. They are:

1. "A Proposal For An Interim System of Public School Foundation Support," hereinafter referred to as the Interim Plan.
2. "A Proposal For An Extensive Study Of The Current Public School Foundation Support System and Generation of Appropriate Models For A Support System," hereinafter referred to as the Study.

Superintendents
February 5, 1982
Page Two

The Interim Plan, if adopted, would obviate the need for extensive statutory revision of the current system. It would also provide time for the conducting of the Study which, if properly conducted, could result in the replacement of the existing system with one providing for more equity than is currently possible.

Both papers (the Interim Plan and the Study) were provided to State Board of Education members at the Board's January meeting. At that time it was decided to send copies of the papers to districts to see what the response to the proposals would be.

We would hope that you will be able to take the time needed for careful consideration of the papers, and that you will be willing to share your thoughts regarding them with us.

Enclosures

I. A PROPOSAL FOR AN INTERIM SYSTEM OF PUBLIC SCHOOL FOUNDATION SUPPORT.

Abstract

The attached paper briefly outlines some of the administrative and programmatic concerns occasioned by an eleven-year history of changes and amendments to the Alaska Public School Foundation Program.

The paper urges a thorough study of the current system, and proposes a system of state support which could be adopted until a new or revised funding scheme is developed.

The proposed system would suspend, for the interim, the use of instructional units, area differentials and categorical program computations. In place of these mechanisms, a district's state aid entitlement would be based on an ADM figure. This figure would be calculated by dividing the FY 83 revised computation entitlement by the first quarter ADM figure. The subsequent year's entitlement would be adjusted for increases (decreases) in ADM by the district ADM figure. Inflation or cost of living increases would be established on a ADM basis as opposed to an instructional unit basis.

The paper lists various advantages and disadvantages of the proposed interim system from both a state and local perspective and invites discussion of the proposal and of other alternatives which could provide short-term relief from current program problems while a longer-range study is in progress.

Introduction

The current Alaska Public School Foundation program was established in 1970 to provide for increased and more equitable distribution of state support for public education. With few exceptions, the foundation program (AS 14.17) has been amended in each subsequent legislative session. In the early years of the program, these amendments dealt with changes in the basic instructional unit value (1973-78, 80, 81) or with minor adjustments in the tables of allowable instructional units (1972, 75, 77, 78, 80-81).

The first major change to Chapter 17 was enacted in 1975 to provide state aid through the foundation mechanism to the newly created REAAs. The 1975 amendments allowed REAAs 1) 100% of basic need, 2) a flat payment per pupil in lieu of local tax, and 3) certain advantages in the instructional unit tables to compensate for very small student populations.

The second major change occurred in 1980 with the passage of FCCS SB 199. The major sections of SB 199:

- 1) Revised the elementary formula to establish a minimum generation of three instructional units.
- 2) Allowed each elementary school to be counted as a separate attendance area.
- 3) Revised, in two phases, the secondary formula which increased the minimum units generated and compressed the number of ADM at the top of the formula table.
- 4) Established a supplemental equalization aid program tied to the area differential rate to provide a form of "in lieu of local taxes" relief for all school districts.
- 5) Defined "jr. high school" on the basis of ADM as opposed to program.
- 6) Established a minimum expenditure for instruction.
- 7) Defined an "acceptable" fund balance for school districts.
- 8) Eliminated the required local effort.
- 9) Allowed REAAs to "recapture" up to 20% of the PL-374 payments.

The above changes dealt primarily with instructional units generated by regular ADM.

The foundation program legislation enacted in 1970 contained, in addition to regular elementary and secondary computation schedules, separate schedules for vocational and special education.

In 1978, the program was amended to include a separate schedule for bilingual/bicultural education; in 1981, SB 23 changed the special education schedule from its original FTE basis to an ADM basis and established two separate schedules based on district total ADM.

In addition to the above; the legislature has made periodic changes affecting 1) the area differential percentage schedules, 2) the differentials of specific districts, 3) the percentage of required local effort, 4) final entitlement (e.g., first quarter or year end "floor"); 5) revenue losses due to reduced instructional unit entitlement, 6) district and centralized correspondence program fundings, and 7) foundation support for community schools programs.

Finally, successive legislatures have repealed several fund generation mechanisms, e.g., "mini" 874 (1980) and the 5% isolation factor (1977).

The cumulative result of eleven years of tinkering with various bits and pieces of the original foundation program structure has been that the original intention, of a simplified, equitable system of state support for education has become neither simple, nor, in the minds of many, equitable. While the writer may have overlooked a few additional amendments to the program, the above listing begins to reveal the nature and scope of such changes and to give some indication of the complexity of the current system.

The Problem

Although a discussion of the current foundation program with different groups of users or policy makers will result in a variety of perceived problems - often diametrically opposed, depending on the points of view of the persons involved - at the most simplistic level, two major problems surface.

First, the current program is essentially an "open system"; that is, changes over the years in unit schedules have allowed districts a wide number of options in configuring groups of students to generate maximum amounts of funds. Such configurations focus administrative attention on "body counts" and away from program.

The "body count" system results in the second major problem; that the current system is no longer program driven, even in the case of categorical funds which were originally established to fund program needs of special students (e.g., the handicapped, limited English speaking, vocationally oriented). In recent years, changes in the jr. high definition as well as the ability to count each elementary school separately have encouraged districts to establish jr. high programs for funding, rather than programmatic purposes; and to consider multiple elementary facilities for one or more elementary grades. Finally, the existence of categorical revenues, established with unfortunate similarity to the federal categorical funding schemes, have encouraged boards and administrators to consider such revenue as expenditure "caps" for categorical programs, without particular regard to the specialized needs of the target group students.

A. Proposed Short-term Solution

The final solution to problems of complexity and assumed inequity inherent in the current foundation program mechanism will not emerge without a great deal of further analysis and study; however, some steps could be taken in the short term to address the problems listed above - i.e., the "open" nature of the current system and the incidental (if any), relationship between funding and program.

It is proposed that the department seek relief from the requirements of AS 14.17 for a two to three year period, during which time state funding would be allocated on a straight per ADM per district allocation. The per ADM per district rate would be established, based on FY 83 figures. Per ADM figures for districts would be computed by dividing the adjusted first quarter computation for all state aid (foundation components plus supplemental equalization aid) by the total first quarter ADM figure, adjusted by 80% of PL-874 receipts for the REAAs. First quarter revenue and ADM figures rather than final figures are suggested so that FY 84 state support levels could be estimated early enough for district FY 84 budgeting. Increases in enrollment would generate the per ADM figure; decreases would be adjusted on the same basis. If the administration and the legislature wish to increase state support on some percentage basis, the percentage of increase would be applied to the statewide ADM figure as opposed to the instructional unit value.

It is also proposed that during the two-three year exemption period, an intensive study of total state funding for education be conducted which would culminate in a new distribution system which addresses the perceived current inequities in both operational and capital state support programs.

Advantages of the Proposal

There are certain general and program specific advantages which seem to accrue from the above proposal.

The general advantages can be categorized as 1) ease of administration, and 2) increase of local options for program planning.

The ease of administration would be felt both at the state and local levels.

For the state, the greatest general advantage would be that revenue estimates and disbursement procedures would be greatly simplified. Unlike the current program, where a slight increase in students or a change in program organization can result in significant fluctuations (generally upward) in the amount of district entitlement, the proposed system would allow state managers to fairly accurately estimate needed revenue early on in the budget cycle.

Revenue verification would require a simple check of one, or at the most, two ADM counts rather than the multiple checks required presently. Of greatest help at the state level would be the absence of the need for student-specific information on both program and dates of service which are currently required to validate categorical fund entitlements.

Initial, revised and final computations of district entitlements would not only be greatly simplified, but the fluctuations in revenue generated by each report also should be greatly minimized.

The proposed system would allow attention to be focused on differences between per ADM revenues generated by districts and could begin to identify those particular conditions which contribute to unusually high ADM figures. This information would be valuable to any long range study of state funding.

From the state perspective, one final advantage should be noted. The system under discussion fits well within the guidelines of the proposed spending limitation, should the limitation be passed by the voters.

Under the proposed spending limit, increases in state spending would be allowed only for population increases and to keep pace with inflation. The proposed system would allow increased state aid to be tied directly to increases in population and could provide for a cost of living or inflationary increase in either the statewide or per district ADM figure. The current system, on the other hand, does not provide for such simple cost projections. For example, the number of instructional units for the two year period between FY 81-FY 83 increased 14%, while for the same time period, ADM increased only 7%. Therefore, even if increases in the instructional unit value were tied to inflation instead of the traditional 10% per year, increases in the number of instructional units occasioned by organizational shifts and establishment of separate attendance areas will continue to exceed increases caused by additional ADM.

From the district perspective, the administrative advantages listed above should also apply; that is, paper work would be greatly reduced, reports would be simplified, back-up information on individual students would be lessened and revenue estimates should be more stable.

Programmatically, the proposed scheme offers several advantages over the current system. Again, these advantages would be felt at both the state and local levels.

Information on program effects was gathered from appropriate program managers and individuals, and is included in the following discussion.

In general, department program managers agree that the proposed program would: 1) simplify administration, 2) lessen the current emphasis on special target student groups, 3) release staff time from

... assistance, and 4) reduce current pressures from special interest groups and advisory committees.

A. Vocational Education

The proposed scheme, (or any scheme which eliminates categorical funding) would:

- 1) Eliminate the need to distinguish between vocational and prevocational programs.
- 2) Allow school districts more flexibility in deciding the school program.
- 3) Eliminate the "name game" that goes on at present as school districts attempt to generate vocational education funds by renaming general education programs and courses.
- 4) Decrease the separation which goes on between vocational and general or academic education.
- 5) Free up one staff person currently involved with approving local courses and programs for vocational education funding.

B. Special Education

The proposed program would:

- 1) Allow districts greater flexibility in the use of funds for special student needs.
- 2) Allow districts to develop remedial reading and math programs rather than attempting to identify remedial students as learning disabled simply to generate additional funds.
- 3) Remove the ceiling (perceived) on gifted and talented programs.
- 4) Simplify monitoring and audit functions of the special education staff to focus on student identification and IEPs rather than on verifying ADM or FTZ count.
- 5) Remove the artificial spending 'caps' which the current system appears to foster.

C. Correspondence Study

The proposed system would:

- 1) Treat all ADM equally regardless of program delivery mechanism; thus, CS reporting requirements would be simplified.

Disadvantages of the Proposal

As with the advantages mentioned above, disadvantages of the proposed program might be felt at both the state and local levels.

One major disadvantage is that inequities, where they exist in the current program, would not be corrected. Districts which are currently underfunded would remain so; overfunded districts, if there are such, might continue to amass large fund balances, although the removal of categorical funding and the concomitant (perceived) program restraints may spur local boards to be more creative in developing and supporting programs which meet the special needs of all students.

Another disadvantage, from the local point of view, is that relief from budgeting, accounting and student record keeping constraints imposed by current categorical programs would not relieve the districts from the legal civil rights requirement to serve certain "protected" student classes. More important, the focus of special interest pressure groups would turn from the state to the local board which could not excuse lack of action by citing limited categorical state support.

Other general disadvantages are:

- 1) The need to revise or create alternative methods of collecting data - particularly program expenditure data - for reports to the legislature and the federal government.
- 2) The loss of identity for some program managers, particularly those closely associated with categorical programs.

In program, the following disadvantages have been cited:

1. Vocational Education

The proposed program would make it difficult to certify "maintenance of effort" required by federal regulations.

2. Special Education

The proposed program could:

- 1) Tend to decrease expenditures for special education programs by giving local boards the illusion that the state is no longer interested in having the needs of special education students met.
- 2) Further confuse the issue of "low incidence" student funding, unless some mechanism were established which would allow the state to fund or participate in the funding of programs for such students.

- 3) Arouse to an even greater pitch the efforts of advocacy groups to restrict and dedicate expenditures of special education revenues to special education programs and services.

C. Correspondence Study

No particular disadvantage comes to mind.

D. Bilingual Education

The proposed program could:

- 1) Tend to decrease local board attention to meeting the needs of students with limited English speaking ability.
- 2) Increase special interest group pressure at the local level from minority groups which are not considered under the current bilingual statute and regulations.

Conclusion

The proposal outlined in this paper is not presented as a final solution to the policy and operational concerns being expressed about the current method of state support for public education. It is being offered as a potential, short-range action which would allow some breathing space in which to do a thorough analysis of both the current situation and potential alternative approaches to answering the perplexing questions of the state's "compelling interest" in educational outcomes, and equity of state support to students of differing backgrounds, needs, and geographical locations.

The advantages and disadvantages outlined above address administration and programs; they do not deal with the political viability of the proposed program. As should have been evident from the short history of the current foundation program in the Introduction section of this paper, changes to the current system have always been motivated, at least in part, by political considerations. The writer is not so naive as to expect that future proposed changes, especially one of the magnitude outlined above, will not ultimately be hammered out and decided in the political and not simply the educational arena. However, while further analysis of the above proposal may result in the decision that it cannot be pursued realistically at this time, at least discussion of such an alternative could reveal other, more viable, courses of action.

II. A PROPOSAL FOR AN EXTENSIVE STUDY OF THE CURRENT PUBLIC SCHOOL FOUNDATION SUPPORT SYSTEM AND GENERATION OF APPROPRIATE MODELS FOR A SUPPORT SYSTEM.

The attached paper provides a brief analysis of some of the issues related to school finance. In addition, the conditions necessary to an adequate study are addressed and a proposed model for possible use in conducting a study is provided.

In September, 1981, a background paper pertaining to the Public School Foundation Program was developed by Steve Hole. In that paper Mr. Hole traced the development of the current program through a series of amendments, discussed the expansion in the number of districts and briefly discussed some problems regarding the current system. It was also recommended that a comprehensive review of factors pertaining to school finance such as actual program costs, governance issues, facilities procurement procedures and other matters be conducted. It was further recommended that the assistance of leaders in school finance in the nation be sought in designing and implementing a study.

ISSUES AND CONCERNS RELATED TO SCHOOL FINANCE

In reviewing an existing system of school finance, as well as in considering possible future approaches to funding, there are a number of issues and concerns, both practical and philosophical to address. Some of these may be of more significance than others. Some may have more than one label. Most are interrelated. Among the issues and concerns are:

A. ee Differential

Districts in different parts of the state have differing costs so it makes sense to apply an area differential factor in computing state support. There currently exists a range of differentials from .04 to .55 added to base support.

Ideally, an area differential structure should be based upon cost of education, and should offset increased costs over which local districts have no control. Examples of such costs may be related to transportation of goods, and utilities including fuel.

Prior attempts at determining appropriate area differentials have not been altogether successful. To some extent, political considerations have influenced rates. Because of difficulty in determining what goods and services are necessary to an educational program (see section on basic need) a market basket, cost of living approach has been used, despite the fact that comparable goods and services are not available in all sections of the state.

The attempts at revision of the Foundation Program in 1979-80 resulted in a recommendation that a comprehensive study of the area differential be conducted, and that a statutory change be sought which would (1) provide updates of the area differential data base, and (2) empower the State Board to revise the differentials by regulation. The result was that the Legislature commissioned a study by Homan-McDowell, the findings of which have not been implemented. The researchers attempted to determine the cost of doing business by examining expenditures, the assumption being that what is spent is what it costs. In other words, the attempt was not made to differentiate between essential and discretionary expenditures. However, given the lack of agreement as to what is essential, it is not surprising that this differentiation was not made.

in any study of school finance undertaken, the question of area differential--costs of education in varying regions of the state--will need to be addressed.

Basic Need

Basic need has been used as a term to describe costs associated with providing a basic educational program. The amount of state aid has been pegged at various times to 90%, 95%, 97%, or 100% of basic need. In practice, funding for basic need is determined by the setting of the foundation support unit, and has little or no relationship to actual cost of providing basic education for a group of students.

There will always be difficulties encountered in attempting to come up with a universally accepted definition of basic need. However, it may be possible, particularly if the present consideration of effective schooling practices resulted in appending those practices to a system of accreditation, to come up with statements of basic programs for varying sizes of districts and schools within districts.

Capital Projects

The procedures for acquisition of capital items, primarily facilities, can take many forms. Cities and boroughs may levy taxes for capital projects, issue bonds or seek a direct grant via legislative appropriation. When paying cash or issuing bonds for facilities and seeking reimbursement from the state, there are some restrictions as to amounts to be reimbursed. With grants, however, the Department has less influence with respect to what is built with state funds.

Regional districts, of course, are dependent upon legislative action for capital funds for facilities. While the Department does submit a capital budget developed from requests from regional districts, more and more districts are taking a direct route to legislators to secure construction funds. The effect of this practice is to place districts whose personnel cooperate with the Department in submitting capital requests at a disadvantage.

A further area of concern for regional districts is in the matter of funding smaller capital projects. The districts may well have sufficient funds to be able to effect a transfer from general fund to capital fund. However, operating funds obtained from the state are designated for operations. Districts have transferred funds to a capital reserve prior to the close of one fiscal year for capital expenditures in the succeeding year, but the practice has been open to question.

Categorical Funding

Currently there are a number of categories of operating funds and separate schedules for determining funds for each category. These include elementary, secondary, combined elementary and secondary, vocational education, special education, and bilingual education. In addition, there is a formula for determining funding for community education.

Categorical funds for bilingual, special and vocational education are generated on the basis of numbers of students served within each category. Yet, there is no provision that funds generated in a category be expended in that category. Despite the recurring pleas for more program funds for special education, a cursory examination of audits revealed that only seven districts charged expenditures to special education in excess of revenue received for that purpose.

Advocates of categorical funding have held that it is necessary to assure adequate funding for categorical programs. Opponents generally would prefer one general class of funding ample to meet a variety of program needs.

Classes of Districts

Two classes of districts exist in the state--city or borough districts and regional districts. While most of the funding provisions apply to both, there are provisions applying to one type but not the other. Cities and boroughs, with their taxing powers, contribute local funds, while regional districts receive state "in-lieu-of" funds based on an average daily membership.

If an attempt were made to define basic need or basic program, there could well be a number of classes of districts, and classes of schools within districts, for funding purposes.

Equalization

Some form of equalization is found in most, if not all, systems of school finance as a means of alleviating the wide disparity in resources of individual districts. Concern with achieving equity in funding has been heightened in recent years by legal actions in some states--the most notable of which have been Serrano v Priest, San Antonio Independent School District v Rodriguez, Robinson v Cahill and Seattle School District No. 1 v Washington.

Because of oil revenues, there are two districts in Alaska which currently contribute local funds for education far in excess of what other districts allocate. Additional districts may be in the same category in the future as resource development progresses.

At various times there have been suggestions that a cap be imposed on expenditures by districts. The mere suggestion of this approach has caused grave concern in districts which would be affected by such a move. The outcome of Seattle v Washington may provide guidance for Alaska in that the outcome of that case was the assumption that resources per student did not have to be equal as long as there was sufficient revenue in every district to provide a basic program. An added provision was that the amount of state aid was to be adjusted periodically to incorporate the average per pupil amount generated statewide by local levies.

Foundation Support Unit or Instructional Unit

The Foundation Support Unit is a unit of funding which should provide an instructional program and related services for a group of students. The base unit value for FY-83 will be \$42,450. Each elementary school receives at least three units, and each secondary school receives at least four units, providing a heavy loading at the front end to offset heavy costs per student because there are fewer students in small schools over which to spread costs.

Some state systems use an average daily memberships (ADM) system of state support, as opposed to an instructional unit approach. Such an approach will work if there is sufficient enrollment to effect economies of scale.

It has been suggested that the foundation support unit, or instructional unit system is somewhat less than fair, because a gain of but one student may mean an increase of \$42,450, if that one student results in total enrollment falling in the next higher interval on the funding schedule. Conversely, a loss of one student may result in a loss of a like amount.

Given the small size of some schools and the lack of a tax base in regional districts, there is a need for heavier funding at the front end of any funding schedule in order to compensate for high overhead at small sites. Perhaps some combination of units to cover front end costs and an ADM schedule may warrant consideration.

There has been a tendency, at times, to confuse area differential considerations--differing costs in different parts of the state--with high costs associated with small schools. These are two different factors that must be considered separately.

Fund Balance

Districts having fewer than four-hundred (400) instructional units may accumulate a fund balance of ten percent of expenditures; those with four-hundred (400) or more instructional units may accumulate a fund balance of seven percent of expenditures. The Department has a responsibility to apprise the Board of instances of larger fund balances. The State Board has responsibility to make recommendations with respect to legislative treatment of fund balances.

In school finance courses, it is usually emphasized that the competent administrator, while not frugal to the point of failing to provide goods and services for effective instruction, makes a conscientious effort to effect economies where possible. In addition, the importance of having a reserve is mentioned, but caution is usually expressed over tying up more of the public's money than is necessary.

Boards and superintendents are generally reluctant to see funds returned to the city or borough, and especially to the state in the case of regional districts. It would seem that consideration should be given to providing incentives for economical operation in regional districts, perhaps providing mechanisms on a matching basis for capital project funding.

Local Government

The system of public school finance in existence may either encourage or discourage development of local government and an attendant local tax base. Extremely generous operating and capital funding provided solely by the state will not encourage cities to seek first class status or the formation of boroughs in areas experiencing development. Any study of school finance should attempt to assess attitudes toward establishment of additional local government.

Municipal Grants

A substantial number of municipal grants have been provided by the Legislature, particularly for capital projects. A finance study must include examination of how such grants fit with the system of reimbursement for capital expenditures and grant procedures for regional districts.

Public Law 81-874

Public Law 81-874, federal impact aid, has been a bone of contention among city and borough districts, the Department, and regional districts. Cities and boroughs retain all such funds as in-lieu-of local taxes. Regional districts retain twenty percent of such funds, as per statute. Under federal law it would be permissive for the state to reduce aid to cities and boroughs to some extent, based upon the ratio of local to state support. It would be permissive to allow regional districts to retain all impact funds or for the state to retain all impact funds, as was the previous practice.

Changing patterns of federal finance are having an effect on impact aid. Any proposed finance study must surely address federal trends.

Revenue Sharing

Funds appropriated to municipalities during the last Legislative Session may also need to be taken into account in any finance study. If revenue sharing becomes a permanent feature of state finance, then perhaps this aspect of funding may influence school finance design.

Separate Units

One of the most pressing needs from the standpoint of administering the current foundation program and from the standpoint of equity is to determine what constitutes a separate unit for funding purposes. In some instances, separate funding has been requested for "primary" units adjacent to elementary schools. The statutes regarding what constitutes a junior high or middle school were the result of compromise during the 1979-80 review of the Foundation Program. At the time, there did not appear to be great problems with what was proposed, but since enactment has been a source of contention between districts and the Department.

Currently there exists under AS 14.17.061, authorization for the funding of supplemental programs, but funds have not been appropriated recently for this purpose.

There is a need for a system of supplemental funding in order to support pilot efforts or special needs as well as to provide assistance in emergency situations. The need would be most acute in regional districts and in municipalities with marginal tax bases.

NECESSARY CONDITIONS FOR AN ADEQUATE STUDY

In order to undertake a worthwhile finance study which will have maximum potential to generate recommendations likely to be adopted, several things will be necessary. First, there must be a willingness to look beyond "what is," to "what might be." Second, there must be a commitment to acquiring an adequate data base and a commitment to decision-making that is data-based and objective. Third, there must be a spirit of cooperation on the part of stakeholders as opposed to competitive, self-interest. An "us against them" approach will not result in equity.

In financial matters there is a natural concern that, following systems change, someone will get more and someone else will eventually get less. If this were not the case, there would be no point in reviewing an existing system; if no change resulted, it would mean that both the prior and the new systems were perfectly equitable. If the prior system lacked equity and the new system approaches equity, then there will surely be changes in the distribution of funds.

PRINCIPLES OF A FINANCE SYSTEM

Many states either have revised or are in the process of revising their systems of school finance. Examination of approaches by other states reveal common concerns but differing approaches to solutions.

Recently the State Board of Education in Missouri has been considering school finance reform, and in the process it adopted five basic principles that should underlie revisions. As reported in Education Daily (December 17, 1981) those principles are:

1. Adequacy of funding
2. Equity
3. Growth potential
4. Effective Administration
5. Financial flexibility for school districts.

Those principles, as specified by the Missouri State Board of Education, would appear to have a great deal of relevance for Alaska as well.

A PROPOSAL

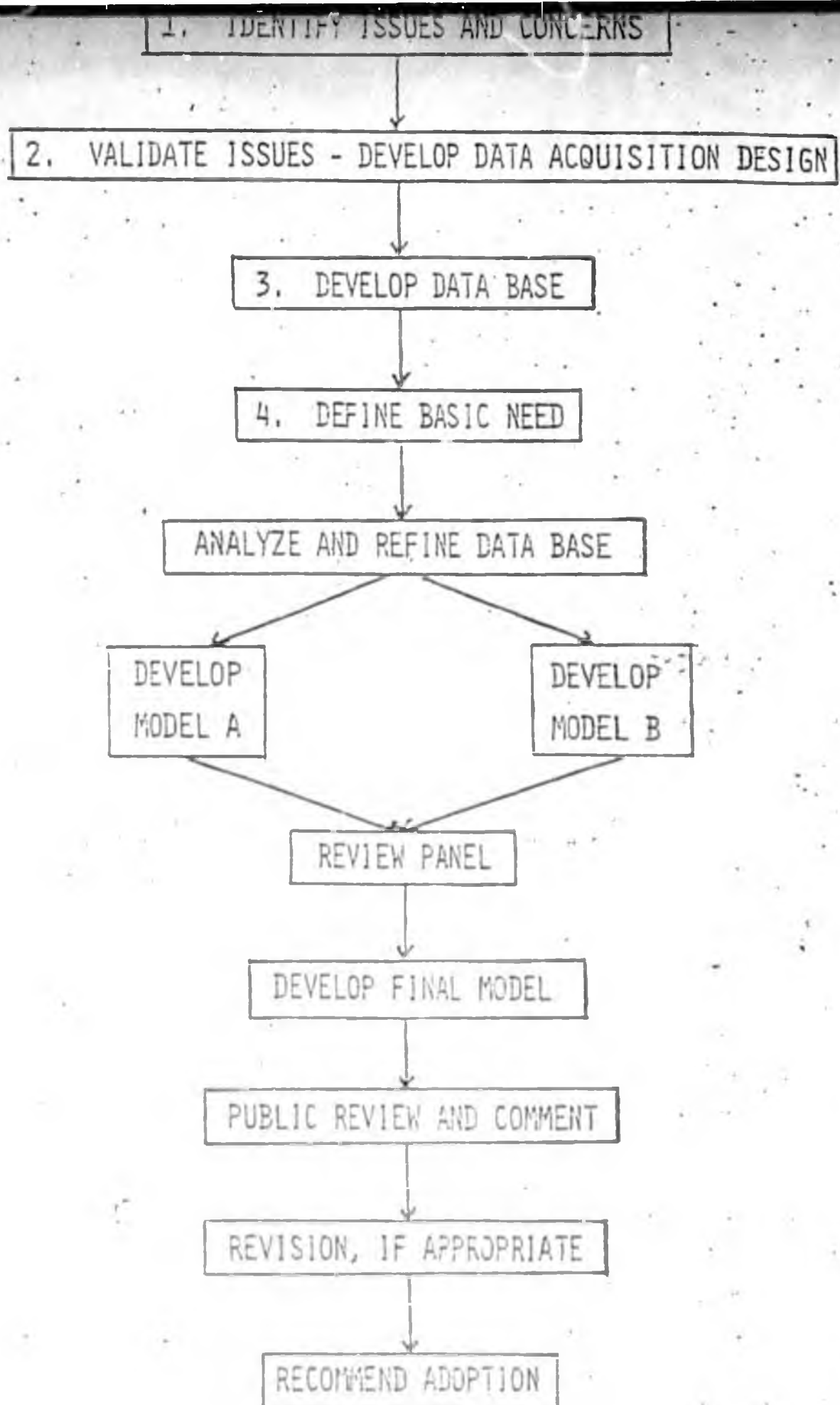
As mentioned in the background paper provided to the Board in September, it is important that any study of school finance and resultant revision be more than a patchwork effort. Further, it is important to involve persons with recognized expertise in school finance who are not associated with any district and who have no vested interest in possible outcomes. On the other hand, there is always the danger that securing the services of persons without Alaskan connections regarding operation of schools may result in an unsuitable product. What is needed is objectivity in identifying issues, acquiring and analyzing facts, and recommending possible solutions, which in turn may then be reviewed by those having daily involvement in operation of school districts in Alaska.

A specific design for conducting a finance study will await approval to conduct such a study and the securing of consultant assistance. However, a possible design might be as follows.

1. Identify concerns and issues with regard to existing system.
2. Validate issues and develop design for acquiring data base.
3. Develop data base.
4. Define basic need.
5. Analyze and refine data base.
6. Develop models by setting up two groups, each working with same data and each developing a model.
7. Submit models to review panel.
8. Develop final model.
9. Secure public review of proposed model.
10. Recommend adoption.

SUMMARY

It would probably be rather naive to expect that a proposed school finance study will result in a product that will receive universal acclaim. It does appear that there are substantial shortcomings with the existing system and that the time has come to replace it. Hopefully, such a task can be approached in a spirit of cooperation in which objectivity is a goal and that the principles enunciated by the Missouri Board are met by the final product.



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PROPOSED FINANCE STUDY STATEMENT OF EVENTS: COST ESTIMATES

<u>STEP</u>	<u>DESCRIPTION</u>	<u>COST ESTIMATE</u>
1.	Develop Final Draft of Problem Definition	
2.	Specific Listing of Process and Product Objectives for New Finance System	
3.	Prepare and Advertise Request for Qualifications	
4.	Award Contract	\$25,000 for Steps 1, 2, 3, and 4
5.	Final Issue Analysis and Definition of Basic Needs	
5.1	Identify Data Elements and Cross-Reference to Objectives	
5.2	Prepare Report with Data Acquisition Scheme and Budget for Balance of Study	\$80,000 for Steps 5.0, 5.1 and 5.2
6.	Continuation Contract Issued	
7.	Data Base Study Completed	\$125,000
8.	System Specifications Established	\$ 30,000
9.	Computer Simulation Program Developed and Bench-Tested Against Data Base	\$150,000
10.	Teams A and B Develop Competing Models	\$ 50,000
11.	Public Review and Comment	\$ 40,000
12.	Revision, Recommendation, Dissemination	\$ 60,000
TOTAL		\$560,000

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STATE OF ALASKA

DEPARTMENT OF EDUCATION

DIVISION OF MANAGEMENT AND FINANCE

JAY S. HAMMOND, GOVERNOR

**POUCH F - STATE OFFICE BUILDING
JUNEAU, ALASKA 99811
PHONE:**

To: Rep. Ben Grussendorf

From: Marilou Madden, Director 

Re: Pelican School District ADM Amount

Due to the failure of the Pelican City School District's Electronic Mail System, the school administrator was unaware of the necessity to submit an initial revised Foundation Report to the Department of Education by April 13, 1982. The Pelican report was submitted by April 16 and included a new junior high school program which the district had been planning for some time to begin in the 1982-83 school year. This junior high school program has been approved by the Department. This places the district's per ADM allowance at \$12,812 instead of \$9897, as originally reported in CS SB 649.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: HCS CS SB-649 (Rules) am
Title: Interim Education Funding
Requested by: House HESS

Date: May 13, 1982

II. FISCAL DETAIL

Agency Affected: Education
Program Category Affected: Elementary and Secondary
BRU, Program, or Subprogram(s) Affected: Office of the Commissioner
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	560.0	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	560.0	-	-	-	-

FUNDING (Thousands of Dollars)

GENERAL FUND	-	560.0	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS

FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

Section 1 requires the department to conduct a study of the Foundation Program. Our estimate of the cost of such a study is \$560.0

- The 560.0 for the foundation study is presently in the Senate version of the FY-83 operating budget. 280.0 for the same purpose is in the House 2 version. The component affected is Planning, Research and Information in the Executive Administration BRU within the Department of Education.

IV. DATE: May 13, 1982

PREPARED BY: Steve Hote

AGENCY: Education

PHONE: 465-2890

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

Charles Savoie get DOE to establish new figure to decrease base before freezing -

Original sponsor: Rules/Governor

Offered: 4/14/82

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 649 (Rules) am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state support for education; and
7 providing for an effective date."

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

9 * Section 1. FINDINGS. The legislature finds that the present system of
10 providing basic state and supplemental financial support to school districts
11 is no longer equitable and directs the Department of Education to conduct a
12 comprehensive study of the funding provisions of AS 14.17. The legislature
13 further finds that during the period of study an alternative mechanism to the
14 existing foundation support program is desirable.

15 * Sec. 2. The operation of AS 14.17.021(a), 14.17.023, 14.17.031,
16 14.17.041, 14.17.051, 14.17.056, and 14.17.082 is suspended from July 1, 1982,
17 through June 30, 1984. During the period of suspension funding for the basic
18 state aid and supplemental equalization aid that otherwise would have been
19 provided under the provisions of AS 14.17.021(a) and 14.17.023 shall be pro-
20 vided to school districts in accordance with the provisions of secs. 3 and 4
21 of this Act.

22 * Sec. 3. For fiscal year 1983 the amount of state aid for each school
23 district for each fiscal year is the following amount for each pupil in
24 average daily membership:

25 Anchorage School District	\$ 3,420
26 Bristol Bay Borough School District	9,978
27 Cordova City School District	5,340
28 Craig City School District	6,778
29 Dillingham City School District	8,899

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Fairbanks North State Borough School District	3,862
Galena City School District	12,011
Haines Borough School District	5,926
Hoonah City School District	6,231
Hydaburg City School District	9,041
City and Borough of Juneau School District	3,774
Kake City School District	6,945
Kennai Peninsula Borough School District	4,280
Ketchikan Gateway Borough School District	3,637
Kiny Cove City School District	9,264
Klawock City School District	8,847
Kodiak Island School District	5,548
Matanuska-Susitna Borough School District	3,801
Nenana City School District	7,986
Nome City School District	7,278
North Slope Borough School District	8,898
Pelican City School District	9,897
Petersburg City School District	4,305
Sand Point City School District	9,934
Sitka Borough School District	3,769
Skagway City School District	5,953
St. Mary's City School District	16,361
Unalaska City School District	9,153
Valdez City School District	5,076
Wrangell City School District	4,863
Yakutat City School District	8,067
Adak Regional School District	6,705
Alaska Gateway School District	9,351
Aleutian Chain School District	18,281

12,812 [9,897]

OK
most likely
most likely
lower
17,990

1	Annette Island School District	5,500 - 6,925
2	Bering Straits School District	13,910 - 14,964
3	Chatham School District	8,854 9,810
4	Chugach School District	10,847 - 10,481
5	Copper River School District	6,925 - 7,307
6	Delta School District	5,135 - 5,578
7	Iditarod Area School District	14,415 15,570
8	Kuspuk School District	17,831 - 3,392
9	Lake and Peninsula School District	16,947 - 18,595
10	Lower Kuskokwim School District	12,410
11	Lower Yukon School District	9,952
12	Northwest Arctic School District	10,185
13	Pribilof Islands School District	11,830
14	Upper Railbelt Regional School District	9,347
15	Southeast Island School District	10,380
16	Southwest Regional School District	15,340
17	Yukon Flats School District	15,999
18	Yukon-Koyukuk School District	14,555

19 * Sec. 4. The amount of state aid for each school district for fiscal
20 year 1984 is the amount listed for that district in sec. 3 of this Act for
21 each pupil in average daily membership plus five percent.

22 * Sec. 5. During the period of suspension under Sec. 2 of this Act, a
23 school district may not reduce its special education budget below the amount
24 contained in the FY 83 budget the district submitted to the Department of
25 Education by May 2, 1982, except that if the department reduces the dis-
26 trict's total foundation entitlement due to insufficient appropriation, then
27 the district may reduce its special education budget in the proportion by
28 which the department reduced the district's foundation entitlement.

29 * Sec. 6. During the period of suspension under Sec. 2 of this Act, a

1 school district shall continue to provide services to students in programs
2 of bilingual and vocational education commensurate with the needs of the
3 students and in strict accordance with applicable state and federal laws
4 and regulations.

5 * Sec. 7. This Act takes effect July 1, 1982.
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MSG 82-00025012 PRTY 1 05/05/82 12:57:51 ORIG: LF01 IN= 0002 OUT= 0043
FROM: MAXINE/FBX TO: JUNO INFO
TARGET: LJH2 SUBJ: POM PAGE 0001

THIS BILL IS BEING HEARD TODAY THEY ARE WAITING FOR THIS.....

TO: REP. BEIRNE, CHAIRMAN, HOUSE H.E.S.S.
REP. CATO, REP. SMITH, REP. MARTIN, REP. MALONE

FR: JOHN NUTTAL, CH. GOVERNOR'S COUNCIL FOR THE HANDICAPPED
AND GIFTED
600 UNIVERSITY AVE., SUITE C, FAIRBANKS 99701 PH. 479-6507

RE: CS SB 649 (RLS) AM

MSG: THE COUNCIL URGES YOUR OPPOSITION TO CS SB 649 (RL) AM, SCHEDULED
FOR HEARING IN THE HOUSE H.E.S.S. AT 5 P.M., APRIL 5, 1982. THE COUNCIL
URGES YOUR OPPOSITION BECAUSE THE BILL, EVEN AS AMENDED, DOES NOT PROVIDE
SUFFICIENT PROTECTIONS TO ENSURE ADEQUATE FUNDING FOR QUALITY SPECIAL
EDUCATION PROGRAMS IN LOCAL DISTRICTS. THIS BILL IS DIRECTLY CONTRARY
TO LEGISLATIVE SUPPORT FOR QUALITY SPECIAL EDUCATION SERVICES AS-----

MSG 82-00025012 PRTY 1 05/05/82 12:57:51 ORIG: LF01 IN= 0002 OUT= 0043
FROM: MAXINE/FBX TO: JUNO INFO
TARGET: LJH2 SUBJ: POM PAGE 0002

CONT. HOUSE H.E.S.S

EVIDENCED BY PASSAGE OF SB 23 IN 1981. CS SB 649 DOES NOT DEMAND
SUFFICIENT FISCAL ACCOUNTABILITY FROM DISTRICTS TO ENSURE THE
AVAILABILITY OF FISCAL RESOURCES FOR QUALITY SPECIAL EDUCATION
PROGRAMS.....

----- EOM