

HOUSE
COMMITTEE REPORT

4/17

(7)

Date referred: 2/14/86

FURTHER REFERRALS: FINANCE

DATE: 4/16/86

HEALTH, EDUCATION AND
SOCIAL SERVICES

Committee has considered HB 604

"An Act relating to state support for education; and providing for an effective date."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with CS HB 604 (HESS) same title
- new title

and recommends NO REC

further referral to the _____ Committee

- and attaches:
- letter of intent (*forthcoming*)
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS:

Steve Kosman

George Stanley

Marie Shulley

SIGNING OTHER RECOMMENDATIONS:

Bill [unclear] NO REC

David W. Shuman NO REC

Adrian Taylor NO REC.

Max F. Guenther no rec

Steve Kosman CO-CHM

Chairman

Max F. Guenther Co-Ch.

Offered: 4/17/86
Referred: Finance

Ford

*3rd Rate
Hello Faith Coming*

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 604 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH 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. AS 14.17.021 is repealed and reenacted to read:

10 Sec. 14.17.021. AID TO SCHOOL DISTRICTS. (a) The amount of
11 assistance that a school district is eligible to receive from the
12 public school foundation account in each fiscal year is initially
13 calculated by multiplying the funding unit value established under
14 AS 14.17.056 by the total number of allowable funding units for the
15 district established under AS 14.17.045.

16 (b) The amount of assistance established under (a) of this
17 section is then reduced by

18 (1) for all school districts, 80 percent of the federal
19 financial assistance received by the district under 20 U.S.C. 236 -
20 244 (P.L. 81-874, as amended) for the preceding fiscal year, or some
21 lower percentage of that assistance if necessary to comply with 20
22 U.S.C. 240(d) and the regulations adopted under it (34 C.F.R. Part
23 222, subpart C);

24 (2) for city or borough school districts, an amount equal
25 to an assessment of two mills on 100 percent of the full and true
26 value, as reported by the Department of Community and Regional Affairs
27 under AS 14.17.140, of the taxable real and personal property in the
28 district on January 1 of the assessment year preceding the year in
29 which the fiscal year in (a) of this section begins, up to a limit of

1 \$1,000 per mill, multiplied by the district's ADM/FTE.

2 * Sec. 2. AS 14.17.022 is amended to read:

3 Sec. 14.17.022. FUNDS FOR CENTRALIZED CORRESPONDENCE STUDY.
4 Funds for providing centralized correspondence study programs for
5 students not enrolled in an approved school district correspondence
6 study program must [SHALL] include an amount [APPROPRIATION] from the
7 public school foundation account [IN AN AMOUNT] calculated by multi-
8 plying the funding unit value established under AS 14.17.056 by the
9 number of allowable basic funding units that would be established
10 under AS 14.17.055(a) for a community with the same ADM/FTE as that of
11 centralized correspondence study [BASE INSTRUCTIONAL UNIT BY THE TOTAL
12 NUMBER OF INSTRUCTIONAL UNITS AS DETERMINED BY APPLYING THE NUMBER OF
13 CORRESPONDENCE STUDENTS TO AS 14.17.041(a)].

14 * Sec. 3. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.045. ALLOWABLE FUNDING UNITS. The total number of
16 funding units within each school district for any fiscal year is the
17 sum of the following, calculated to the third decimal place, for that
18 fiscal year:

- 19 (1) the number of basic funding units for each city or
20 unincorporated community in the district, calculated under AS 14.17.-
21 055(a);
- 22 (2) the number of funding units for cities or unincorporat-
23 ed communities in the district with low school enrollments calculated
24 under AS 14.17.055(b);
- 25 (3) the number of funding units for districts with low
26 school enrollments that have at least one city or unincorporated
27 community with an ADM/FTE greater than 500, calculated under AS 14.-
28 17.055(c);
- 29 (4) the number of funding units for special education

1 calculated under AS 14.17.055(d);

2 (5) the number of funding units for bilingual/bicultural
3 education calculated under AS 14.17.055(e);

4 (6) the number of funding units for vocational education
5 calculated under AS 14.17.055(f);

6 (7) the number of funding units for training and experience
7 of district personnel calculated under AS 14.17.055(g); and

8 (8) the number of district location units for the district
9 calculated under AS 14.17.055(h).

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

11 Sec. 14.17.055. CALCULATION OF ALLOWABLE UNITS. (a) The number
12 of basic funding units for each district is the sum of units calculat-
13 ed by the department for each city or unincorporated community within
14 the district according to the following table:

15 (1) Kindergarten ADM/FTE x 1.3
16 (2) Grades 1 - 2 ADM/FTE x 1.15
17 (3) Grades 3 - 6 ADM/FTE x 1.0
18 (4) Grades 7 - 12 ADM/FTE x 1.2

19 (b) Small school funding units for cities or unincorporated
20 communities with K - 12 ADM/FTE of 500 or less are calculated accord-
21 ing to the following table:

22 ADM/FTE UNITS
23 1 - 10 25
24 11 - 15 25 + (4 x (ADM-10))
25 16 - 25 45 + (1 x (ADM-15))
26 26 - 200 55 + (0.5 x (ADM-25))
27 201 - 500 142.5 + (0.025 x (ADM-200))

28 (c) Economy of scale units are calculated according to the
29 following formula for school districts with K - 12 ADM/FTE greater

1 than 500 and no more than 3,500, and with at least one city or unin-
2 corporated community with an ADM/FTE greater than 500:

3
$$\text{Units} = \frac{(3,500 - \text{District ADM/FTE})}{150}$$

4
$$3,000$$

5 (d) Special education funding units according to the following
6 table are added for each city or unincorporated community within the
7 district based on the number of students enrolled in each program
8 category on the last day of the counting period under AS 14.17.179
9 that is used to determine state aid:

10 (1) Resource Services

Enrollment	Funding Units
1 - 8	10.000
9 - 18	20.000
Over 18	$20 \times (\text{Enrollment}/18)$

15 (2) Self-Contained Services

Enrollment	Funding Units
1 - 5	10.000
6 - 10	20.000
Over 10	$20 \times (\text{Enrollment}/10)$

20 (3) Gifted-Talented Services

Enrollment	Funding Units
1 - 9	5.000
10 - 19	10.000
20 - 29	15.000
30 - 40	20.000
Over 40	$20 \times (\text{Enrollment}/40)$

27 (4) Intensive Services

Enrollment	Funding Units
3	20.000

Over 3 20 x (Enrollment/3)

(e) Bilingual/bicultural funding units are calculated by multiplying by 0.7 the number of students enrolled in bilingual classes, approved by the department, as of the last day of the counting period under AS 14.17.170 that is used to determine state aid.

(f) Vocational education funding units are calculated by multiplying by .5 the number of ADN/FTE students enrolled in vocational education classes approved by the department, as of the last day of the counting period under AS 14.17.170 that is used to determine state aid.

(g) District training and experience funding units for any fiscal year are calculated by multiplying 40 percent of the subtotal of units calculated under (a), (b), (c), (d), (e), and (f) of this section for that fiscal year by the district's training and experience index. The training and experience index is determined as follows:

(1) the department shall assign each district teacher to a value in the following table in accordance with regulations adopted by the department:

Years of Experience	Training					
	BA	BA+	MA	MA+18	MA+36	MA+54
0	0.00	0.05	0.15	0.20	0.25	0.30
2	0.10	0.15	0.25	0.30	0.35	0.40
5	0.25	0.30	0.40	0.45	0.50	0.55
8	0.35	0.40	0.50	0.55	0.60	0.65
10		0.50	0.60	0.65	0.70	0.75
12			0.65	0.70	0.75	0.80
15			0.75	0.80	0.85	1.00

In the training side of this table.

1 (A) column 1 refers to a salary based upon a bache-
2 lor's degree;

3 (B) column 2 refers to a salary based upon semester
4 hours beyond a bachelor's degree but less than a master's degree;

5 (C) column 3 refers to a salary based upon a master's
6 degree or its equivalent;

7 (D) column 4 refers to a salary based upon a master's
8 degree plus 18 or more, but fewer than 36, semester hours of
9 training or the equivalent;

10 (E) column 5 refers to a salary based upon a master's
11 degree plus 36 or more, but fewer than 54, semester hours of
12 training or the equivalent;

13 (F) column 6 refers to a salary based upon a master's
14 degree and 54 or more semester hours of training or the equiva-
15 lent;

16 (2) each district's training and experience index is the
17 average of the values assigned to all teachers in the district under
18 (1) of this subsection, minus the average of the district with the
19 lowest average.

20 (h) District location units for each district are calculated by
21 multiplying 60 percent of the district's subtotal of units under (a),
22 (b), (c), (d), (e), and (f) of this section by the district's location
23 index in the following table:

District	District Location Index
Adak	0.500
Alaska Gateway	0.300
Aleutians	1.000
Anchorage	0.000
Annette	0.350

1	Bering Strait	0.850
2	Bristol Bay	0.500
3	Chatham	0.350
4	Chugach	0.180
5	Copper River	0.300
6	Cordova	0.130
7	Craig	0.350
8	Delta	0.300
9	Dillingham	0.500
10	Fairbanks	0.100
11	Galena	0.500
12	Haines	0.130
13	Hoonah	0.130
14	Hydaburg	0.350
15	Iditarod	0.750
16	Juneau	0.050
17	Kake	0.350
18	Kashunamiut	0.650
19	Kenai	0.050
20	Ketchikan	0.050
21	King Cove	0.500
22	Klawock	0.350
23	Kodiak	0.180
24	Kuspuk	0.750
25	Lake & Peninsula	0.850
26	Lower Kuskokwim	0.650
27	Lower Yukon	0.650
28	Natruska-Susitna	0.000
29	Neena	0.300

1	None	0.500
2	North Slope	1.000
3	Northwest	0.850
4	Pelican	0.350
5	Petersburg	0.050
6	Pribilofs	0.650
7	Railbelt	0.300
8	Sand Point	0.500
9	Sitka	0.050
10	Skagway	0.130
11	Southeast	0.350
12	Southwest	0.850
13	St. Mary's	0.650
14	Tanana	0.650
15	Unalaska	0.650
16	Valdez	0.130
17	Wrangell	0.050
18	Yakutat	0.350
19	Yukon Flats	0.850
20	Yukon Koyukuk	0.850
21	Yupit	0.650

* Sec. 5. AS 14.17.056 is amended to read:

Sec. 14.17.056. [BASE INSTRUCTIONAL] UNIT VALUE. The funding [BASE INSTRUCTIONAL] unit value for fiscal years beginning on or after July 1, 1986 shall be equal to the amount appropriated by the legislature to the public school foundation account for the fiscal year, divided by the total number of allowable funding units for all districts under AS 14.17.045 [1982, IS \$42,450. THE BASE INSTRUCTION UNIT VALUE FOR THE FISCAL YEAR BEGINNING JULY 1, 1981, IS \$38,590].

1 * Sec. 6. AS 14.17.080 is amended to read:

2 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
3 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
4 shall submit to the department, in the manner and on forms to be
5 prescribed by the commissioner, a preliminary report of estimates and
6 data upon which computations can be made [FOR THE FOLLOWING FISCAL
7 YEAR] of the amount of [BASIC] state aid for which the district is
8 eligible the following fiscal year under AS 14.17.021[]; AND THE AMOUNT
9 FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN APPROVED FOR FUNDING CONSID-
10 ERATION BY THE COMMISSIONER. EACH DISTRICT SHALL MAKE THE COMPUTA-
11 TIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 - 14.17.150]. The
12 preliminary reports required by this section [COMPUTATIONS] are the
13 basis for requesting legislative appropriations and for making prelim-
14 inary payments under the public school foundation program for the
15 following fiscal year.

16 * Sec. 7. AS 14.17.082(a) is amended to read:

17 Sec. 14.17.082. FUND BALANCE [CHANGES] IN SCHOOL OPERATING FUND.
18 (a) Each district having an ADM/FTE of 500 or more [AT LEAST 400
19 INSTRUCTIONAL UNITS UNDER AS 14.17.031(a)] may accumulate an unre-
20 stricted, undesignated [A] fund balance, as defined by the department
21 by regulation, in the school operating fund of seven percent of its
22 expenditures for the preceding fiscal year. Each district having an
23 ADM/FTE of less than 500 [400 INSTRUCTIONAL UNITS] may accumulate an
24 unrestricted, undesignated [A] fund balance of 10 percent of its
25 expenditures for the preceding fiscal year.

26 * Sec. 8. AS 14.17.082(b) is amended to read:

27 (b) The commissioner shall review the annual audit of each
28 district to ascertain changes in the year-end operating fund balance
29 of the districts, and notify districts and the board, through a

1 written report, of any unrestricted, undesignated fund balances
2 [BALANCE ACCUMULATION] greater than that permitted under (a) of this
3 section.

4 * Sec. 9. AS 14.17.082(c) is repealed and reenacted to read:

5 (c) The amount by which a district's eligibility for state
6 assistance under AS 14.17.021 or 14.17.035 exceeds the amount per
7 ADM/FTE that it received for the preceding fiscal year, must be
8 reduced in any fiscal year by the amount by which the district's
9 unrestricted, undesignated fund balances exceed the amount permitted
10 under (a) of this section.

11 * Sec. 10. AS 14.17.150 is amended to read:

12 Sec. 14.17.150. DUTY OF COMMISSIONER TO EXAMINE AND TABULATE
13 COMPUTATIONS. (a) The commissioner shall examine the preliminary
14 reports submitted by each district under AS 14.17.080, to determine
15 that data are correctly reported and estimates and computations are
16 made in accordance with the department's regulations [THEY ARE COR-
17 RECTLY COMPUTED]. If the reports contain errors in data, estimates,
18 or computations [ALLOTMENTS ARE INCORRECTLY COMPUTED], the commission-
19 er shall either (1) obtain corrections [A CORRECT COMPUTATION] from
20 the district, or (2) make corrections [A CORRECT COMPUTATION] based on
21 information available, and give notice of the corrections [CORRECTED
22 COMPUTATION] to the district. [THE COMMISSIONER SHALL REVIEW SUPPLE-
23 MENTAL PROGRAM APPLICATIONS AND NOTIFY THE DISTRICT WHETHER ITS SUP-
24 PLEMENTAL PROGRAM IS APPROVED FOR INCLUSION IN ITS FOUNDATION PROGRAM
25 COMPUTATIONS.]

26 (b) The commissioner shall reduce the data, estimates, and
27 computations reported by the districts and the computations made by
28 the department [THESE COMPUTATIONS] to a report in tabular [FORM] or
29 other [ANOTHER] form helpful in determining the amount of state aid

1 for which each district is eligible (EXAMINING THE COMPUTATIONS OF THE
2 DISTRICTS) and shall transmit the report to the governor. The commis-
3 sioner shall maintain additional copies of this report in the commis-
4 sioner's office as a matter of public record. This report must
5 [SHALL] be entitled "Public School Foundation Program Computations."

6 * Sec. 11. AS 14.17.160 is amended to read:

7 Sec. 14.17.160. ALLOCATION OF FUNDS ON PRELIMINARY COMPUTATIONS.
8 The commissioner shall determine the state aid for each school dis-
9 trict for each fiscal year based on the pre-fiscal year estimates
10 contained in the preliminary reports submitted under AS 14.17.080 (ON
11 THE BASIS OF THE PRE-FISCAL YEAR COMPUTATIONS). Beginning July 15 of
12 each [THE] fiscal year and on the 15th day of each month[,] for the
13 next eight [SEVEN SUCCESSIVE] months, one-twelfth of each district's
14 state aid as so determined must [SHALL] be distributed.

15 * Sec. 12. AS 14.17.170 is amended to read:

16 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each
17 district shall make a report at the end of the 20-school-day period
18 ending the fourth Friday in October, and may make a report at the end
19 of the 20-school-day period ending the second Friday in February that,
20 in accordance with regulations adopted by the department, reports
21 [FIRST NINE WEEKS OF SCHOOL, WHICH CONTAINS A NEW ESTIMATE OF] its
22 average daily membership for that counting period, [THE FISCAL YEAR]
23 and other information that [WHICH] will aid the commissioner in making
24 a more accurate determination of each district's state aid. The
25 October report, or the February report if it makes the district eligi-
26 ble for more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF
27 AVERAGE DAILY MEMBERSHIP SHALL BE] the basis for the computation and
28 distribution of each district's state aid for the balance of the
29 fiscal year. As soon as possible after receiving each district's

1 report [THE COMMISSIONER SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND
2 INFORMATION, MAKE A RECOMPUTATION OF EACH DISTRICT'S STATE AID.
3 BEFORE DECEMBER 2], the commissioner shall notify each district of
4 changes made in the number of funding units calculated for that dis-
5 trict [ITS STATE AID]. The commissioner shall also determine whether
6 the money in the public school foundation account is sufficient to
7 meet each district's state aid for the fiscal year, and, if the money
8 is not sufficient, the commissioner shall immediately inform the
9 governor of the amount of additional appropriation the commissioner
10 estimates will be necessary to carry out the public school foundation
11 program for the rest of the fiscal year. Beginning April [FEBRUARY]
12 15 and on the 15th of each subsequent month, one-third [ONE-FIFTH] of
13 the recomputed balance of each district's state aid must [SHALL] be
14 distributed. [HOWEVER, ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD
15 PENDING A FINAL DETERMINATION OF THE DISTRICT'S STATE AID.]

16 * Sec. 13. AS 14.17.180 is amended to read:

17 Sec. 14.17.130. [PAYMENT UNDER] FINAL COMPUTATION. Before June
18 16 each district shall transmit to the commissioner a final report of
19 its enrollment and other information required by the commissioner
20 [COMPUTATION OF THE DISTRICT'S STATE AID. THE COMMISSIONER SHALL
21 PROCESS EACH DISTRICT'S COMPUTATION IN THE MANNER PROVIDED BY AS 14.-
22 17.150(a). HOWEVER, IN NO EVENT MAY THE ENTITLEMENT OF A SCHOOL
23 DISTRICT TO STATE AID UNDER AS 14.17.021 BE LESS THAN THAT COMPUTED
24 UNDER THIS SECTION FOR THE PRECEDING YEAR, EXCEPT AS OTHERWISE PROVID-
25 ED IN AS 14.17.031, OR UNDER AS 14.17.170, WHICHEVER IS GREATER.
26 ADDITIONAL STATE AID SHALL BE OBLIGATED BY THE COMMISSIONER BEFORE
27 JUNE 30]. IF the district received more state aid money than it was
28 entitled to under this chapter, it shall immediately, after notice
29 from the commissioner of the overpayment, remit the amount of

1 overpayment to the commissioner to be returned to the public school
2 foundation account. If the remittance is not made within 30 days
3 after the date of the commissioner's notice, the commissioner shall
4 withhold the amount of the overpayment from subsequent payments to the
5 district under this chapter.

6 * Sec. 14. AS 14.17.190 is amended to read:

7 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
8 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
9 school foundation money distributed to a district, together with any
10 interest earned by the district on the money, must [DURING A YEAR
11 SHALL] be received, held, and expended by the district subject to the
12 provisions of law and regulations adopted [PROMULGATED] by the depart-
13 ment.

14 (b) Each district shall maintain financial records of the re-
15 ceipt and disbursement of public school foundation money, interest
16 earned on that money, and money acquired from local effort. The
17 records must be in the form required by the commissioner and are
18 subject to audit by the commissioner or the board at any time.

19 * Sec. 15. AS 14.17.225(b) is amended to read:

20 (b) Money [FUNDS] to carry out the provisions of this chapter
21 [AS 14.17.010 - 14.17.190] may be appropriated annually by the legis-
22 lature into the public school foundation account. If the amount
23 appropriated to the account for any fiscal year exceeds the alloca-
24 tions otherwise authorized under this chapter, the excess money must
25 be distributed pro rata among those school districts eligible for less
26 aid per ADM/FTE under AS 14.17.021 than they would have received under
27 sec. 2, ch. 75, SLA 1985. The pro rata distribution must be based
28 upon the funding units that those districts are eligible to receive
29 under this chapter. If amounts in the account are insufficient to

1 meet the allocations authorized under this chapter, the available
2 money [AS 14.17.010 - 14.17.190, SUCH FUNDS AS ARE AVAILABLE] shall be
3 distributed pro rata among centralized correspondence study programs
4 and each school district based upon the funding units for which they
5 are eligible under this chapter [DISTRICT'S BASIC NEED].

6 * Sec. 16. AS 14.17.250(1) is amended to read:

7 (1) "ADN" or "average daily membership" means the aggregate
8 days of membership of pupils divided by the actual number of days in
9 session for the school term;

10 * Sec. 17. AS 14.17.350(17) is amended to read:

11 (17) "ADM/PTE" or "ADM full-time equivalent" means the
12 average daily membership (ADM) as proportionately reduced, under
13 regulations adopted by the department, to reflect the enrollment of
14 part-time students [QUOTIENT OF THE AGGREGATE PERIODS OF PUPIL MEMBER-
15 SHIP PER DAY IN SPECIFIED CLASSES, DIVIDED BY THE NUMBER OF CLASS
16 PERIODS IN THE SCHOOL DAY];

17 * Sec. 18. AS 14.17.023, 14.17.031, 14.17.041, 14.17.051, 14.17.061,
18 14.17.081, 14.17.090, 14.17.205, 14.17.225(f), and 14.17.250(4), (9), (18),
19 and (19) are repealed.

20 * Sec. 19. The Department of Education may adopt regulations under
21 AS 14.17.200 to implement the changes made by this Act. Those regulations
22 take effect in accordance with the Administrative Procedure Act (AS 44.62),
23 but not before the effective date of sec. 1 - 18 of this Act.

24 * Sec. 20. Section 19 of this Act takes effect immediately in accor-
25 dance with AS 01.10.070(c).

26 * Sec. 21. Sections 1 - 18 of this Act take effect July 1, 1986.
27
28
29

*For Bill w/ See Analysis
9/14/85 - See P. 85*

Introduced: 2/14/86
Referred: Health, Education
& Social Services and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 604

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH 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. AS 14.17.021 is repealed and reenacted to read:

10 Sec. 14.17.021. AID TO SCHOOL DISTRICTS. (a) The amount of
11 assistance for which a school district is eligible from the public
12 school foundation account in each fiscal year is initially calculated
13 by multiplying the funding unit value established under AS 14.17.056
14 by the total number of allowable funding units for the district estab-
15 lished under AS 14.17.045.

16 (b) The amount of assistance established under (a) of this
17 section is then reduced by

18 (1) for regional educational attendance areas, 80 percent
19 of the federal financial assistance received by the district under 20
20 U.S.C. 236 -- 244 (P.L. 81-874, as amended) for the preceding fiscal
21 year, or some lower percentage of that assistance if necessary to
22 comply with 20 U.S.C. 240(d) and the regulations adopted under it (34
23 C.F.R. Part 222, subpart G);

24 (2) for city or borough school districts, an amount equal
25 to an assessment of two mills on 100 percent of the full and true
26 value, as reported by the Department of Community and Regional Affairs
27 under AS 14.17.140, of the taxable real and personal property in the
28 district on January 1 of the assessment year preceding the year in
29 which the fiscal year in (a) of this section begins, up to a limit of

HB 604

1 \$1,000 per mill, multiplied by the district's ADM/FTE.

2 * Sec. 2. AS 14.17.022 is amended to read:

3 Sec. 14.17.022. FUNDS FOR CENTRALIZED CORRESPONDENCE STUDY.

4 Funds for providing centralized correspondence study programs for
5 students not enrolled in an approved school district correspondence
6 study program must [SHALL] include an amount [APPROPRIATION] from the
7 public school foundation account [IN AN AMOUNT] calculated by multi-
8 plying the funding unit value established under AS 14.17.056 by the
9 number of allowable basic funding units that would be established
10 under AS 14.17.055(a) for a community with the same ADM/FTE as that of
11 centralized correspondence study [BASE INSTRUCTIONAL UNIT BY THE TOTAL
12 NUMBER OF INSTRUCTIONAL UNITS AS DETERMINED BY APPLYING THE NUMBER OF
13 CORRESPONDENCE STUDENTS TO AS 14.17.041(a)].

14 * Sec. 3. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.025. GUARANTEED FUNDING LEVEL. If the amount of
16 assistance per ADM/FTE for which a school district is eligible for a
17 fiscal year under AS 14.17.021 is less than 95 percent of the amount
18 per ADM/FTE it would have received under sec. 2, ch. 75, SLA 1985, the
19 district is eligible for 95 percent of the amount per ADM/FTE it would
20 have received under sec. 2, ch. 75, SLA 1985.

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

22 Sec. 14.17.035. LIMITED INCREASE IN FUNDING. If the amount of
23 assistance per ADM/FTE for which a school district is eligible under
24 AS 14.17.021 for the fiscal year beginning July 1, 1986 is more than 5
25 percent greater than the amount of state assistance per ADM/FTE it
26 received for the preceding fiscal year, the district is entitled only
27 to five percent more per ADM/FTE than it received for the previous
28 fiscal year.

29 * Sec. 5. AS 14.17 is amended by adding a new section to read:

1 Sec. 14.17.045. ALLOWABLE FUNDING UNITS. The total number of
2 funding units within each school district for any fiscal year is the
3 sum of the following, calculated to the third decimal place, for that
4 fiscal year:

5 (1) the number of basic funding units for each city or
6 unincorporated community in the district, calculated under AS 14.17.-
7 055(a);

8 (2) the number of funding units for cities or unincorporat-
9 ed communities in the district with low school enrollments calculated
10 under AS 14.17.055(b);

11 (3) the number of funding units for districts with low
12 school enrollments which have at least one city or unincorporated
13 community with an ADM/FTE greater than 500, calculated under AS 14.-
14 17.055(c);

15 (4) the number of funding units for special education
16 calculated under AS 14.17.055(d);

17 (5) the number of funding units for bilingual/bicultural
18 education calculated under AS 14.17.055(e);

19 (6) the number of funding units for training and experience
20 of district personnel calculated under AS 14.17.055(f); and

21 (7) the number of district location units for the district
22 calculated under AS 14.17.055(g).

23 * Sec. 6. AS 14.17 is amended by adding a new section to read:

24 Sec. 14.17.055. CALCULATION OF ALLOWABLE UNITS. (a) The number
25 of basic funding units for each district is the sum of units calculat-
26 ed by the department for each city or unincorporated community within
27 the district according to the following table:

- 28 (1) Kindergarten ADM/FTE x 1.3
29 (2) Grades 1 -- 2 ADM/FTE x 1.15

1 (3) Grades 3 -- 6 ADM/FTE x 1.0

2 (4) Grades 7 -- 12 ADM/FTE x 1.25

3 (b) Small school funding units for cities or unincorporated
4 communities with K -- 12 ADM/FTE of 500 or less are calculated accord-
5 ing to the following table:

ADM/FTE	UNITS
1 -- 10	25
11 -- 15	25 + (4 x (ADM-10))
16 -- 25	45 + (1 x (ADM-15))
26 -- 200	55 + (0.5 x (ADM-25))
201 -- 500	142.5 + (0.025 x (ADM-200))

12 (c) Small district funding units are calculated according to the
13 following formula for school districts with K -- 12 ADM/FTE greater
14 than 500 and no more than 3,500, and with at least one city or unin-
15 corporated community with an ADM/FTE greater than 500:

$$\text{Units} = \frac{(3,500 - \text{District ADM/FTE}) \times 15}{3,000}$$

17

18 (d) Special education funding units according to the following
19 table are added for each city or unincorporated community within the
20 district based on the number of students enrolled in each program
21 category on the last day of the counting period under AS 14.17.170
22 which is used to determine state aid:

23 (1) Resource Services

Enrollment	Funding Units
1 -- 8	10.000
9 -- 18	20.000
Over 18	20 x (Enrollment/18)

28 (2) Self-Contained Services

Enrollment	Funding Units
------------	---------------

1 -- 5	10.000
6 -- 10	20.000
Over 10	20 x (Enrollment/10)

(3) Gifted-Talented Services

Enrollment	Funding Units
1 -- 9	5.000
10 -- 19	10.000
20 -- 29	15.000
30 -- 40	20.000
Over 40	20 x (Enrollment/40)

(4) Intensive Services

Enrollment	Funding Units
3	20.000
Over 3	20 x (Enrollment/3)

(e) Bilingual/bicultural funding units are calculated by multiplying by 0.7 the number of students enrolled in bilingual classes, approved by the department, as of the last day of the counting period under AS 14.17.170 which is used to determine state aid.

(f) District training and experience funding units for any fiscal year are calculated by multiplying 40 percent of the subtotal of units calculated under (a), (b), (c), (d), and (e) of this section for that fiscal year by the district's training and experience index. The training and experience index is determined as follows:

(1) the department shall assign each district teacher to a value in the following table in accordance with regulations adopted by the department:

Years of Experience	Training					
	BA	BA+	MA	MA+18	MA+36	MA+54
	1	2	3	4	5	6

1	0	0.00	0.05	0.15	0.20	0.25	0.30
2	2	0.10	0.15	0.25	0.30	0.35	0.40
3	5	0.25	0.30	0.40	0.45	0.50	0.55
4	8	0.35	0.40	0.50	0.55	0.60	0.65
5	10		0.50	0.60	0.65	0.70	0.75
6	12			0.65	0.70	0.75	0.80
7	15			0.75	0.80	0.85	1.00

8 In the training side of this table,

9 (A) column 1 refers to a salary based upon a bache-
10 lor's degree;

11 (B) column 2 refers to a salary based upon semester
12 hours beyond a bachelor's degree but less than a master's degree;

13 (C) column 3 refers to a salary based upon a master's
14 degree or its equivalent;

15 (D) column 4 refers to a salary based upon a master's
16 degree plus 18 or more, but fewer than 36, semester hours of
17 training or the equivalent;

18 (E) column 5 refers to a salary based upon a master's
19 degree plus 36 or more, but fewer than 54, semester hours of
20 training or the equivalent;

21 (F) column 6 refers to a salary based upon a master's
22 degree and 54 or more semester hours of training or the equiva-
23 lent;

24 (2) each district's training and experience index is the
25 average of the values assigned to all teachers in the district under
26 (1) of this subsection, minus the average of the district with the
27 lowest average.

28 (g) District location units for each district are calculated by
29 multiplying 60 percent of the district's subtotal of units under (a),

1 (b), (c), (d) and (e) of this section by the district's location index
2 in the following table:

3	District	District Location Index
4	Adak	0.500
5	Alaska Gateway	0.300
6	Aleutians	1.000
7	Anchorage	0.000
8	Annette	0.350
9	Bering Strait	0.850
10	Bristol Bay	0.500
11	Chatham	0.350
12	Chugach	0.180
13	Copper River	0.300
14	Cordova	0.130
15	Craig	0.350
16	Delta	0.300
17	Dillingham	0.500
18	Fairbanks	0.100
19	Galena	0.500
20	Haines	0.130
21	Hoonah	0.130
22	Hydaburg	0.350
23	Iditarod	0.750
24	Juneau	0.050
25	Kake	0.350
26	Kashunamiut	0.650
27	Kenai	0.050
28	Ketchikan	0.050
29	King Cove	0.500

1	Klawock	0.350
2	Kodiak	0.180
3	Kuspuk	0.750
4	Lake & Peninsula	0.850
5	Lower Kuskokwim	0.650
6	Lower Yukon	0.650
7	Maranuska-Susitna	0.000
8	Nenana	0.300
9	Nome	0.500
10	North Slope	1.000
11	Northwest	0.850
12	Pelican	0.350
13	Petersburg	0.050
14	Pribilofs	0.650
15	Railbelt	0.300
16	Sand Point	0.500
17	Sitka	0.050
18	Skagway	0.130
19	Southeast	0.350
20	Southwest	0.850
21	St. Mary's	0.650
22	Tanana	0.650
23	Unalaska	0.650
24	Valdez	0.130
25	Wrangell	0.050
26	Yakutat	0.350
27	Yukon Flats	0.850
28	Yukon Koyukuk	0.850
29	Yupit	0.650

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1 * Sec. 7. AS 14.17.056 is amended to read:

2 Sec. 14.17.056. [BASE INSTRUCTIONAL] UNIT VALUE. The funding
3 [BASE INSTRUCTIONAL] unit value for fiscal years beginning on or after
4 July 1, 1986 [1982], is \$2,770 [\$42,450. THE BASE INSTRUCTION UNIT
5 VALUE FOR THE FISCAL YEAR BEGINNING JULY 1, 1981, IS \$38,590].

6 * Sec. 8. AS 14.17.080 is amended to read:

7 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
8 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
9 shall submit to the department, in the manner and on forms to be
10 prescribed by the commissioner, a preliminary report of estimates and
11 data upon which computations can be made [FOR THE FOLLOWING FISCAL
12 YEAR] of the amount of [BASIC] state aid for which the district is
13 eligible the following fiscal year under AS 14.17.021[; AND THE AMOUNT
14 FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN APPROVED FOR FUNDING CONSID-
15 ERATION BY THE COMMISSIONER. EACH DISTRICT SHALL MAKE THE COMPUTA-
16 TIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 -- 14.17.150]. The
17 preliminary reports required by this section [COMPUTATIONS] are the
18 basis for requesting legislative appropriations and for making prelim-
19 inary payments under the public school foundation program for the
20 following fiscal year.

21 * Sec. 9. AS 14.17.082 is amended to read:

22 Sec. 14.17.082. FUND BALANCE [CHANGES] IN SCHOOL OPERATING FUND.
23 (a) Each district having an ADM/FTE of 500 or more [AT LEAST 400
24 INSTRUCTIONAL UNITS UNDER AS 14.17.031(a)] may accumulate an unre-
25 stricted, undesignated [A] fund balance, as defined by the department
26 by regulation, in the school operating fund of seven percent of its
27 expenditures for the preceding fiscal year. Each district having an
28 ADM/FTE of less than 500 [400 INSTRUCTIONAL UNITS] may accumulate an
29 unrestricted, undesignated [A] fund balance of 10 percent of its

1 expenditures for the preceding fiscal year.

2 (b) The commissioner shall review the annual audit of each
3 district to ascertain changes in the year-end operating fund balance
4 of the districts, and notify districts and the board, through a writ-
5 ten report, of any unrestricted, undesignated fund balances [BALANCE
6 ACCUMULATION] greater than that permitted under (a) of this section.

7 (c) The amount of additional assistance for which a district is
8 eligible under the guaranteed funding level provision of AS 14.17.025,
9 or the amount by which a district's eligibility for state assistance
10 under AS 14.17.021 or 14.17.035 exceeds the amount per ADM/FTE that it
11 received for the preceding fiscal year, must be reduced in any fiscal
12 year by the amount by which the district's unrestricted, undesignated
13 fund balances exceed the amount permitted under (a) of this section
14 [THE BOARD SHALL REVIEW THE REPORTS SUBMITTED TO IT UNDER (b) OF THIS
15 SECTION AND SUBMIT A REPORT MAKING RECOMMENDATIONS WITH RESPECT TO THE
16 LEGISLATIVE TREATMENT OF THE FUND BALANCES OF THOSE DISTRICTS TO THE
17 LEGISLATIVE BUDGET AND AUDIT COMMITTEE BY APRIL 15 OF EACH YEAR].

18 * Sec. 10. AS 14.17.150 is amended to read:

19 Sec. 14.17.150. DUTY OF COMMISSIONER TO EXAMINE AND TABULATE
20 COMPUTATIONS. (a) The commissioner shall examine the preliminary
21 reports submitted by each district under AS 14.17.080, to determine
22 that data are correctly reported and estimates and computations are
23 made in accordance with the department's regulations [THEY ARE COR-
24 RECTLY COMPUTED]. If the reports contain errors in data, estimates,
25 or computations [ALLOTMENTS ARE INCORRECTLY COMPUTED], the commission-
26 er shall either (1) obtain corrections [A CORRECT COMPUTATION] from
27 the district, or (2) make corrections [A CORRECT COMPUTATION] based on
28 information available, and give notice of the corrections [CORRECTED
29 COMPUTATION] to the district. [THE COMMISSIONER SHALL REVIEW

1 SUPPLEMENTAL PROGRAM APPLICATIONS AND NOTIFY THE DISTRICT WHETHER ITS
2 SUPPLEMENTAL PROGRAM IS APPROVED FOR INCLUSION IN ITS FOUNDATION
3 PROGRAM COMPUTATIONS.]

4 (b) The commissioner shall reduce the data, estimates, and
5 computations reported by the districts and the computations made by
6 the department [THESE COMPUTATIONS] to a report in tabular [FORM] or
7 other [ANOTHER] form helpful in determining the amount of state aid
8 for which each district is eligible [EXAMINING THE COMPUTATIONS OF THE
9 DISTRICTS] and shall transmit the report to the governor. The commis-
10 sioner shall maintain additional copies of this report in the commis-
11 sioner's office as a matter of public record. This report must
12 [SHALL] be entitled "Public School Foundation Program Computations."

13 * Sec. 11. AS 14.17.160 is amended to read:

14 Sec. 14.17.160. ALLOCATION OF FUNDS ON PRELIMINARY COMPUTATIONS.
15 The commissioner shall determine the state aid for each school dis-
16 trict for each fiscal year based on the pre-fiscal year estimates
17 contained in the preliminary reports submitted under AS 14.17.080 [ON
18 THE BASIS OF THE PRE-FISCAL YEAR COMPUTATIONS]. Beginning July 15 of
19 each [THE] fiscal year and on the 15th day of each month[,] for the
20 next eight [SEVEN SUCCESSIVE] months, one-twelfth of each district's
21 state aid as so determined must [SHALL] be distributed.

22 * Sec. 12. AS 14.17.170 is amended to read:

23 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each
24 district shall make a report at the end of the 20-school-day period
25 ending the fourth Friday in October, and may make a report at the end
26 of the 20-school-day period ending the second Friday in February
27 [FIRST NINE WEEKS OF SCHOOL], which, in accor se with regulations
28 adopted by the department, reports [CONTAINS NEW ESTIMATE OF] its
29 average daily membership for that counting period, [THE FISCAL YEAR]

1 and other information which will aid the commissioner in making a more
2 accurate determination of each district's state aid. The October
3 report, or the February report if it makes the district eligible for
4 more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF AVERAGE DAILY
5 MEMBERSHIP SHALL BE] the basis for the computation and distribution of
6 each district's state aid for the balance of the fiscal year. As soon
7 as possible after receiving each district's report [THE COMMISSIONER
8 SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND INFORMATION, MAKE A
9 RECOMPUTATION OF EACH DISTRICT'S STATE AID. BEFORE DECEMBER 2], the
10 commissioner shall notify each district of changes made in the number
11 of funding units calculated for that district [ITS STATE AID]. The
12 commissioner shall also determine whether the money in the public
13 school foundation account is sufficient to meet each district's state
14 aid for the fiscal year, and, if the money is not sufficient, the
15 commissioner shall immediately inform the governor of the amount of
16 additional appropriation the commissioner estimates will be necessary
17 to carry out the public school foundation program for the rest of the
18 fiscal year. Beginning April [FEBRUARY] 15 and on the 15th of each
19 subsequent month, one-third [ONE-FIFTH] of the recomputed balance of
20 each district's state aid must [SHALL] be distributed. [HOWEVER,
21 ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD PENDING A FINAL DETER-
22 MINATION OF THE DISTRICT'S STATE AID.]

23 * Sec. 13. AS 14.17.180 is amended to read:

24 Sec. 14.17.180. [PAYMENT UNDER] FINAL COMPUTATION. Before June
25 16 each district shall transmit to the commissioner a final report of
26 its enrollment and other information required by the commissioner
27 [COMPUTATION OF THE DISTRICT'S STATE AID. THE COMMISSIONER SHALL
28 PROCESS EACH DISTRICT'S COMPUTATION IN THE MANNER PROVIDED BY AS 14.-
29 17.150(a). HOWEVER, IN NO EVENT MAY THE ENTITLEMENT OF A SCHOOL

1 DISTRICT TO STATE AID UNDER AS 14.17.02) BE LESS THAN THAT COMPUTED
2 UNDER THIS SECTION FOR THE PRECEDING YEAR, EXCEPT AS OTHERWISE PROVID-
3 ED IN AS 14.17.031, OR UNDER AS 14.17.170, WHICHEVER IS GREATER.
4 ADDITIONAL STATE AID SHALL BE OBLIGATED BY THE COMMISSIONER BEFORE
5 JUNE 30]. If the district received more state aid money than it was
6 entitled to under this chapter, it shall immediately, after notice
7 from the commissioner of the overpayment, remit the amount of overpay-
8 ment to the commissioner to be returned to the public school founda-
9 tion account. If the remittance is not made within 30 days after the
10 date of the commissioner's notice, the commissioner shall withhold the
11 amount of the overpayment from subsequent payments to the district
12 under this chapter.

13 * Sec. 14. AS 14.17.190 is amended to read:

14 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
15 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
16 school foundation money distributed to a district, together with any
17 interest earned by the district on the money, must [DURING A YEAR
18 SHALL] be received, held, and expended by the district subject to the
19 provisions of law and regulations adopted [PROMULGATED] by the depart-
20 ment.

21 (b) Each district shall maintain financial records of the re-
22 ceipt and disbursement of public school foundation money, interest
23 earned on that money, and money acquired from local effort. The
24 records must be in the form required by the commissioner and are
25 subject to audit by the commissioner or the board at any time.

26 * Sec. 15. AS 14.17.225(b) is amended to read:

27 (b) Money [FUNDS] to carry out the provisions of this chapter
28 [AS 14.17.010 -- 14.17.190] may be appropriated annually by the legis-
29 lature into the public school foundation account. If the amount

1 appropriated to the account for any fiscal year exceeds the alloca-
2 tions otherwise authorized under this chapter, the excess money must
3 be distributed pro rata among those school districts eligible for less
4 aid per ADM/FTE under AS 14.17.021 than they would have received under
5 sec. 2, ch. 75, SLA 1985. The pro rata distribution must be based
6 upon the funding units for which those districts are eligible under
7 this chapter. If amounts in the account are insufficient to meet the
8 allocations authorized under this chapter [AS 14.17.010 -- 14.17.190],
9 the available money must [SUCH FUNDS AS ARE AVAILABLE SHALL] be dis-
10 tributed pro rata among centralized correspondence study programs and
11 each school district based upon the funding units for which they are
12 eligible under this chapter [DISTRICT'S BASIC NEED].

13 * Sec. 16. AS 14.17.250(1) is amended to read:

14 (1) "ADM" or "average daily membership" means the aggregate
15 days of membership of pupils divided by the actual number of days in
16 session for the school term;

17 * Sec. 17. AS 14.17.250(17) is amended to read:

18 (17) "ADM/FTE" or "ADM full-time equivalent" means the
19 average daily membership (ADM) as proportionately reduced, under
20 regulations adopted by the department, to reflect the enrollment of
21 part-time students [QUOTIENT OF THE AGGREGATE PERIODS OF PUPIL MEMBER-
22 SHIP PER DAY IN SPECIFIED CLASSES, DIVIDED BY THE NUMBER OF CLASS
23 PERIODS IN THE SCHOOL DAY];

24 * Sec. 18. AS 14.17.023, 14.17.031, 14.17.041, 14.17.051, 14.17.061,
25 14.17.081, 14.17.090, 14.17.205, 14.17.225(f), and 14.17.250(4), (9), (18),
26 and (19) are repealed.

27 * Sec. 19. The Department of Education may adopt regulations under
28 AS 14.17.200 to implement the changes made by this Act. Those regulations
29 take effect in accordance with the Administrative Procedure Act (AS 44.62),

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but not before the effective date of secs. 1 -- 18 of this Act.

* Sec. 20. Section 19 of this Act takes effect immediately in accordance with AS 01.19.070(c).

* Sec. 21. Sections 1 -- 18 of this Act take effect July 1, 1986.

cc/

LETTER OF INTENT FOR FOUNDATION FUNDING BILLS
CS HB 604 (HESS) AND CS SS HB 637 (HESS)
HOUSE HESS COMMITTEE

It is the intent of the HESS Committee that reductions in public school funding be met by local school districts in a manner that has the least possible impact on programs that directly affect the education of the children for whom they are responsible. To that end, we urge that experienced teachers be retained and that class size and the pupil/teacher ratio be as low as finances allow. Cutting central office personnel should be considered before class size is increased or classroom teachers dismissed. It is important that basic education programs and the personnel needed to fully implement those programs not be lost. By basic educational programs we mean a full complement of programs including: basic academics (including languages); physical education; vocational education; special education; music; art; bi-lingual and bi-cultural education; and counseling, library and health care programs.

We realize that situations differ from community to community and that the opportunity for local control brings with it the responsibilities for local decision making and for local support. Communities should consider the extent to which the schools can be assisted by use of state-provided municipal assistance or other funds by other local income sources. Smaller districts should explore consolidating service functions sharing purchasing, maintenance, curriculum and other special services, including joint superintendencies as is done by many school districts in other states.

State funds should not be used for consultant/lobbying contracts, the payment of professional membership dues, fees and assessments, or for out-of-state-travel.

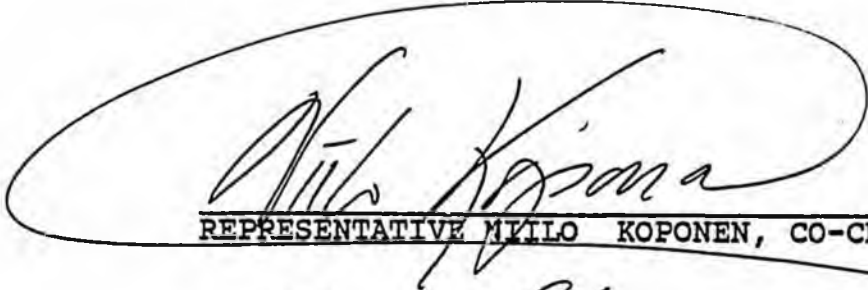
Where further economies must be achieved, the committee urges districts to meet lowered funding levels through:

- (1) full utilization of all operating and capital budget carry-over funds;
- (2) delaying capital improvements;
- (3) changing existing programmatic priorities within the budget;
- (4) limiting out-of-district travel and extracurricular activities;
- (5) prohibiting new programs;
- (6) selling assets of the district;

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HOUSE HESS COMMITTEE
PAGE TWO

- (7) maximizing the district's revenue raising capacity
- (8) lower administrative, upper-level and management salaries; and
- (9) voluntary demotion in lieu of layoff, and attrition from offering early retirement incentives, job-sharing, shorter work week, sabbatical leaves at half-pay, and various forms of leave without pay including long-term leaves without pay but with full return and seniority rights.

If these measures are not sufficient, cuts may have to be made in administrative and non-institutional personnel and non-educational services.



REPRESENTATIVE MILO KOPONEN, CO-CHAIR



REPRESENTATIVE MAX F. GRUENBERG, JR., CO-CHAIR

FINDINGS REGARDING FOUNDATION FUNDING PROPOSALS
HOUSE HESS COMMITTEE

CSHB 604(HESS) and CSSSHB 637(HESS)

Five issues require special attention:

1). Vocational Education - It is the opinion of the HESS Committee that a foundation funding formula should include specific set-asides for vocational education. When set-asides for vocational education were eliminated years ago and funds were lumped, it was not with any logical reasoning or specific intent.

2). Fund Balances - Fund balances must be examined. We recognize the potential usefulness of maintaining the current statutory limits for a fund balance of 7% or 10%. However, fund balances in excess of these limits should be subtracted from the district's state aid entitlement. The Department of Education must watchdog fund balances and protect them from current or potential abuses.

3). Special Education/ARMSI - The method for funding special education differs in the various foundation formula bills. In determining the most appropriate method and the level of such funding, the Finance Committee should consider HB 543 and SB 319 in conjunction with foundation funding proposals to ensure that special education intensive services are funded in a comprehensive, service effective, cost-effective, and non-duplicative manner.

4). Local Contribution - The issue of local contribution is a confusing one because of the differences in local taxation powers, tax bases, property values, and PL 81-874. We wish to encourage local contribution. Whether it is most beneficial to require it at a given level, what that level is to be, and whether a higher local contribution should be reimbursed are other concerns which must be addressed. Certain districts in the state have been supplemented with a much higher than average local contribution. We wish to assure that this extraordinary local contribution level is not required as a result of funding inequities between districts in Alaska and, on the other hand, we wish to encourage the participation of localities providing for educational needs. The Alaska Constitution clearly mandates funding for basic education as a responsibility of the State and that responsibility must not be abrogated.

5). PL 81-874 - Regardless of the formula to be utilized for FY87 foundation funding, how P.L. 81-874 funds are utilized is a critical issue for school districts and the state.

PL 81-874 issues include:

1. If the state continues to deduct P.L. 81-874 revenues from state foundation entitlements, the state must pass the federal disparity test. Non-equalized local revenues provide the major source of disparities.
2. If the state passes the federal disparity test, the amount of P.L. 81-874 deduction in a district is limited by federal regulation to the percentage that the "Local Revenues included in the State Equalization Plan" is of "Total Local Revenues" in the district. Presently, with no local revenues from city/boroughs included in the State foundation plan, no P.L. 81-874 revenues can be deducted in city/boroughs. With no local revenues in REAAs, the formula does not apply, and theoretically all P.L. 81-874 revenues can be deducted.
3. If the state reduces or eliminates the deduction for P.L. 81-874 revenues from REAAs, the result will be significant revenue shifts among districts with high P.L. 81-874 districts benefiting the most.
4. The state is a direct applicant for P.L. 81-874 funds which results in a direct revenue to the state of approximately 20.0 million dollars from P.L. 81-874, primarily based upon students attending on-base schools. The federal government is questioning this practice which, if disallowed, would require state statutory changes and would result in loss of state revenue and extreme revenue shifts among districts.

Presently, the state deducts 80% of the prior year's P.L. 81-874 revenues received by a REAA from the district's foundation entitlement. This deduction statewide (approximately \$30.0 million in FY86) is in effect "state" revenue for the purpose of foundation funding. There is no deduction of local taxes or P.L. 81-874 revenues from city/borough school districts. The 80% deduction from REAAs (approximately \$30.0 million) is in effect redistributed throughout the entire state. The city/boroughs, who contribute nothing, receive a share of the REAAs' P.L. 81-874 funds.

By federal statute and regulation the amount of P.L. 81-874 funds which can be deducted in each district is restricted to the percentage calculated as follows:

$$\text{Percentage} = \frac{\text{Local revenues included in State equalization plan}}{\text{Total Local Revenues}} \times 100$$

The formula is applicable to city/borough school districts but not to REAAs.

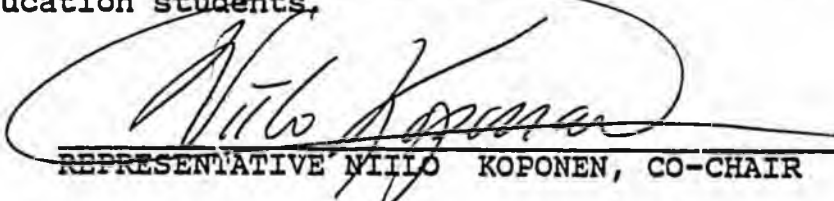
In city/borough districts, which have local revenues, but none of which are included in the State's equalization plan, the formula percentage is zero -- no P.L. 81-874 revenue can be deducted. In REAAs, which have no local revenues, the formula does not apply. However, before any P.L. 81-874 revenues can be utilized in the State equalization plan, the federal disparity test must be passed by the state. Non-equalized local revenue is the primary determinant of disparities among districts.

If there is a change in the present 80% deduction of P.L. 81-874 revenues from REAAs, there will be revenue shifts among districts.

With a lower percentage deduction, high P.L. 81-874 districts will show increasing revenues and low P.L. 81-874 districts will receive less. City/borough districts, with no deduction for P.L. 81-874 revenues, will have less revenue.

Approximately another 20.0 million dollars of P.L. 81-874 revenue is received directly by the state for those students for whom the state is the applicant agency. The vast majority of the students being counted in this category is students from military bases being served in "on-base" schools in Anchorage and Fairbanks. At this writing, the state's practice of being a direct applicant for P.L. 81-874 revenues is being questioned formally by the federal government. If it was ruled by the federal government that the state could not be an applicant, statutory changes would be required to permit the local districts serving these students to claim them for P.L. 81-874 funding. The fiscal impact would fall on districts and the state. There would be a net loss of revenue to the state which would impact all school districts. Local school districts claiming the students would have increased revenues from P.L. 81-874. Tuition payments could be terminated to city/borough districts for the students who would be claimed for P.L. 81-874.

In the future, instead of the current, arbitrary 80%/20% split, the State should take credit for 100% of PL 81-874 monies less the actual percentage due for the inclusion of special education students.


REPRESENTATIVE NIILLO KOPONEN, CO-CHAIR

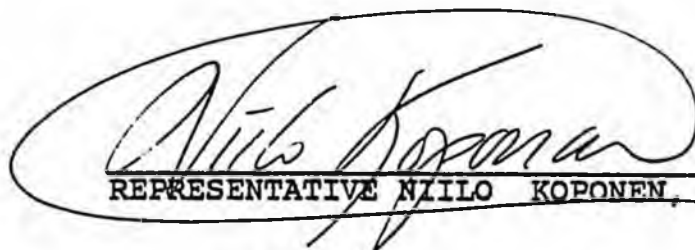

REPRESENTATIVE MAX F. GRUENBERG, JR., CO-CHAIR

LETTER OF INTENT REGARDING DEPARTMENT OF EDUCATION BUDGET
HOUSE HESS COMMITTEE

CSHB 604(HESS) and CSSSHB 67(HESS)

In consideration of the Department of Education budget, we urge that the Department maintain both direct pupil services and the planning and statistical analysis functions upon which the Legislature depends for reasonable public policy development.

We are pleased to note the progress the Department has made in requiring school districts to report fiscal and statistical data in a uniform and comprehensive manner. The Legislature desires that this process continue and be perfected, in order that the costs of educational services can be analyzed adequately. Only in this manner can finances be directed to yield the best educational result for each child; and costs due to isolation, distance and problems of scale (thus beyond the control of school management) be equalized. Past failure to provide data that the public and the Legislature could have confidence in, combined with political pressure, has created a flagrant inequity in the distribution of state funds among districts and exacerbated the difficulties in arriving at a workable, equitable formula and in dealing with the decline in state revenues as it effects public education.



REPRESENTATIVE NIILLO KOPONEN, CO-CHAIR



REPRESENTATIVE MAX F. GREENBERG, JR., CO-CHAIR

2/14 SUP 85

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST HB 604 - Page 1 of 2
 Bill/Resolution No. : 377-031-86
 Title : State Support for Education

 Sponsor : Governor
 Requestor : Governor
 Date of Request : February 7, 1986

FISCAL DETAIL
 Agency Affected: Department of Education
 BRU: K-12 Support

 Components : Foundation Program

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		6,691.2	10,278.8	10,278.8	10,278.8	10,278.8
MISCELLANEOUS						
TOTAL OPERATING		6,691.2	10,278.8	10,278.8	10,278.8	10,278.8
CAPITAL						
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND		6,691.2	10,278.8	10,278.8	10,278.8	10,278.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Post FY-87 year costs are estimates; actual costs will vary based upon student enrollments. The difference between FY-87 and succeeding fiscal years is due to one year only limitation on increases in funding (Sec. 14.17.035). See attached detail.

Prepared by : Steve Hole Phone : 465-2800
 Division : Commissioner's Office Date : February 7, 1986

Approved by Commissioner : Harold Reynolds, Jr. Date : February 7, 1986
 Agency : Department of Education

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

HB 604 - Page 2 of 2

School Funding Formula Alternatives
February 3, 1986

	Revenue Sources
State	\$ 464,453.6
P.L. 874	50,000.0
2 Mills *	64,115.1

TOTAL	\$ 578,568.7

* Maximum \$1,000 per student per mill

<u>Alternatives</u>	<u>Funding</u>	<u>Maximum Gain</u>	<u>Maximum Loss</u>
A	No increase	5.0 percent	11.5 percent
B	No increase	3.5 percent	10.0 percent
C	+ 6.7 million	5.0 percent	5.0 percent
D	+ 16.7 million	5.0 percent	No loss
E	+ 20.3 million	No limitation	No loss

PREPARED FOR: GOVERNOR'S OFFICE
 TOTAL DOLLARS: 464,453.6 + 30,000 = 64,445.4
 EQUALIZATION AT: 2 MILLS
 GAIN: 5% LOSS: 5%

DATE: 1/23/86
 UNIT VALUE: \$2777
 TOTAL: \$379,366.7

DISTRICT	ENROLLMENT	TOTAL UNITS	FORMULA DOLLARS	PROPOSED FY86 COMPARISON	ACTUAL EACH	ACTUAL LOSS	5% LOSS PERCENTUM OF 1985	PERCENT GAIN OR LOSS
ADAK	607	1,396,700	3,226,869	4,193,763		219,688	3,226,869	-5.00
ALASKA GATEWAY	316	1,677,532	4,322,360	4,336,230	56,137		4,322,360	0.32
ALEUTIANS	87	661,192	1,621,632	1,606,667	75,435		1,621,632	0.91
ANCHORAGE	40674	62,737,462	174,473,127	174,311,730	2,784,540		174,473,127	1.73
ANNETTE	413	597,641	2,403,364	2,322,333		141,143	2,403,364	-5.77
BERING STRAITS	1233	3,713,750	13,327,667	13,240,305	137,064		13,327,667	1.23
BRISTOL BAY	241	714,421	1,727,864	2,042,759		132,136	2,042,759	-5.00
CHATHAM	308	1,123,174	3,123,174	2,732,374	136,144		3,123,174	5.00
CHUGACH	128.5	472,124	1,477,313	1,371,233		78,565	1,477,313	-5.00
COPPER RIVER	375	1,712,577	4,713,873	4,232,373	214,617		4,713,873	5.00
CORCOVA	370	966,796	2,234,222	2,021,046		46,361	2,234,222	-2.02
CRAIG	136	311,223	1,437,308	1,477,481		62,173	1,417,308	-1.23
DELTA	1064	2,064,654	5,779,172	6,266,768		333,438	6,333,331	-5.00
DILLINGHAM	463	1,027,352	3,074,129	4,389,640		217,482	4,170,158	-5.00
FAIRBANKS	13431	21,222,692	58,786,858	59,243,311		2,156,454	58,786,858	-1.73
GALENA	146	426,538	1,131,348	1,333,969		77,798	1,478,171	-5.00
HAINES	350.5	849,691	2,353,558	2,300,641		125,042	2,375,798	-5.00
HOONAH	214	524,199	1,452,005	1,440,912	11,093		1,452,005	0.77
HYDABURG	97	330,028	914,344	945,788		35,444	914,344	-3.73
IDITAROD	397	1,931,444	5,350,397	6,212,829		310,641	5,902,188	-5.00
JUNEAU	4700	7,651,829	21,495,566	20,931,678	253,888		21,195,566	1.26
KAKE	202	379,951	1,598,463	1,316,602	73,830		1,592,432	5.00
KASHUNAMSIUT	166	674,637	1,856,220	1,762,994	55,130		1,788,144	5.00
KENAI	8547.8	14,546,336	40,293,352	41,250,315		956,964	40,293,352	-2.32
KETCHIKAN	2437	3,299,536	10,601,689	9,973,835	456,692		10,472,527	5.00
KING COVE	120	375,792	1,341,414	1,213,582		60,829	1,155,753	-5.00
KLAWOCK	156	465,519	1,289,466	1,214,510	60,736		1,275,236	5.00
KODIAK	2278	4,477,092	12,401,546	14,147,565		707,378	13,440,137	-5.00
KUSPUK	468	2,002,107	5,545,647	6,948,646		347,432	6,601,216	-5.00
LAKE & PENN	370	1,962,530	5,436,263	5,755,130		297,738	5,637,393	-5.00
LOWER KUSKOKWIM	2675	9,600,570	27,447,560	30,651,950		2,154,648	29,158,300	-5.00
LOWER YUKON	1236	3,341,939	14,797,310	13,193,074	359,654		13,352,728	5.00
MAT-SU	9366	13,666,439	37,856,012	38,664,515		1,008,505	37,656,012	-1.57
NENANA	126	393,067	1,088,773	1,432,355		70,126	1,332,437	-5.00
NOME	620	2,130,631	5,902,402	6,567,826		328,381	6,235,245	-5.00
NORTH SLOPE	1155	4,697,512	12,995,437	13,363,350		367,861	12,995,437	-1.75
NORTHWEST ARCTIC	1526	6,399,253	17,725,930	16,463,851	669,153		17,308,045	5.00
PELICAN	54	196,833	545,227	718,855		35,940	682,912	-5.00
PETERSBURG	596.5	1,116,107	3,091,616	2,974,478	117,138		3,091,616	0.34
PRIBILOFS	167	730,517	2,023,533	2,316,346	6,592		2,023,533	1.33
RAILBELT	357	1,052,380	2,915,051	3,546,081		177,304	3,568,777	-5.00
SAND POINT	115	362,866	1,035,133	1,132,734		55,637	1,078,144	-5.00
SITKA	1654	2,772,649	7,676,564	7,175,242	356,762		7,534,004	5.00
SKAGWAY	136	333,913	938,803	977,678	43,884		921,552	5.00
SOUTHEAST ISLAND	458	1,764,975	4,668,992	4,603,816	230,191		4,834,007	5.00
SOUTHWEST REGION	486	2,624,937	7,271,075	6,724,732	336,237		7,061,021	5.00
ST. MARY'S	115	493,164	1,365,767	1,756,039		89,802	1,706,237	-5.00
TANANA	73	301,757	836,426	1,136,201		55,310	1,050,891	-5.00
UNALASKA	141	472,623	1,325,792	1,414,477		70,724	1,343,753	5.00
VALDEZ	791	1,942,267	5,380,786	5,313,607		138,721	5,380,086	-1.51
WRANGELL	451	957,271	2,651,640	2,446,179	122,007		2,562,168	5.00
YAKUTAT	157	450,546	1,248,011	1,300,622		52,610	1,248,011	-4.15
YUKON FLATS	377	2,082,268	5,765,112	6,076,486		363,624	5,772,662	-5.00
YUKON KOYUKUK	596	2,701,533	7,433,246	8,176,324		408,826	7,767,698	-5.00
YUPIIT	283	1,230,002	3,467,106	3,270,090	127,016		3,407,106	4.19

PREPARED FOR: REP. RON LARSON
 TOTAL DOLLARS: 464,453.6 + 50,000 + 64,115.1
 QUALIFICATION AT 2 MILLS
 GAIN: NONE LOSS: NONE

DATE: 2/3/66
 UNIT VALUE: \$2770.869
 TOTAL: \$578,568.7

STRICT	ENROLL- MENT	TOTAL UNITS	FORMULA DOLLARS	PROJECTED FY86 COMPARISON	total gain	total loss	ALL LOSS ALL GAIN	percen gain o loss
AK	607	1396.700	3670074	4193763		-323689	3870074	-7.72
ASKA GATEWAY	516	1679.552	4653820	4636260	17560		4653820	0.38
AUTIANS	87	661.192	1832078	1508667	323411		1832078	21.44
ANCHORAGE	40674	62987.462	174530006	171510730	3019276		174530006	1.76
ANETTE	413	867.641	2404118	2822855		-418737	2404118	-14.83
ERING STRAITS	1233	5713.960	15832634	15640605	192029		15832634	1.23
RISTOL BAY	241	710.420	1968481	2642759		-674277	1968481	-25.51
IATHAM	306	1128.174	3126023	2762874	363149		3126023	13.14
IUGACH	128.5	432.244	1197691	1571298		-373607	1197691	-23.78
OPPER RIVER	575	1702.877	4718450	4292375	426075		4718450	9.93
ORDOVA	390	806.746	2235386	2281046		-45660	2235386	-2.00
RAIG	186	511.663	1417752	1479481		-61729	1417752	-4.17
ELTA	1084	2064.684	5720970	6668768		-947798	5720970	-14.21
ILLINGHAM	465	1109.852	3075255	4389640		-1314385	3075255	-29.94
AIRBANKS	13431	21222.692	58805300	59943311		-1138011	58805300	-1.90
ALENA	146	426.588	1182019	1555969		-373950	1182019	-24.02
AINES	350.5	849.660	2354297	2500841		-146544	2354297	-5.86
COONAB	214	524.190	1452460	1440912	11548		1452460	0.80
YDABURG	97	330.088	914631	949788		-35157	914631	-3.70
DITAROD	399	1931.444	5351778	6212829		-861051	5351778	-13.86
UNEAU	4700	7651.829	21202215	20931678	270537		21202215	1.25
AKE	202	579.951	1606967	1516602	90365		1606967	5.96
ASHUNAMIUT	166	670.837	1858802	1702994	155808		1858802	9.15
ENAI	8547.8	14546.336	40305992	41250315		-944323	40305992	-2.25
ETCHIKAN	2439	3899.596	10805268	9973835	831433		10805268	8.34
ING COVE	120	375.962	1041741	1216582		-174841	1041741	-14.37
LAROCK	156	465.519	1289891	1214510	75381		1289891	6.21
ODIAK	2278	4477.092	12405437	14147565		-1742129	12405437	-12.31
USPUK	408	2002.039	5547387	6948648		-1401261	5547387	-20.17
AKE & PENN	370	1962.550	5437969	5955150		-517181	5437969	-8.68
OWER KUSKOKHIM	2675	9800.570	27156097	30692950		-3536853	27156097	-11.51
OWER YUKON	1286	5341.989	14801952	13193074	1608878		14801952	12.11
AT-SU	9366	13666.430	37867888	38864516		-996629	37867888	-2.58
ENANA	126	393.067	1089136	1402565		-313429	1089136	-22.35
OME	850	2130.831	5904254	6567626		-663372	5904254	-10.15
ORTH SLOPE	1155	4691.512	12999566	13363350		-363784	12999566	-2.72
ORTHWEST ARCTI	1526	6399.253	17731491	16483852	1247639		17731491	7.57
ELICAN	54	196.833	545398	718855		-173457	545398	-24.17
ETERSBURG	596.5	1116.107	3092586	2974478	118108		3092586	3.91
RIBILOFS	169	730.519	2024173	2016846	7327		2024173	0.31
AILBELT	357	1052.380	2916006	3546081		-630075	2916006	-17.77
AND POINT	115	362.866	1005453	1132784		-127331	1005453	-11.21
ITKA	1654	2772.045	7680973	7175242	505731		7680973	7.01
SKAGHAY	136	338.918	939097	877678	61419		939097	7.01
SOUTHEAST ISLAN	458	1764.979	4890526	4603816	286710		4890526	6.21
SOUTHWEST REGIO	486	2624.937	7273356	6724782	548574		7273356	5.11
ST. MARY'S	115	493.064	1366215	1796039		-429823	1366215	-23.91
TANANA	78	301.959	836688	1106201		-269513	836688	-24.31
INALASKA	141	478.625	1326208	1414477		-88269	1326208	-5.21
ALDEZ	791	1942.269	5381774	5518807		-137033	5381774	-2.41
IRANGELL	451	957.271	2652471	2440179	212292		2652471	8.71
AKUTAT	157	450.546	1248403	1300622		-52219	1248403	-4.01
YUKON FLATS	377	2081.268	5766921	6076486		-309565	5766921	-5.01
YUKON KOYUKUK	596	2701.533	7485593	8176524		-690931	7485593	-8.41
YUPIIT	285	1230.002	3408175	3270090	138085		3408175	4.21
CENTRALIZED COP	824	1004.800	3022547	2409792	623755		3022547	25.81

BILL SHEFFIELD
GOVERNOR



HB 604

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 14, 1986

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the financing of public schools in Alaska. The goal of the bill is to enact a new finance formula stipulating the methods that the Department of Education would use to distribute money to the 55 school districts across the State of Alaska. This fulfills my commitment to provide the Legislature with a program to replace the formula that was suspended in 1983.

The State Board of Education, the Department of Education, and the Funding Formula Advisory Committee worked very hard this past year with the school districts in arriving at this foundation program formula. The formula applies to every school district in the same manner, for any funding level. I think that all of us: the Legislature, the Executive Branch and the school districts, would admit that a new foundation program is really necessary. The problem is, no school district wants to accept simply the same amount of money as last year, or less.

In order to minimize the effects of the decreases in the new formula, and to limit the sizeable increases of some districts, I have attached a fiscal note to this legislation in the sum of \$6.7 million.

This \$6.7 million would limit the increase for any school district to 5 percent and would limit the decrease of any district to 5 percent. There is the possibility, and it's a very strong possibility, that my suggestion to limit the

increases and decreases to 5 percent would require no additional funds. History tells us that in all probability the student enrollments will not be as high as the school districts have projected. If this is the case, I suggest in the legislation that any money left over be used to hold harmless those districts that show a decrease because of the new formula.

As I said earlier, I think that most people agree that the foundation formula program is necessary and that this is a good program for reasons of accountability and control of state funds. Also, the proposed formula includes the following points:

- 1) it would distribute money based upon individual program and student needs;
- 2) the formula provides fair and consistent means of allocating resources to school districts;
- 3) it is based upon sound fiscal and administrative practices;
- 4) it accommodates varying levels of program costs;
- 5) it responds to costs associated with the location of school districts, and the training and experience of school teachers; and
- 6) one of the most important characteristics of the formula is its equalization component which reduces revenue disparities among districts; this will likely enhance the state's ability to utilize federal Public Law 81-874 revenues in the state finance plan.

For a more detailed explanation of the legislation, please see the attached section-by-section analysis.

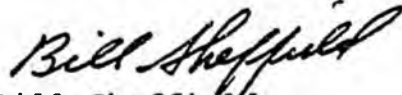
To allow unlimited increases for some districts as proposed by the formula program, and to hold the other districts harmless of a decrease, would take in excess of \$20 million and I cannot, in good conscience, attach a fiscal note for that sum. I'm not sure that even the \$6.7 million is available. However, this program is an indication of the Administration's good faith effort to remedy the existing inequities yet hold the negatively affected districts as harmless as possible.

The debt management program, controlling the growth of debt, and the budget reserve bill which I have introduced both tie into the theme of getting our arms around the growth of debt, and permitting the flexibility to manage our affairs during the lean years by using extra money put away when windfalls occur. I realize that one or two districts may feel that this proposal does not give them as much as they want or need and some program advocates may feel that their areas are not adequately supported by the new formula. For instance, there is some disagreement as to whether the formula provides adequate support for vocational education programs. I urge the Legislature to consider that issue

very carefully. In my view, no program is more important than those that prepare young Alaskans to enter the state's job markets.

I still maintain that the commitment to education must be our number one priority. Responsible legislative consideration of this bill will help keep it that way. I urge your prompt consideration of this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

SECTION-BY-SECTION ANALYSIS

The following is a section-by-section analysis of my bill proposing a new school finance formula:

Section 1 of the bill would amend AS 14.17.021 to provide that the state aid for which a school district is eligible is initially calculated by multiplying the funding unit value in sec. 7 of the bill by the number of units for which the district is eligible under sec. 5 of the bill, and then reduced, in the case of REAA's, by 80 percent (or some lower percentage, if required by federal law) of the district's federal aid under P.L. 81-874, as amended, and in the case of city or borough districts, the equivalent of a 2-mill property tax, whether or not the city or borough actually imposes such a tax, up to a limit of \$2,000 per student.

Section 2 of the bill would amend AS 14.17.022 to provide that the assistance for which the state correspondence study program is eligible is calculated by multiplying the funding unit value in sec. 7 of the bill by the number of funding units calculated under proposed AS 14.17.055(a), the basic funding units in sec. 6 of the bill based on the average daily enrollment in the program at each grade level. Unlike districts, correspondence study would not receive additional units based on special educational needs, teacher training and experience, and district demographic and location factors.

Sections 3 and 4 of the bill would add AS 14.17.025 -- 14.17.035 to establish a guaranteed funding level per student, and would limit increases during the first year of the new formula's operation.

Section 5 of the bill would add AS 14.17.045 to summarize the types of units which contribute to each district's total number of funding units.

Section 6 of the bill would add AS 14.17.055 to establish the manner in which each type of unit summarized in sec. 5 of the bill will be calculated. Under proposed AS 14.17.-055(a), basic K -- 12 units are determined by student membership in various grade levels, adjusted by a factor to reflect the expense of providing basic education at each level. Units for grades 3 -- 6 are taken as the base; kindergarten and grades 1 and 2 are adjusted upward to reflect the lower pupil/teacher ratios considered by educators to be necessary at those levels; and grades 7 -- 12 are adjusted upward to reflect the increased costs of education at the secondary level, primarily the costs of providing quality vocational education programs.

Under proposed AS 14.17.055(b) and (c), upward adjustments are made for districts with small schools or small district

enrollment. These units reflect the greater economies of scale in doing business in larger districts.

Under proposed AS 14.17.055(d), additional units are added for special education programs, depending upon the number of students enrolled in such programs and the type of services they receive.

Under proposed AS 14.17.055(e), units are added for bilingual/bicultural education programs, based upon enrollment.

Under proposed AS 14.17.055(f), units are added based upon the training and experience of the district's teachers. This factor is designed to take into account the increased costs to districts that have teachers with greater experience and advanced degrees.

Under proposed AS 14.17.055(g), units are added based upon a district location factor designed to reflect the increased costs of doing business in districts remote from major population centers, districts in which the schools are widely dispersed, and districts where transportation and utility costs are high. The district location indices in the bill were arrived at by adding a factor based upon a comparison between each district's salary schedule and the statewide average salary schedule to a factor based upon each district's total nonpersonnel costs for FY 1985.

Section 7 of the bill would establish the dollar value of each instructional unit.

Section 8 of the bill, amending AS 14.17.080, concerns administrative matters. It would require preliminary reports by the districts by October 15, rather than October 30, of each year. This change will help the governor's office in budget planning, as will the elimination of district supplemental programs under AS 14.17.061 (repealed in sec. 18 of the bill).

Under sec. 9 of the bill, the school operating fund balance limits of AS 14.17.082 will operate only on unrestricted, undesignated fund balances rather than on the entire fund balance. The limits on those balances are based on ADM/FTE (average daily membership/full-time equivalent) rather than on the old instructional units. The amount of unrestricted, undesignated balances in a district's operating fund in excess of the limits set by AS 14.17.082 will be deducted from any increases in state aid to the district or any amount needed to meet the guaranteed funding level of proposed AS 14.17.025 (sec. 3 of the bill).

Section 10 of the bill makes some amendments to AS 14.17.150 which are technical revisions and some which are to delete

references to supplemental programs dealt with in the repealed AS 14.17.061.

The amendments to AS 14.17.160, in sec. 11 of the bill, (1) conform that statute to the amendments to AS 14.17.080, regarding preliminary reports, and (2) slightly revise the schedule for the monthly payment of state aid to school districts, to conform to revisions made in sec. 12 of the bill.

Section 12 of the bill would provide for two student counting periods, one required after the fourth Friday in October and one optional after the second Friday in February. Each district may elect to have its aid calculated on the basis of the second report if that calculation produces more state aid. The schedule for payment of the recomputed balance of a school district's state aid is slightly revised because of the addition of the optional second counting period that ends in mid-February.

The amendments to AS 14.17.180 in sec. 13 of the bill conform that section to the new finance formula and related procedures, and require the commissioner to withhold the amount of an overpayment to a school district if the school district fails to repay as required. The amendments to AS 14.17.190 in sec. 14 are intended to make it clear that interest earned by school districts on foundation payments, as well as the payments themselves, are subject to state audit and control.

Section 15 of the bill provides for pro rata distribution to school districts and centralized correspondence study programs if, in any fiscal year, the legislature does not appropriate the full amount of money generated by the funding formula. If, after final computation of aid for each district, the amount appropriated exceeds the amount for which districts are eligible under AS 14.17, the excess will be distributed pro rata among school districts that would otherwise receive less aid under the new finance formula than they would have received under sec. 2, ch. 75, SLA 1985.

Sections 16 and 17 of the bill amend the definition section in AS 14.17 to reflect other amendments to the finance formula and to clarify language. Section 17's reference to "part-time students" is intended to cover students such as kindergarten students attending only half days or high school students nearing graduation who are attending classes less than full-time.

Section 18 of the bill repeals an assortment of statutes. Of those not mentioned earlier, all but AS 14.17.081, 14.17.205, and 14.17.225(f) are repealed because they relate

to the old finance formula. AS 14.17.081 requires that a minimum percentage of a district's budget be spent on the instructional component, and provides a process for obtaining a waiver of that requirement. Based upon its experiences, the Department of Education believes that that requirement is not necessary.

Current AS 14.17.205 provides for state aid to school districts that receive a federal allowance for free or reduced-price lunches under the Federal Nutrition Act. That statute is repealed because federal funding is no longer available under the program. AS 14.17.225(f) is repealed because it provides for appropriations for that lunch program.

Finally, please note that funding for Mt. Edgecumbe High School is not contemplated under the new finance formula, but will be handled separately.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Cal
4/17

Revision Date : _____

REQUEST

Bill/Resolution No. : CS HB 604 (HESS)
 Title : "An Act relating to state support for education; and providing for an effective date."
 Sponsor : House HESS
 Requestor : House HESS
 Date of Request : 4/17/86

FISCAL DETAIL

Agency Affected : Dept. of Education
 BRU : _____
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : House HESS Phone : 465-3759
 Division : _____ Date : 4/17/86

Approved by Commissioner : _____ Date : _____
 Agency : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

ALASKA STATE LEGISLATURE

...14th Legislature SECOND.. Sessio

HOUSE ...BILL..... NO. ..604..

By THE RULES COMMITTEE BY.....
REQUEST OF THE GOVERNOR

"An Act relating to state support for education; and providing for an effective date."

state support of education

Introduced in the House ... 2/14... 19..86

HISTORY IN THE HOUSE

19 86	Read first time and referred to Committee on
Feb 14	HESS AND FINANCE
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by Speaker
	Sent to Senate
	CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reconsideration
	PASS Effective Date
	Yeas Yeas
	Nays Nays
	Absent Absent
	Excused Excused
	Reported correctly engrossed
	Signed by President
	Returned to House
	SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

Offered: 4/17/86
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE
2 CS FOR HOUSE BILL NO. 604 (HESS)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH 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. AS 14.17.021 is repealed and reenacted to read:
10 Sec. 14.17.021. AID TO SCHOOL DISTRICTS. (a) The amount of
11 assistance that a school district is eligible to receive from the
12 public school foundation account in each fiscal year is initially
13 calculated by multiplying the funding unit value established under
14 AS 14.17.056 by the total number of allowable funding units for the
15 district established under AS 14.17.045.
16 (b) The amount of assistance established under (a) of this
17 section is then reduced by
18 (1) for all school districts, 80 percent of the federal
19 financial assistance received by the district under 20 U.S.C. 236 -
20 244 (P.L. 81-874, as amended) for the preceding fiscal year, or some
21 lower percentage of that assistance if necessary to comply with 20
22 U.S.C. 240(d) and the regulations adopted under it (34 C.F.R. Part
23 222, subpart G);
24 (2) for city or borough school districts, an amount equal
25 to an assessment of two mills on 100 percent of the full and true
26 value, as reported by the Department of Community and Regional Affairs
27 under AS 14.17.140, of the taxable real and personal property in the
28 district on January 1 of the assessment year preceding the year in
29 which the fiscal year in (a) of this section begins, up to a limit of

1 \$1,000 per mill, multiplied by the district's ADM/FTE.

2 * Sec. 2. AS 14.17.022 is amended to read:

3 Sec. 14.17.022. FUNDS FOR CENTRALIZED CORRESPONDENCE STUDY.
4 Funds for providing centralized correspondence study programs for
5 students not enrolled in an approved school district correspondence
6 study program must [SHALL] include an amount [APPROPRIATION] from the
7 public school foundation account [IN AN AMOUNT] calculated by multi-
8 plying the funding unit value established under AS 14.17.056 by the
9 number of allowable basic funding units that would be established
10 under AS 14.17.055(a) for a community with the same ADM/FTE as that of
11 centralized correspondence study [BASE INSTRUCTIONAL UNIT BY THE TOTAL
12 NUMBER OF INSTRUCTIONAL UNITS AS DETERMINED BY APPLYING THE NUMBER OF
13 CORRESPONDENCE STUDENTS TO AS 14.17.041(a)].

14 * Sec. 3. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.045. ALLOWABLE FUNDING UNITS. The total number of
16 funding units within each school district for any fiscal year is the
17 sum of the following, calculated to the third decimal place, for that
18 fiscal year:

19 (1) the number of basic funding units for each city or
20 unincorporated community in the district, calculated under AS 14.17.-
21 055(a);

22 (2) the number of funding units for cities or unincorporat-
23 ed communities in the district with low school enrollments calculated
24 under AS 14.17.055(b);

25 (3) the number of funding units for districts with low
26 school enrollments that have at least one city or unincorporated
27 community with an ADM/FTE greater than 500, calculated under AS 14.-
28 17.055(c);

29 (4) the number of funding units for special education

1 calculated under AS 14.17.055(d);

2 (5) the number of funding units for bilingual/bicultural
3 education calculated under AS 14.17.055(e);

4 (6) the number of funding units for vocational education
5 calculated under AS 14.17.055(f);

6 (7) the number of funding units for training and experience
7 of district personnel calculated under AS 14.17.055(g); and

8 (8) the number of district location units for the district
9 calculated under AS 14.17.055(h).

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

11 Sec. 14.17.055. CALCULATION OF ALLOWABLE UNITS. (a) The number
12 of basic funding units for each district is the sum of units calculat-
13 ed by the department for each city or unincorporated community within
14 the district according to the following table:

15	(1) Kindergarten	ADM/FTE x 1.3
16	(2) Grades 1 - 2	ADM/FTE x 1.15
17	(3) Grades 3 - 6	ADM/FTE x 1.0
18	(4) Grades 7 - 12	ADM/FTE x 1.2

19 (b) Small school funding units for cities or unincorporated
20 communities with K - 12 ADM/FTE of 500 or less are calculated accord-
21 ing to the following table:

22	ADM/FTE	UNITS
23	1 - 10	25
24	11 - 15	25 + (4 x (ADM-10))
25	16 - 25	45 + (1 x (ADM-15))
26	26 - 200	55 + (0.5 x (ADM-25))
27	201 - 500	142.5 + (0.025 x (ADM-200))

28 (c) Economy of scale units are calculated according to the
29 following formula for school districts with K - 12 ADM/FTE greater

1 than 500 and no more than 3,500, and with at least one city or unin-
2 corporated community with an ADM/FTE greater than 500:

3 Units = $\frac{(3,500 - \text{District ADM/FTE})}{3,000} \times 150$
4

5 (d) Special education funding units according to the following
6 table are added for each city or unincorporated community within the
7 district based on the number of students enrolled in each program
8 category on the last day of the counting period under AS 14.17.170
9 that is used to determine state aid:

10 (1) Resource Services

11 Enrollment	Funding Units
12 1 - 8	10.000
13 9 - 18	20.000
14 Over 18	20 x (Enrollment/18)

15 (2) Self-Contained Services

16 Enrollment	Funding Units
17 1 - 5	10.000
18 6 - 10	20.000
19 Over 10	20 x (Enrollment/10)

20 (3) Gifted-Talented Services

21 Enrollment	Funding Units
22 1 - 9	5.000
23 10 - 19	10.000
24 20 - 29	15.000
25 30 - 40	20.000
26 Over 40	20 x (Enrollment/40)

27 (4) Intensive Services

28 Enrollment	Funding Units
29 3	20.000

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Over 3 20 x (Enrollment/3)

(e) Bilingual/bicultural funding units are calculated by multiplying by 0.7 the number of students enrolled in bilingual classes, approved by the department, as of the last day of the counting period under AS 14.17.170 that is used to determine state aid.

(f) Vocational education funding units are calculated by multiplying by .5 the number of ADM/FTE students enrolled in vocational education classes approved by the department, as of the last day of the counting period under AS 14.17.170 that is used to determine state aid.

(g) District training and experience funding units for any fiscal year are calculated by multiplying 40 percent of the subtotal of units calculated under (a), (b), (c), (d), (e), and (f) of this section for that fiscal year by the district's training and experience index. The training and experience index is determined as follows:

(1) the department shall assign each district teacher to a value in the following table in accordance with regulations adopted by the department:

Years of Experience	Training					
	BA	BA+	MA	MA+18	MA+36	MA+54
0	1	2	3	4	5	6
0	0.00	0.05	0.15	0.20	0.25	0.30
2	0.10	0.15	0.25	0.30	0.35	0.40
5	0.25	0.30	0.40	0.45	0.50	0.55
8	0.35	0.40	0.50	0.55	0.60	0.65
10		0.50	0.60	0.65	0.70	0.75
12			0.65	0.70	0.75	0.80
15			0.75	0.80	0.85	1.00

In the training side of this table,

1 (A) column 1 refers to a salary based upon a bache-
2 lor's degree;

3 (B) column 2 refers to a salary based upon semester
4 hours beyond a bachelor's degree but less than a master's degree;

5 (C) column 3 refers to a salary based upon a master's
6 degree or its equivalent;

7 (D) column 4 refers to a salary based upon a master's
8 degree plus 18 or more, but fewer than 36, semester hours of
9 training or the equivalent;

10 (E) column 5 refers to a salary based upon a master's
11 degree plus 36 or more, but fewer than 54, semester hours of
12 training or the equivalent;

13 (F) column 6 refers to a salary based upon a master's
14 degree and 54 or more semester hours of training or the equiva-
15 lent;

16 (2) each district's training and experience index is the
17 average of the values assigned to all teachers in the district under
18 (1) of this subsection, minus the average of the district with the
19 lowest average.

20 (h) District location units for each district are calculated by
21 multiplying 60 percent of the district's subtotal of units under (a),
22 (b), (c), (d), (e), and (f) of this section by the district's location
23 index in the following table:

24	District	District Location Index
25	Adak	0.500
26	Alaska Gateway	0.300
27	Alutians	1.000
28	Anchorage	0.000
29	Annette	0.350

1	Bering Strait	0.850
2	Bristol Bay	0.500
3	Chatham	0.350
4	Chugach	0.180
5	Copper River	0.300
6	Cordova	0.130
7	Craig	0.350
8	Delta	0.300
9	Dillingham	0.500
10	Fairbanks	0.100
11	Galena	0.500
12	Haines	0.130
13	Hoonah	0.130
14	Hydaburg	0.350
15	Iditarod	0.750
16	Juneau	0.050
17	Kake	0.350
18	Kashunamiut	0.650
19	Kenai	0.050
20	Ketchikan	0.050
21	King Cove	0.500
22	Klawock	0.350
23	Kodiak	0.180
24	Kuspuk	0.750
25	Lake & Peninsula	0.850
26	Lower Kuskokwim	0.650
27	Lower Yukon	0.650
28	Matanuska-Susitna	0.000
29	Nenana	0.300

1	Nome	0.500
2	North Slope	1.000
3	Northwest	0.850
4	Pelican	0.350
5	Petersburg	0.050
6	Pribilofs	0.650
7	Railbelt	0.300
8	Sand Point	0.500
9	Sitka	0.050
10	Skagway	0.130
11	Southeast	0.350
12	Southwest	0.850
13	St. Mary's	0.650
14	Tanana	0.650
15	Unalaska	0.650
16	Valdez	0.130
17	Wrangell	0.050
18	Yakutat	0.350
19	Yukon Flats	0.850
20	Yukon Koyukuk	0.850
21	Yupiit	0.650

22 * Sec. 5. AS 14.17.056 is amended to read:

23 Sec. 14.17.056. [BASE INSTRUCTIONAL] UNIT VALUE. The funding
24 [BASE INSTRUCTIONAL] unit value for fiscal years beginning on or after
25 July 1, 1986 shall be equal to the amount appropriated by the
26 legislature to the public school foundation account for the fiscal
27 year, divided by the total number of allowable funding units for all
28 districts under AS 14.17.045 [1982, IS \$42,450. THE BASE INSTRUCTION
29 UNIT VALUE FOR THE FISCAL YEAR BEGINNING JULY 1, 1981, IS \$38,590].

1 * Sec. 6. AS 14.17.080 is amended to read:

2 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
3 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
4 shall submit to the department, in the manner and on forms to be
5 prescribed by the commissioner, a preliminary report of estimates and
6 data upon which computations can be made [FOR THE FOLLOWING FISCAL
7 YEAR] of the amount of [BASIC] state aid for which the district is
8 eligible the following fiscal year under AS 14.17.021[; AND THE AMOUNT
9 FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN APPROVED FOR FUNDING CONSID-
10 ERATION BY THE COMMISSIONER. EACH DISTRICT SHALL MAKE THE COMPUTA-
11 TIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 - 14.17.150]. The
12 preliminary reports required by this section [COMPUTATIONS] are the
13 basis for requesting legislative appropriations and for making prelim-
14 inary payments under the public school foundation program for the
15 following fiscal year.

16 * Sec. 7. AS 14.17.082(a) is amended to read:

17 Sec. 14.17.082. FUND BALANCE [CHANGES] IN SCHOOL OPERATING FUND.
18 (a) Each district having an ADM/FTE of 500 or more [AT LEAST 400
19 INSTRUCTIONAL UNITS UNDER AS 14.17.031(a)] may accumulate an unre-
20 stricted, undesignated [A] fund balance, as defined by the departent
21 by regulation, in the school operating fund of seven percent of its
22 expenditures for the preceding fiscal year. Each district having an
23 ADM/FTE of less than 500 [400 INSTRUCTIONAL UNITS] may accumulate an
24 unrestricted, undesignated [A] fund balance of 10 percent of its
25 expenditures for the preceding fiscal year.

26 * Sec. 8. AS 14.17.082(b) is amended to read:

27 (b) The commissioner shall review the annual audit of each
28 district to ascertain changes in the year-end operating fund balance
29 of the districts, and notify districts and the board, through a

1 written report, of any unrestricted, undesignated fund balances
2 [BALANCE ACCUMULATION] greater than that permitted under (a) of this
3 section.

4 * Sec. 9. AS 14.17.082(c) is repealed and reenacted to read:

5 (c) The amount by which a district's eligibility for state
6 assistance under AS 14.17.021 or 14.17.035 exceeds the amount per
7 ADM/FTE that it received for the preceding fiscal year, must be
8 reduced in any fiscal year by the amount by which the district's
9 unrestricted, undesignated fund balances exceed the amount permitted
10 under (a) of this section.

11 * Sec. 10. AS 14.17.150 is amended to read:

12 Sec. 14.17.150. DUTY OF COMMISSIONER TO EXAMINE AND TABULATE
13 COMPUTATIONS. (a) The commissioner shall examine the preliminary
14 reports submitted by each district under AS 14.17.080, to determine
15 that data are correctly reported and estimates and computations are
16 made in accordance with the department's regulations [THEY ARE COR-
17 RECTLY COMPUTED]. If the reports contain errors in data, estimates,
18 or computations [ALLOTMENTS ARE INCORRECTLY COMPUTED], the commissioner
19 shall either (1) obtain corrections [A CORRECT COMPUTATION] from
20 the district, or (2) make corrections [A CORRECT COMPUTATION] based on
21 information available, and give notice of the corrections [CORRECTED
22 COMPUTATION] to the district. [THE COMMISSIONER SHALL REVIEW SUPPLE-
23 MENTAL PROGRAM APPLICATIONS AND NOTIFY THE DISTRICT WHETHER ITS SUP-
24 PLEMENTAL PROGRAM IS APPROVED FOR INCLUSION IN ITS FOUNDATION PROGRAM
25 COMPUTATIONS.]

26 (b) The commissioner shall reduce the data, estimates, and
27 computations reported by the districts and the computations made by
28 the department [THESE COMPUTATIONS] to a report in tabular [FORM] or
29 other [ANOTHER] form helpful in determining the amount of state aid

1 for which each district is eligible [EXAMINING THE COMPUTATIONS OF THE
2 DISTRICTS] and shall transmit the report to the governor. The commis-
3 sioner shall maintain additional copies of this report in the commis-
4 sioner's office as a matter of public record. This report must
5 [SHALL] be entitled "Public School Foundation Program Computations."

6 * Sec. 11. AS 14.17.160 is amended to read:

7 Sec. 14.17.160. ALLOCATION OF FUNDS ON PRELIMINARY COMPUTATIONS.
8 The commissioner shall determine the state aid for each school dis-
9 trict for each fiscal year based on the pre-fiscal year estimates
10 contained in the preliminary reports submitted under AS 14.17.080 [ON
11 THE BASIS OF THE PRE-FISCAL YEAR COMPUTATIONS]. Beginning July 15 of
12 each [THE] fiscal year and on the 15th day of each month[,] for the
13 next eight [SEVEN SUCCESSIVE] months, one-twelfth of each district's
14 state aid as so determined must [SHALL] be distributed.

15 * Sec. 12. AS 14.17.170 is amended to read:

16 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each
17 district shall make a report at the end of the 20-school-day period
18 ending the fourth Friday in October, and may make a report at the end
19 of the 20-school-day period ending the second Friday in February that,
20 in accordance with regulations adopted by the department, reports
21 [FIRST NINE WEEKS OF SCHOOL, WHICH CONTAINS A NEW ESTIMATE OF] its
22 average daily membership for that counting period, [THE FISCAL YEAR]
23 and other information that [WHICH] will aid the commissioner in making
24 a more accurate determination of each district's state aid. The
25 October report, or the February report if it makes the district eligi-
26 ble for more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF
27 AVERAGE DAILY MEMBERSHIP SHALL BE] the basis for the computation and
28 distribution of each district's state aid for the balance of the
29 fiscal year. As soon as possible after receiving each district's

1 report [THE COMMISSIONER SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND
2 INFORMATI^{ON}, MAKE A RECOMPUTATION OF EACH DISTRICT'S STATE AID.
3 BEFORE DECEMBER 2], the commissioner shall notify each district of
4 changes made in the number of funding units calculated for that dis-
5 trict [ITS STATE AID]. The commissioner shall also determine whether
6 the money in the public school foundation account is sufficient to
7 meet each district's state aid for the fiscal year, and, if the money
8 is not sufficient, the commissioner shall immediately inform the
9 governor of the amount of additional appropriation the commissioner
10 estimates will be necessary to carry out the public school foundation
11 program for the rest of the fiscal year. Beginning April [FEBRUARY]
12 15 and on the 15th of each subsequent month, one-third [ONE-FIFTH] of
13 the recomputed balance of each district's state aid must [SHALL] be
14 distributed. [HOWEVER, ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD
15 PENDING A FINAL DETERMINATION OF THE DISTRICT'S STATE AID.]

16 * Sec. 13. AS 14.17.180 is amended to read:

17 Sec. 14.17.180. [PAYMENT UNDER] FINAL COMPUTATION. Before June
18 16 each district shall transmit to the commissioner a final report of
19 its enrollment and other information required by the commissioner
20 [COMPUTATION OF THE DISTRICT'S STATE AID. THE COMMISSIONER SHALL
21 PROCESS EACH DISTRICT'S COMPUTATION IN THE MANNER PROVIDED BY AS 14.-
22 17.150(a). HOWEVER, IN NO EVENT MAY THE ENTITLEMENT OF A SCHOOL
23 DISTRICT TO STATE AID UNDER AS 14.17.021 BE LESS THAN THAT COMPUTED
24 UNDER THIS SECTION FOR THE PRECEDING YEAR, EXCEPT AS OTHERWISE PROVID-
25 ED IN AS 14.17.031, OR UNDER AS 14.17.170, WHICHEVER IS GREATER.
26 ADDITIONAL STATE AID SHALL BE OBLIGATED BY THE COMMISSIONER BEFORE
27 JUNE 30]. If the district received more state aid money than it was
28 entitled to under this chapter, it shall immediately, after notice
29 from the commissioner of the overpayment, remit the amount of

1 overpayment to the commissioner to be returned to the public school
2 foundation account. If the remittance is not made within 30 days
3 after the date of the commissioner's notice, the commissioner shall
4 withhold the amount of the overpayment from subsequent payments to the
5 district under this chapter.

6 * Sec. 14. AS 14.17.190 is amended to read:

7 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
8 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
9 school foundation money distributed to a district, together with any
10 interest earned by the district on the money, must [DURING A YEAR
11 SHALL] be received, held, and expended by the district subject to the
12 provisions of law and regulations adopted [PROMULGATED] by the depart-
13 ment.

14 (b) Each district shall maintain financial records of the re-
15 ceipt and disbursement of public school foundation money, interest
16 earned on that money, and money acquired from local effort. The
17 records must be in the form required by the commissioner and are
18 subject to audit by the commissioner or the board at any time.

19 * Sec. 15. AS 14.17.225(b) is amended to read:

20 (b) Money [FUNDS] to carry out the provisions of this chapter
21 [AS 14.17.010 - 14.17.190] may be appropriated annually by the legis-
22 lature into the public school foundation account. If the amount
23 appropriated to the account for any fiscal year exceeds the alloca-
24 tions otherwise authorized under this chapter, the excess money must
25 be distributed pro rata among those school districts eligible for less
26 aid per ADM/FTE under AS 14.17.021 than they would have received under
27 sec. 2, ch. 75, SLA 1985. The pro rata distribution must be based
28 upon the funding units that those districts are eligible to receive
29 under this chapter. If amounts in the account are insufficient to

1 meet the allocations authorized under this chapter, the available
2 money [AS 14.17.010 - 14.17.190, SUCH FUNDS AS ARE AVAILABLE] shall be
3 distributed pro rata among centralized correspondence study programs
4 and each school district based upon the funding units for which they
5 are eligible under this chapter [DISTRICT'S BASIC NEED].

6 * Sec. 16. AS 14.17.250(1) is amended to read:

7 (1) "ADM" or "average daily membership" means the aggregate
8 days of membership of pupils divided by the actual number of days in
9 session for the school term;

10 * Sec. 17. AS 14.17.250(17) is amended to read:

11 (17) "ADM/FTE" or "ADM full-time equivalent" means the
12 average daily membership (ADM) as proportionately reduced, under
13 regulations adopted by the department, to reflect the enrollment of
14 part-time students [QUOTIENT OF THE AGGREGATE PERIODS OF PUPIL MEMBER-
15 SHIP PER DAY IN SPECIFIED CLASSES, DIVIDED BY THE NUMBER OF CLASS
16 PERIODS IN THE SCHOOL DAY];

17 * Sec. 18. AS 14.17.023, 14.17.031, 14.17.041, 14.17.051, 14.17.061,
18 14.17.081, 14.17.090, 14.17.205, 14.17.225(f), and 14.17.250(4), (9), (18),
19 and (19) are repealed.

20 * Sec. 19. The Department of Education may adopt regulations under
21 AS 14.17.200 to implement the changes made by this Act. Those regulations
22 take effect in accordance with the Administrative Procedure Act (AS 44.62),
23 but not before the effective date of secs. 1 - 18 of this Act.

24 * Sec. 20. Section 19 of this Act takes effect immediately in accor-
25 dance with AS 01.10.070(c).

26 * Sec. 21. Sections 1 - 18 of this Act take effect July 1, 1986.

Introduced: 2/14/86
Referred: Health, Education &
Social Services and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 604

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH 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. AS 14.17.021 is repealed and reenacted to read:

10 Sec. 14.17.021. AID TO SCHOOL DISTRICTS. (a) The amount of
11 assistance for which a school district is eligible from the public
12 school foundation account in each fiscal year is initially calculated
13 by multiplying the funding unit value established under AS 14.17.056
14 by the total number of allowable funding units for the district estab-
15 lished under AS 14.17.045.

16 (b) The amount of assistance established under (a) of this
17 section is then reduced by

18 (1) for regional educational attendance areas, 80 percent
19 of the federal financial assistance received by the district under 20
20 U.S.C. 236 -- 244 (P.L. 81-874, as amended) for the preceding fiscal
21 year, or some lower percentage of that assistance if necessary to
22 comply with 20 U.S.C. 240(d) and the regulations adopted under it (34
23 C.F.R. Part 222, subpart G);

24 (2) for city or borough school districts, an amount equal
25 to an assessment of two mills on 100 percent of the full and true
26 value, as reported by the Department of Community and Regional Affairs
27 under AS 14.17.140, of the taxable real and personal property in the
28 district on January 1 of the assessment year preceding the year in
29 which the fiscal year in (a) of this section begins, up to a limit of

1 \$1,000 per mill, multiplied by the district's ADM/FTE.

2 * Sec. 2. AS 14.17.022 is amended to read:

3 Sec. 14.17.022. FUNDS FOR CENTRALIZED CORRESPONDENCE STUDY.
4 Funds for providing centralized correspondence study programs for
5 students not enrolled in an approved school district correspondence
6 study program must [SHALL] include an amount [APPROPRIATION] from the
7 public school foundation account [IN AN AMOUNT] calculated by multi-
8 plying the funding unit value established under AS 14.17.056 by the
9 number of allowable basic funding units that would be established
10 under AS 14.17.055(a) for a community with the same ADM/FTE as that of
11 centralized correspondence study [BASE INSTRUCTIONAL UNIT BY THE TOTAL
12 NUMBER OF INSTRUCTIONAL UNITS AS DETERMINED BY APPLYING THE NUMBER OF
13 CORRESPONDENCE STUDENTS TO AS 14.17.041(a)].

14 * Sec. 3. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.025. GUARANTEED FUNDING LEVEL. If the amount of
16 assistance per ADM/FTE for which a school district is eligible for a
17 fiscal year under AS 14.17.021 is less than 95 percent of the amount
18 per ADM/FTE it would have received under sec. 2, ch. 75, SLA 1985, the
19 district is eligible for 95 percent of the amount per ADM/FTE it would
20 have received under sec. 2, ch. 75, SLA 1985.

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

22 Sec. 14.17.035. LIMITED INCREASE IN FUNDING. If the amount of
23 assistance per ADM/FTE for which a school district is eligible under
24 AS 14.17.021 for the fiscal year beginning July 1, 1986 is more than 5
25 percent greater than the amount of state assistance per ADM/FTE it
26 received for the preceding fiscal year, the district is entitled only
27 to five percent more per ADM/FTE than it received for the previous
28 fiscal year.

29 * Sec. 5. AS 14.17 is amended by adding a new section to read:

1 Sec. 14.17.045. ALLOWABLE FUNDING UNITS. The total number of
2 funding units within each school district for any fiscal year is the
3 sum of the following, calculated to the third decimal place, for that
4 fiscal year:

5 (1) the number of basic funding units for each city or
6 unincorporated community in the district, calculated under AS 14.17.-
7 055(a);

8 (2) the number of funding units for cities or unincorporat-
9 ed communities in the district with low school enrollments calculated
10 under AS 14.17.055(b);

11 (3) the number of funding units for districts with low
12 school enrollments which have at least one city or unincorporated
13 community with an ADM/FTE greater than 500, calculated under AS 14.-
14 17.055(c);

15 (4) the number of funding units for special education
16 calculated under AS 14.17.055(d);

17 (5) the number of funding units for bilingual/bicultural
18 education calculated under AS 14.17.055(e);

19 (6) the number of funding units for training and experience
20 of district personnel calculated under AS 14.17.055(f); and

21 (7) the number of district location units for the district
22 calculated under AS 14.17.055(g).

23 * Sec. 6. AS 14.17 is amended by adding a new section to read:

24 Sec. 14.17.055. CALCULATION OF ALLOWABLE UNITS. (a) The number
25 of basic funding units for each district is the sum of units calculat-
26 ed by the department for each city or unincorporated community within
27 the district according to the following table:

- 28 (1) Kindergarten ADM/FTE x 1.3
29 (2) Grades 1 -- 2 ADM/FTE x 1.15

- 1 (3) Grades 3 -- 6 ADM/FTE x 1.0
 2 (4) Grades 7 -- 12 ADM/FTE x 1.25

3 (b) Small school funding units for cities or unincorporated
 4 communities with K -- 12 ADM/FTE of 500 or less are calculated accord-
 5 ing to the following table:

6 ADM/FTE	UNITS
7 1 -- 10	25
8 11 -- 15	25 + (4 x (ADM-10))
9 16 -- 25	45 + (1 x (ADM-15))
10 26 -- 200	55 + (0.5 x (ADM-25))
11 201 -- 500	142.5 + (0.025 x (ADM-200))

12 (c) Small district funding units are calculated according to the
 13 following formula for school districts with K -- 12 ADM/FTE greater
 14 than 500 and no more than 3,500, and with at least one city or unin-
 15 corporated community with an ADM/FTE greater than 500:

$$16 \quad \text{Units} = \frac{(3,500 - \text{District ADM/FTE})}{3,000} \times 150$$

17
 18 (d) Special education funding units according to the following
 19 table are added for each city or unincorporated community within the
 20 district based on the number of students enrolled in each program
 21 category on the last day of the counting period under AS 14.17.170
 22 which is used to determine state aid:

- 23 (1) Resource Services
- | 24 Enrollment | Funding Units |
|-------------------------|----------------------|
| 25 1 -- 8 | 10.000 |
| 26 9 -- 18 | 20.000 |
| 27 Over 18 | 20 x (Enrollment/18) |
- 28 (2) Self-Contained Services
- | 29 Enrollment | Funding Units |
|-------------------------|---------------|
|-------------------------|---------------|

1	1 -- 5	10.000
2	6 -- 10	20.000
3	Over 10	20 x (Enrollment/10)

(3) Gifted-Talented Services

	Enrollment	Funding Units
5		
6	1 -- 9	5.000
7	10 -- 19	10.000
8	20 -- 29	15.000
9	30 -- 40	20.000
10	Over 40	20 x (Enrollment/40)

(4) Intensive Services

	Enrollment	Funding Units
12		
13	3	20.000
14	Over 3	20 x (Enrollment/3)

(e) Bilingual/bicultural funding units are calculated by multiplying by 0.7 the number of students enrolled in bilingual classes, approved by the department, as of the last day of the counting period under AS 14.17.170 which is used to determine state aid.

(f) District training and experience funding units for any fiscal year are calculated by multiplying 40 percent of the subtotal of units calculated under (a), (b), (c), (d), and (e) of this section for that fiscal year by the district's training and experience index. The training and experience index is determined as follows:

(1) the department shall assign each district teacher to a value in the following table in accordance with regulations adopted by the department:

Years of Experience	Training					
	BA	BA+	MA	MA+18	MA+36	MA+54
29	1	2	3	4	5	6

1	0	0.00	0.05	0.15	0.20	0.25	0.30
2	2	0.10	0.15	0.25	0.30	0.35	0.40
3	5	0.25	0.30	0.40	0.45	0.50	0.55
4	8	0.35	0.40	0.50	0.55	0.60	0.65
5	10		0.50	0.60	0.65	0.70	0.75
6	12			0.65	0.70	0.75	0.80
7	15			0.75	0.80	0.85	1.00

8 In the training side of this table,

9 (A) column 1 refers to a salary based upon a bache-
10 lor's degree;

11 (B) column 2 refers to a salary based upon semester
12 hours beyond a bachelor's degree but less than a master's degree;

13 (C) column 3 refers to a salary based upon a master's
14 degree or its equivalent;

15 (D) column 4 refers to a salary based upon a master's
16 degree plus 18 or more, but fewer than 36, semester hours of
17 training or the equivalent;

18 (E) column 5 refers to a salary based upon a master's
19 degree plus 36 or more, but fewer than 54, semester hours of
20 training or the equivalent;

21 (F) column 6 refers to a salary based upon a master's
22 degree and 54 or more semester hours of training or the equiva-
23 lent;

24 (2) each district's training and experience index is the
25 average of the values assigned to all teachers in the district under
26 (1) of this subsection, minus the average of the district with the
27 lowest average.

28 (g) District location units for each district are calculated by
29 multiplying 60 percent of the district's subtotal of units under (a),

1 (b), (c), (d) and (e) of this section by the district's location index
2 in the following table:

3	District	District Location Index
4	Adak	0.500
5	Alaska Gateway	0.300
6	Aleutians	1.000
7	Anchorage	0.000
8	Annette	0.350
9	Bering Strait	0.850
10	Bristol Bay	0.500
11	Chatham	0.350
12	Chugach	0.180
13	Copper River	0.300
14	Cordova	0.130
15	Craig	0.350
16	Delta	0.300
17	Dillingham	0.500
18	Fairbanks	0.100
19	Galena	0.500
20	Haines	0.130
21	Hoonah	0.130
22	Hydaburg	0.350
23	Iditarod	0.750
24	Juneau	0.050
25	Kake	0.350
26	Kashunamiut	0.650
27	Kenai	0.050
28	Ketchikan	0.050
29	King Cove	0.500

1	Klawock	0.350
2	Kodiak	0.180
3	Kuspuk	0.750
4	Lake & Peninsula	0.850
5	Lower Kuskokwim	0.650
6	Lower Yukon	0.650
7	Matanuska-Susitna	0.000
8	Nenana	0.300
9	Nome	0.500
10	North Slope	1.000
11	Northwest	0.850
12	Pelican	0.350
13	Petersburg	0.050
14	Pribilofs	0.650
15	Railbelt	0.300
16	Sand Point	0.500
17	Sitka	0.050
18	Skagway	0.130
19	Southeast	0.350
20	Southwest	0.850
21	St. Mary's	0.650
22	Tanana	0.650
23	Unalaska	0.650
24	Valdez	0.130
25	Wrangell	0.050
26	Yakutat	0.350
27	Yukon Flats	0.850
28	Yukon Koyukuk	0.850
29	Yupit	0.650

1 * Sec. 7. AS 14.17.056 is amended to read:

2 Sec. 14.17.056. [BASE INSTRUCTIONAL] UNIT VALUE. The funding
3 [BASE INSTRUCTIONAL] unit value for fiscal years beginning on or after
4 July 1, 1986 [1982], is \$2,770 [\$42,450. THE BASE INSTRUCTION UNIT
5 VALUE FOR THE FISCAL YEAR BEGINNING JULY 1, 1981, IS \$38,590].

6 * Sec. 8. AS 14.17.080 is amended to read:

7 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
8 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
9 shall submit to the department, in the manner and on forms to be
10 prescribed by the commissioner, a preliminary report of estimates and
11 data upon which computations can be made [FOR THE FOLLOWING FISCAL
12 YEAR] of the amount of [BASIC] state aid for which the district is
13 eligible the following fiscal year under AS 14.17.021[; AND THE AMOUNT
14 FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN APPROVED FOR FUNDING CONSID-
15 ERATION BY THE COMMISSIONER. EACH DISTRICT SHALL MAKE THE COMPUTA-
16 TIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 -- 14.17.150]. The
17 preliminary reports required by this section [COMPUTATIONS] are the
18 basis for requesting legislative appropriations and for making prelim-
19 inary payments under the public school foundation program for the
20 following fiscal year.

21 * Sec. 9. AS 14.17.082 is amended to read:

22 Sec. 14.17.082. FUND BALANCE [CHANGES] IN SCHOOL OPERATING FUND.
23 (a) Each district having an ADM/FTE of 500 or more [AT LEAST 400
24 INSTRUCTIONAL UNITS UNDER AS 14.17.031(a)] may accumulate an unre-
25 stricted, undesignated [A] fund balance, as defined by the department
26 by regulation, in the school operating fund of seven percent of its
27 expenditures for the preceding fiscal year. Each district having an
28 ADM/FTE of less than 500 [400 INSTRUCTIONAL UNITS] may accumulate an
29 unrestricted, undesignated [A] fund balance of 10 percent of its

1 expenditures for the preceding fiscal year.

2 (b) The commissioner shall review the annual audit of each
3 district to ascertain changes in the year-end operating fund balance
4 of the districts, and notify districts and the board, through a writ-
5 ten report, of any unrestricted, undesignated fund balances [BALANCE
6 ACCUMULATION] greater than that permitted under (a) of this section.

7 (c) The amount of additional assistance for which a district is
8 eligible under the guaranteed funding level provision of AS 14.17.025,
9 or the amount by which a district's eligibility for state assistance
10 under AS 14.17.021 or 14.17.035 exceeds the amount per ADM/FTE that it
11 received for the preceding fiscal year, must be reduced in any fiscal
12 year by the amount by which the district's unrestricted, undesignated
13 fund balances exceed the amount permitted under (a) of this section
14 [THE BOARD SHALL REVIEW THE REPORTS SUBMITTED TO IT UNDER (b) OF THIS
15 SECTION AND SUBMIT A REPORT MAKING RECOMMENDATIONS WITH RESPECT TO THE
16 LEGISLATIVE TREATMENT OF THE FUND BALANCES OF THOSE DISTRICTS TO THE
17 LEGISLATIVE BUDGET AND AUDIT COMMITTEE BY APRIL 15 OF EACH YEAR].

18 * Sec. 10. AS 14.17.150 is amended to read:

19 Sec. 14.17.150. DUTY OF COMMISSIONER TO EXAMINE AND TABULATE
20 COMPUTATIONS. (a) The commissioner shall examine the preliminary
21 reports submitted by each district under AS 14.17.080, to determine
22 that data are correctly reported and estimates and computations are
23 made in accordance with the department's regulations [THEY ARE COR-
24 RECTLY COMPUTED]. If the reports contain errors in data, estimates,
25 or computations [ALLOTMENTS ARE INCORRECTLY COMPUTED], the commission-
26 er shall either (1) obtain corrections [A CORRECT COMPUTATION] from
27 the district, or (2) make corrections [A CORRECT COMPUTATION] based on
28 information available, and give notice of the corrections [CORRECTED
29 COMPUTATION] to the district. [THE COMMISSIONER SHALL REVIEW

1 SUPPLEMENTAL PROGRAM APPLICATIONS AND NOTIFY THE DISTRICT WHETHER ITS
2 SUPPLEMENTAL PROGRAM IS APPROVED FOR INCLUSION IN ITS FOUNDATION
3 PROGRAM COMPUTATIONS.]

4 (b) The commissioner shall reduce the data, estimates, and
5 computations reported by the districts and the computations made by
6 the department [THESE COMPUTATIONS] to a report in tabular [FORM] or
7 other [ANOTHER] form helpful in determining the amount of state aid
8 for which each district is eligible [EXAMINING THE COMPUTATIONS OF THE
9 DISTRICTS] and shall transmit the report to the governor. The commis-
10 sioner shall maintain additional copies of this report in the commis-
11 sioner's office as a matter of public record. This report must
12 [SHALL] be entitled "Public School Foundation Program Computations."

13 * Sec. 11. AS 14.17.160 is amended to read:

14 Sec. 14.17.160. ALLOCATION OF FUNDS ON PRELIMINARY COMPUTATIONS.
15 The commissioner shall determine the state aid for each school dis-
16 trict for each fiscal year based on the pre-fiscal year estimates
17 contained in the preliminary reports submitted under AS 14.17.080 [ON
18 THE BASIS OF THE PRE-FISCAL YEAR COMPUTATIONS]. Beginning July 15 of
19 each [THE] fiscal year and on the 15th day of each month[,] for the
20 next eight [SEVEN SUCCESSIVE] months, one-twelfth of each district's
21 state aid as so determined must [SHALL] be distributed.

22 * Sec. 12. AS 14.17.170 is amended to read:

23 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each
24 district shall make a report at the end of the 20-school-day period
25 ending the fourth Friday in October, and may make a report at the end
26 of the 20-school-day period ending the second Friday in February
27 [FIRST NINE WEEKS OF SCHOOL], which, in accordance with regulations
28 adopted by the department, reports [CONTAINS A NEW ESTIMATE OF] its
29 average daily membership for that counting period, [THE FISCAL YEAR]

1 and other information which will aid the commissioner in making a more
2 accurate determination of each district's state aid. The October
3 report, or the February report if it makes the district eligible for
4 more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF AVERAGE DAILY
5 MEMBERSHIP SHALL BE] the basis for the computation and distribution of
6 each district's state aid for the balance of the fiscal year. As soon
7 as possible after receiving each district's report [THE COMMISSIONER
8 SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND INFORMATION, MAKE A
9 RECOMPUTATION OF EACH DISTRICT'S STATE AID. BEFORE DECEMBER 2], the
10 commissioner shall notify each district of changes made in the number
11 of funding units calculated for that district [ITS STATE AID]. The
12 commissioner shall also determine whether the money in the public
13 school foundation account is sufficient to meet each district's state
14 aid for the fiscal year, and, if the money is not sufficient, the
15 commissioner shall immediately inform the governor of the amount of
16 additional appropriation the commissioner estimates will be necessary
17 to carry out the public school foundation program for the rest of the
18 fiscal year. Beginning April [FEBRUARY] 15 and on the 15th of each
19 subsequent month, one-third [ONE-FIFTH] of the recomputed balance of
20 each district's state aid must [SHALL] be distributed. [HOWEVER,
21 ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD PENDING A FINAL DETER-
22 MINATION OF THE DISTRICT'S STATE AID.]

23 * Sec. 13. AS 14.17.180 is amended to read:

24 Sec. 14.17.180. [PAYMENT UNDER] FINAL COMPUTATION. Before June
25 16 each district shall transmit to the commissioner a final report of
26 its enrollment and other information required by the commissioner
27 [COMPUTATION OF THE DISTRICT'S STATE AID. THE COMMISSIONER SHALL
28 PROCESS EACH DISTRICT'S COMPUTATION IN THE MANNER PROVIDED BY AS 14.-
29 17.150(a). HOWEVER, IN NO EVENT MAY THE ENTITLEMENT OF A SCHOOL

1 DISTRICT TO STATE AID UNDER AS 14.17.021 BE LESS THAN THAT COMPUTED
2 UNDER THIS SECTION FOR THE PRECEDING YEAR, EXCEPT AS OTHERWISE PROVID-
3 ED IN AS 14.17.031, OR UNDER AS 14.17.170, WHICHEVER IS GREATER.
4 ADDITIONAL STATE AID SHALL BE OBLIGATED BY THE COMMISSIONER BEFORE
5 JUNE 30]. If the district received more state aid money than it was
6 entitled to under this chapter, it shall immediately, after notice
7 from the commissioner of the overpayment, remit the amount of overpay-
8 ment to the commissioner to be returned to the public school founda-
9 tion account. If the remittance is not made within 30 days after the
10 date of the commissioner's notice, the commissioner shall withhold the
11 amount of the overpayment from subsequent payments to the district
12 under this chapter.

13 * Sec. 14. AS 14.17.190 is amended to read:

14 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
15 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
16 school foundation money distributed to a district, together with any
17 interest earned by the district on the money, must [DURING A YEAR
18 SHALL] be received, held, and expended by the district subject to the
19 provisions of law and regulations adopted [PROMULGATED] by the depart-
20 ment.

21 (b) Each district shall maintain financial records of the re-
22 ceipt and disbursement of public school foundation money, interest
23 earned on that money, and money acquired from local effort. The
24 records must be in the form required by the commissioner and are
25 subject to audit by the commissioner or the board at any time.

26 * Sec. 15. AS 14.17.225(b) is amended to read:

27 (b) Money [FUNDS] to carry out the provisions of this chapter
28 [AS 14.17.010 -- 14.17.190] may be appropriated annually by the legis-
29 lature into the public school foundation account. If the amount

1 appropriated to the account for any fiscal year exceeds the alloca-
2 tions otherwise authorized under this chapter, the excess money must
3 be distributed pro rata among those school districts eligible for less
4 aid per ADM/FTE under AS 14.17.021 than they would have received under
5 sec. 2, ch. 75, SLA 1985. The pro rata distribution must be based
6 upon the funding units for which those districts are eligible under
7 this chapter. If amounts in the account are insufficient to meet the
8 allocations authorized under this chapter [AS 14.17.010 -- 14.17.190],
9 the available money must [SUCH FUNDS AS ARE AVAILABLE SHALL] be dis-
10 tributed pro rata among centralized correspondence study programs and
11 each school district based upon the funding units for which they are
12 eligible under this chapter [DISTRICT'S BASIC NEED].

13 * Sec. 16. AS 14.17.250(1) is amended to read:

14 (1) "ADM" or "average daily membership" means the aggregate
15 days of membership of pupils divided by the actual number of days in
16 session for the school term;

17 * Sec. 17. AS 14.17.250(17) is amended to read:

18 (17) "ADM/FTE" or "ADM full-time equivalent" means the
19 average daily membership (ADM) as proportionately reduced, under
20 regulations adopted by the department, to reflect the enrollment of
21 part-time students [QUOTIENT OF THE AGGREGATE PERIODS OF PUPIL MEMBER-
22 SHIP PER DAY IN SPECIFIED CLASSES, DIVIDED BY THE NUMBER OF CLASS
23 PERIODS IN THE SCHOOL DAY];

24 * Sec. 18. AS 14.17.023, 14.17.031, 14.17.041, 14.17.051, 14.17.061,
25 14.17.081, 14.17.090, 14.17.205, 14.17.225(f), and 14.17.250(4), (9), (18),
26 and (19) are repealed.

27 * Sec. 19. The Department of Education may adopt regulations under
28 AS 14.17.200 to implement the changes made by this Act. Those regulations
29 take effect in accordance with the Administrative Procedure Act (AS 44.62),

1 but not before the effective date of secs. 1 -- 18 of this Act.

2 * Sec. 20. Section 19 of this Act takes effect immediately in accor-
3 dance with AS 01.10.070(c).

4 * Sec. 21. Sections 1 -- 18 of this Act take effect July 1, 1986.