

**COMMITTEE REPORT**  
**SENATE**

FURTHER:

4/23/86

Date \_\_\_\_\_

Mr. President

The Committee on FINANCE considered SB 215  
relating to the use of funds from the undistributed income account  
in the Alaska permanent fund for public school funding, establishing a  
two-year funding cycle; efd.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_  
 new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT"  NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

MEMBERS HAVING  
OTHER RECOMMENDATIONS

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\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Chairman recommendation

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

3/6/85

Date \_\_\_\_\_

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The Committee on HESS considered SB 215

the use of funds from the undistributed income account in the Alaska permanent fund for public school funding, establishing a two-year funding cycle; efd.

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Introduced: 3/6/85  
Referred: Health, Education & Social Services  
and Finance

BY COGHILL, FERGUSON, BENNETT,  
KERTTULA, KELLY AND RODEY

1 IN THE SENATE

2 SENATE BILL NO. 215

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the use of funds from the undis-  
7 tributed income account in the Alaska permanent fund  
8 for public school funding, establishing a two-year  
9 funding cycle; and providing for an effective date."

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

11 \* Section 1. AS 14.17.010(a) is amended to read:

12 (a) The public school foundation account is established. The  
13 account consists of appropriations and funds transferred from the  
14 undistributed income account in the Alaska permanent fund (AS 37.13-  
15 .145) for distribution to districts or for centralized correspondence  
16 study programs under this chapter.

17 \* Sec. 2. AS 14.17.080 is amended to read:

18 Sec. 14.17.080. COMPUTATION BY DISTRICT. By October 30 of each  
19 [THE] pre-fiscal year each district shall submit to the commissioner a  
20 preliminary report of computations for the following two fiscal years  
21 [YEAR] of the amount of basic state aid for which the district is  
22 eligible under AS 14.17.021; and the amount for supplemental programs  
23 which has been approved for funding consideration by the commissioner.  
24 Each district shall make the computations in the manner prescribed by  
25 AS 14.17.080 - 14.17.150. The computations are the basis for request-  
26 ing legislative appropriations and for making preliminary payments  
27 under the public school foundation program.

28 \* Sec. 3. AS 14.17.090 is amended to read:

29 Sec. 14.17.090. ESTIMATED AVERAGE DAILY MEMBERSHIP. Each  
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1 district shall prepare an estimate of its average daily membership for  
2 the following two fiscal years [YEAR]. In making this estimate, the  
3 district shall consider its average daily membership in preceding  
4 years, the pattern of growth or decline in preceding years, and other  
5 pertinent information available to the district. The result of this  
6 estimate is the estimated average daily membership.

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8       Sec. 14.17.160. ALLOCATION OF FUNDS ON PRELIMINARY COMPUTATIONS.  
9 Each year of the two-year funding cycle the [THE] commissioner shall  
10 determine the state aid for each school district for two fiscal years  
11 on 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 seven  
13 successive months, one-twelfth of each district's state aid shall be  
14 distributed.

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

16       Sec. 14.17.165. TWO-YEAR FUNDING CYCLE. (a) Basic state aid to  
17 school districts shall be computed based on a funding cycle of two  
18 fiscal years and recomputed each fiscal year. Legislative appropria-  
19 tions to the public school foundation account shall be made for a  
20 period of two fiscal years.

21       (b) At the beginning of each fiscal year, the commissioner of  
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23 Alaska permanent fund (AS 37.13.145) to the public school foundation  
24 account (AS 14.17.010) an amount, determined by the commissioner of  
25 the Department of Education from the most accurate computations avail-  
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29       Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each

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9 a recomputation of each district's state aid. Before December 2, the  
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23 (b) Funds to carry out the provisions of AS 14.17.010 - 14.17-  
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25 [ANNUALLY] by the legislature into the public school foundation  
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5 undistributed income account to the public school foundation account  
6 (AS 14.17.010) required under AS 14.17.165.

7 \* Sec. 9. The initial two-year funding cycle for public schools requir-  
8 ed by this Act begins July 1, 1986.

9 \* Sec. 10. This Act takes effect immediately in accordance with AS 01.-  
10 10.070(c).

ALASKA STATE LEGISLATURE

145TH Legislature FIRST Session

SENATE BILL NO. 215

By SCHILL, FERGUSON,  
BENNETT, KERTTULA, KELLY,  
TODEY

"An Act relating to the use of funds from the undistributed income account in the Alaska permanent fund for public school funding, establishing a two-year funding cycle; and providing for an effective date."

Introduced in the Senate ... 3/6 ..., 19 85

HISTORY IN THE SENATE

1985

3 6  
19 16  
4 23

Read first time and referred to Committee on

MISS AND FINANCE

*Hess want to fix*  
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  
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

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Yeas	Yeas
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Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed  
Signed by Speaker  
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No. ....

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: SB 215  
 Title: Relating to use of funds from the undistributed income account...  
 Sponsor: Coghill, et. al.  
 Requestor: Senate HESS Committee  
 Date of Request: March 8, 1985

FISCAL DETAIL

Agency Affected: Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND (PSFA)	0	0	522.50	276.60	46.98	2.53
DIV. FUND	0	0	0	(4.64)	(12.91)	(22.31)
FF-UIA	0	0	(522.50)	(318.40)	(116.68)	(68.73)
PF - PRIN. BAL.	0	0	0	0	(5.56)	(5.87)

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mary Ellen Frank/Robert Elliott  
 Division: Revenue - Research Section

Phone: 465-2174

Date: 3/18/85

Approved by Commissioner: [Signature]  
 Agency: Revenue

Date: 3/11/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

FISCAL NOTE SB 215  
ATTACHMENT

The projections in Table 1 were based on Department of Education estimates for the Public School Foundation Account (PSFA) which assumed an annual increase of 5% in student enrollment and 5% in inflation.

TABLE 1

FY 87	\$522.5 million
FY 88	\$574.8 million
FY 89	\$632.3 million
FY 90	\$695.5 million

If the balance of the Undistributed Income Account (UIA) of the Permanent Fund (PF) funded the PSFA annually on July 1, the UIA balance would be quickly depleted, and would only be capable of partially funding the PSFA in the second and subsequent years as shown in Table 2.

TABLE 2  
(Millions of \$)

FY	UIA Balance * Prior Inf. Proof. June 29	Inf. Proofing Deposit or Withdrawal June 30	FY	Available UIA Balance July 1	Public School Foundation Account July 1	UIA Balance
86	752.50	-	87	746.38	<u>522.50</u>	223.88
87	289.98	-	88	276.58	<u>276.58</u>	0
88	25.78	+	89	46.98	<u>46.98</u>	0
89	2.53	+	90	2.53	<u>2.53</u>	0

\* includes UIA interest earnings on prior fiscal year which are transferred to the UIA after July 1.

FISCAL NOTE SB 215  
ATTACHMENT

Since the PSFA decreases the UIA balance, the result will be less interest earned by the UIA which will then provide less distributable income and subsequently less for the dividend fund. The total net change the UIA balance will annually experience is shown in Table 3.

TABLE 3  
(Millions of \$)

<u>FY</u>	<u>PSFA</u>	<u>UIA INTEREST EARNINGS</u>	<u>UIA REMAINING NET INCOME</u>	<u>TOTAL NET CHANGE UIA BALANCE</u>
87	(522.50)	0	0	(522.50)
88	(276.60)	(46.44)	4.64	(318.40)
89	(46.98)	(82.61)	12.91	(116.68)
90	(2.53)	(94.07)	27.87	(68.73)

Finally, initial losses to the Permanent Fund principal result from lower net earnings being insufficient to provide full inflation proofing. This will lower the Permanent Fund principal balance beginning in FY 89. The depletion of the UIA accumulations eliminates the source of funds to compensate for shortfalls in inflation proofing from current earnings. \$298.46 million was expected to be withdrawn from the UIA between 1991--1995 to make up for shortfalls.

Fiscal Note estimates were based on the January 1985 revenue projections (30% case).

At times, the Department of Revenue and the Alaska Permanent Fund Corporation may differ as to the estimated fiscal impacts of legislation. Differences arise because each employs a different set of investment assumptions. Consequently, projections depicting net income, inflation proofing amounts and dividend transfers may likely vary.

Furthermore, while the Department of Revenue is strictly concerned with accurately forecasting total revenues, the Permanent Fund Corporation, with its trust fund management responsibilities, has established its assumptions to measure investment returns in accordance with standards developed for fiduciaries. Therefore, the Permanent Fund Corporation's assumptions will frequently and appropriately yield more conservative investment results.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST

Bill/Resolution No: SB 215  
 Title: Permanent Fund for Public School  
 Funding on 2 Year Cycle  
 Sponsor: Coghill  
 Requestor: Senate HESS  
 Date of Request: March 7, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected:  
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*  
 Division: Treasury

Phone: 465-2350  
 Date: March 8, 1985

Approved by Commissioner: *[Signature]*  
 Agency: Department of Revenue

Date: 3/4/85

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: SB-215  
Title: ...public school funding...

FISCAL DETAIL

Agency Affected: Education  
Program Category Affected: \_\_\_\_\_

Sponsor: Cochill, et al  
Requestor: Sponsor  
Date of Request: 3-12-85

BRU, Program or Subprogram(s) Affected:  
Foundation Support

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
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<b>TOTAL OPERATING</b>		-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>						
<b>REVENUE</b>						

FUNDING: (Thousands of Dollars)


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FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

This bill has no fiscal impact on the Department.

Prepared By: Steve Hole   
Division: Office of the Commissioner

Phone: 465-2800  
Date: March 15, 1985

Approved by Commissioner: Harold Reynolds, Jr.  
Agency: Education

Date: March 15, 1985

Distribution (by Agency preparing fiscal note):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

7/1/84

Introduced: 3/6/85  
Referred: Health, Education & Social Services  
and Finance

BY COGHILL, FERGUSON, BENNETT,  
KERTULA, KELLY AND RODEY

1 IN THE SENATE

2 SENATE BILL NO. 215

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the use of funds from the undis-  
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COMMITTEE REPORT  
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FURTHER: FINANCE

3/6/85

Date \_\_\_\_\_

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