

HPB

381

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA	2-3-88	3:00 p.m.
" "	3-30-88	3:00 p.m.
" "	4-13-88	3:00 p.m.

Rev 0 4/1/87 ✓

BILL PREPARATION/ACTION*

SP 330

Bill # HB 381

Date Referred: 1/20/87 Out: / /

Title: Approp: FY '90 Revenue Sharing / School Aid

Sumd.

Referrals: CRM HES FIN

CONTACTS: *****

Name	Organization Address	Phone	Date Contacted
EDUC (Dorans) Star Hella	DP 1/27 reg. supports edu. part 1/28		
REV ^{Royce} Weller	PP. 1/27 reg. talk to OMB 1/30		
DCRA ^{Jim} - Plesman	PP. 1/27 reg.		
Sumd - Navette	1/27 [* 2/3]; be there? 2/3; yes. Navette 2/3; 3/22 [* 3/30]; 4/11 [4/13];		

REMARKS: *****

ANALYSIS: reg. Completed: _____

MEETINGS: *****

Date	Action
<u>* 2/3/8</u>	<u>1st hung.</u>
<u>3/30/8</u>	<u>hung - do work, hear next work</u>
<u>4/13/8</u>	<u>hung passed out CS HB 381 (CRA)</u>

HOUSE COMMITTEE REPORT

(5)

Date referred: 1/20/88

FURTHER REFERRALS:

HESS
Finance

APR 13 1988

DATE:

The Community and Regional Affairs Committee has considered HB 381

"An Act making special appropriations for the public school foundation program, state revenue sharing program, and municipal assistance program for fiscal year 1990; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 381 (CRA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note
- zero with analysis same as previous zero fiscal note published _____

SIGNING DO PASS:

Jim Zawacki
Virginia Collins
Wilhelm Herrmann
Heinrich Springer

SIGNING OTHER RECOMMENDATIONS:

Zawacki

Collins

Herrmann

Springer

Springer

Heinrich Springer
Chairman's signature

(111.1) HB 381
(CS)

5-1401L

Original sponsors: Sund and Frank

Funding Information	
General Fund	\$668,015,400
Other Funds	47,177,500
	<u>\$715,192,900</u>

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 381 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making special appropriations for the public
7 school foundation program, school construction ac-
8 count, state revenue sharing program, and municipal
9 assistance program for fiscal year 1990; and provid-
10 ing for an effective date."

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

12 * Section 1. The sum of \$508,862,400 is appropriated from the following
13 funds in the amount listed to the Department of Education for the public
14 school foundation program (AS 14.17) for the fiscal year ending June 30,
15 1990:

FUND SOURCE	AMOUNT
General Fund	\$461,684,900
Public School Fund	
(AS 37.14.110)	8,830,900
School Fund (AS 43.50.140)	3,500,000
Federal Receipts	34,846,600

22 * Sec. 2. The sum of \$109,472,700 is appropriated from the general fund
23 to the Department of Education for the school construction account (AS 14.-
24 11.100(c)) for the fiscal year ending June 30, 1990.

25 * Sec. 3. The sum of \$40,773,400 is appropriated from the general fund
26 to the Department of Community and Regional Affairs for the state revenue
27 sharing program (AS 29.60.010 - 29.60.300) for the fiscal year ending
28 June 30, 1990.

29 * Sec. 4. The sum of \$56,084,400 is appropriated from the general fund

1 to the municipal assistance fund (AS 29.60.350) for the municipal assis-
2 tance program (AS 29.60.350 - 29.60.375) for the fiscal year ending
3 June 30, 1990.

4 * Sec. 5. The unexpended and unobligated portion of the appropriations
5 made by this Act lapse into the fund from which the money was appropriated
6 June 30, 1990.

7 * Sec. 6. This Act takes effect July 1, 1989.
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George Wermela

<u>Funding Information</u>	
General Fund	\$496,300,200
Other Funds	28,644,100
	<u>\$524,944,300</u>

1 IN THE HOUSE

BY SUND AND FRANK

2

HOUSE BILL NO. 381

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making special appropriations for the public school foundation program, state revenue sharing program, and municipal assistance program for fiscal year 1990; and providing for an effective date."

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

11 * Section 1. The sum of ^{508,862,400}~~428,086,500~~ is appropriated from the following
12 funds in the amount listed to the Department of Education for the public
13 school foundation program (AS 14.17) for the fiscal year ending June 30,
14 1990:

15	FUND SOURCE	AMOUNT
16	General Fund	461,684,900 \$399,442,400
17	Public School Fund	8,830,900
18	(AS 37.14.110)	8,000,000
18	<i>ddd</i> School fund (AS 43.50.140)	3,500,000
19	Federal Receipts	20,644,100 34,846,600

20 * Sec. 2. The sum of \$40,773,400 is appropriated from the general fund
21 to the Department of Community and Regional Affairs for the state revenue
22 sharing program (AS 29.60.100) for the fiscal year ending June 30,1990.

23 * Sec. 3. The sum of \$56,084,400 is appropriated from the general fund
24 to the municipal assistance fund (AS 29.60.350) for the municipal assis-
25 tance program (AS 29.60.350 - 29.60.375) for the fiscal year ending
26 June 30, 1990.

*add new
Sec (A)*

27 * Sec. 4. The unexpended and unobligated portion of the appropriations
28 made by this Act lapse into the fund from which the money was appropriated
29 June 30, 1990.

H CS CS SB 330 (14855) (5) HB 381

JOHN SUND, REPRESENTATIVE
2504 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919

Representative Sund
House Bill 381

AMENDMENT

Add a New Section to Read: p/ line 27

(A) The sum of \$109,472,699 is appropriated from the general fund to the Department of Education for the school construction account (As14.11.100(c)) for the fiscal year ending June 30, 1989.

- ✓ p/ line 11 528,862,400
- ✓ line 16 461,684,900
- ✓ line 17 8,830,900
- ✓ line 19 34,846,000
- ✓ line 20
school fund 3,500,000

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AN ACT

An Act making appropriations to the Department of Education for K - 12 support; and providing for an effective data.

* Section 1. The sum of \$508,862,400 is appropriated from the general fund and from other funds in the amount listed to the Department of Education for the purposes expressed and allocated in the amounts listed for operating expenditures for the fiscal year ending June 30, 1989:

FUND SOURCE	AMOUNT
General fund	\$461,684,900
Public school fund (AS 37.14.110)	8,830,900
School fund (AS 43.50.140)	3,500,000
Federal receipts	34,846,600
PURPOSE	ALLOCATION AMOUNT
Foundation program	\$447,500,900
Student lunch program	13,500,500
Cigarette tax distribution	3,500,000
Tuition students	14,609,000
Boarding home grants	450,000
Youth in detention	1,307,700
Schools for the handicapped	2,872,600
Pupil transportation	25,121,700

* Sec. 2. The sum of ~~\$117,709,976~~ ^{109,472,700} is appropriated from the general fund to the Department of Education for the school construction account

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(AS 14.11.100(c)) for the fiscal year ending June 30, 1989.

* Sec. 3. This Act takes effect July 1, 1988.



Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Mar. 30, 1988

SIGN-IN

Subject of meeting:

~~*HB 538 Alaska Municipal Bond Bank Authority~~

~~*HB 381 Revenue Sharing/School Aid~~

HB 381 Approp: FY '90 Revenue Sharing/School Aid

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
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Bob Cooksey	105 Municipal Way # 302	586-3090	NEA - Alaska	yes
Rup Sund		4919		yes

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..appropriations..revenue sharing..municipal assistance.."
Sponsor: Sund & Frank
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Municipal Revenue Sharing
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 2/3/88

Approved by Commissioner: [Signature] Date: 2/3/88
Agency: Community & Regional Affairs

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

File Contents

HB 381 - Approp: FY '90 Revenue Sharing/School Aid

<u>No.</u>	<u>Description</u>
1.	Bill - HB 381
1.1.	Fiscal Note - DCRA
2.	Bill Review - HCRA Staff
3.	Chart - General Fund Appropriation

HB381.FIL
03/29/88

STATE OF ALASKA
1988 LEGISLATIVE SESSION

111 HB 381
BILL VERSION: HB 381
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act..appropriations..revenue sharing..municipal assistance.."
Sponsor: Sund & Frank
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Municipal Revenue Sharing

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 2/3/88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: 2/3/88

Distribution (by preparer):

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



Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Wednesday, February 3, 1988

SIGN-IN

Subject of meeting: (B) HB 381

*HCR 33 Local Boundary Commission Annexations

*HB 381 Approp: FY '90 Revenue Sharing/School Aid

NAME (PLS PRINT) **YOUR TITLE & ADDRESS** **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

HAKALA MARY HAKALA	P.O. Box F Inman	465-2800	DCE	
Bob Mani...us	105 Municipal Way # 302	586-3090	NEA	Yes
Scott Burgess	Ex Dir 217 Second Street	6-1325	AML	Yes
Nevette Bowen	C-1200	4919	Rep. Sund	✓
Steve McPhedres	324 4 th St. R. 211 Inu 99801	586-9702	AK Council of School Administrators	✓
Jim Plasman	Box		DCRA	✓

TO: Representative Henry Springer, Chairman
House Community and Regional Affairs

FROM: David C. Harrison, P. A.,
House Community and Regional Affairs

Date: February 3, 1988

RE: HB 381 "An Act making special appropriations for the public school foundation program, state revenue sharing program, and municipal assistance program for fiscal year 1990; and providing for an effective date."

Sponsors: Sund and Frank

REVIEW:

* Section 1. The sum of \$428,086,500 is appropriated from the following funds in the amount listed to the Department of Education for the public school foundation program (AS 14.17) for fiscal year ending June 30, 1990:

Current law (AS 14.17) refers to the Public School Foundation Program

Line 16	<u>General Fund</u>	<u>\$399,442,400</u>
Line 17	<u>Public School Fund</u>	
Line 18	<u>(AS 37.14.110)</u>	<u>8,000,000</u>
Line 19	<u>Federal Receipts</u>	<u>20,644,100</u>

Current Law AS 37.14.110 refers to the public school fund established.

(a) There is established as a separate fund the public school fund.
Comment: This section refers to a balance of the public school fund permanent fund on July 1, 1978 plus sums transferred under (contributions) stated in AS 37.14.150 as well as interests and dividends earned from investments of the principal of that fund under AS 37. 14.170. (4 ch 182 SLA 1978).

Comment: The sum of \$428,086,500 was taken from FY '89 Conference Committee. Department of Education amount FY '89 is \$446,000,900. The Department of Education supports the educational part of this bill.

* Section 2. The sum of \$40,773,400 is appropriated from the general fund to the Department of Community and Regional Affairs for the revenue sharing program (AS 29.60.100) for the fiscal year ending June 30, 1990.

Current law AS 29.60.100 refers to Chapter 60 State Programs and under

Article 1, indicates Municipal Tax Resource Equalization and other related items.

Comment: The sum of \$40,773,400 may be taken from FY '88 revenue as requested for FY '89.

* Section 3. The sum of \$56,084,400 is appropriated from the general fund to the municipal assistance fund (AS 29.60.350) for the municipal assistance program (AS 29.60.350 - 29.60.375) for the fiscal year ending June 30, 1990.

Current law (AS 29.60.350 - 29.60.375 refers to municipal assistance fund; base amount of assistance; municipalities organized under federal law; increased assistance; and definition of municipality, etc.

* Section 4. The unexpended and unobligated portion of the appropriations made by this Act lapse into the fund from which the money was appropriated June 30, 1990.

Comments:

HB 381 provides appropriations for a one year early commitment to the education foundation program (AS 14.17), as well as committed appropriations for state revenue sharing program (AS 29.60.100) and a committed appropriation for municipal assistance program (AS 29.60.350 - 29.60.375) for fiscal year June 30, 1990. The effective date for this is July 1, 1989. The delayed effective date of this bill provides the mechanism for a one year early appropriations commitment.

OTHER COMMENTS REGARDING VARIOUS SIMILAR BILLS IN THE WORKS:

Director David Teal's memo of 1/18/88 to Rep. Ulmer discusses forward funding and full funding as separate distinct concepts. Please see attached memo discussing problems and issues. One such issue relates to a possible constitutional change in such funding processes.

Jim Nordland's memo to Representatives Koponen and Ellis - Co-Chairs of HESS dated 1/13/88 provides a rundown of bills and related issues as well as ideas for education foundation funding program. Please see attached memo.

JOHN SUND, REPRESENTATIVE
2504 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919

MEMORANDUM

To: Representative Springer
Chairman, House Community and Regional Affairs
Committee

From: Representative John Sund *JS*

Date: January 25, 1988

Subj: Request to schedule House Bill 381 which relates to
forward funding education, revenue sharing and
municipal assistance.

House Bill 381 would appropriate state funds for municipal assistance, revenue sharing and education a year earlier than under present practice thereby helping municipalities and schools plan their budgets. Communities are now trying to budget for next year without knowing the amount of state contributions.

Advance notice of funding can alleviate much of the financial uncertainty that municipalities and school districts face during their budget deliberations and assist in setting tax rates. The Legislature passes the budget in May and the Governor finalizes it in June. That is after many municipalities have tried to set their budgets and tax rates.

House Bill 381 would offer communities predictability and certainty.

Please consider scheduling HB 381 at your earliest convenience.

yes



Official Business

Alaska State Legislature

House

(2) (HB 381)

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Rep. Niiilo Koponen, Co-Chair, House HESS Committee
Rep. Johnny Ellis, Co-Chair, House HESS Committee

FROM: Rep. Fran Ulmer

RE: Forward Funding

DATE: January 19, 1988

School boards, local governments, educators and administrators have for many years encouraged the state to enact a forward funding mechanism for education. It is argued that forward funding would provide greater stability and predictability in the delivery of education services to our children. The issues associated with implementing such a proposal have been: 1) lack of funds, and 2) agreement as to the most appropriate funding source. I would like to propose a mechanism for forward funding that could resolve these issues. The attached summarizes this proposal.

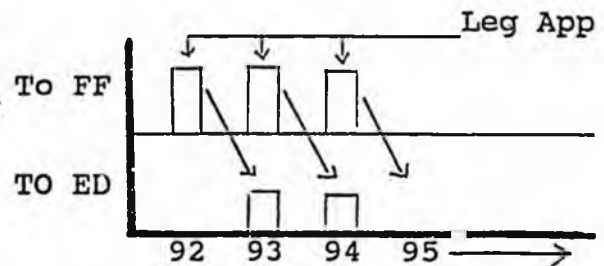
Forward Funding

Through a constitutional amendment, I propose a division of permanent fund earnings as follows: 40% to dividends; 30% for inflation proofing; and 30% to an education fund. This constitutional amendment would have a limited life of three years and would have to be approved by Alaska's voters. After three years, the distribution of earnings would return to its present formula: 50% to dividends; a variable amount to inflation proofing; any remaining funds would go to the earnings reserve account.

The proposed change to 40/30/30 would begin FY 89 and end in FY 91. Money accumulated in the education fund over this time period would then be used to forward fund education beginning FY 92. This process is summarized below:

<u>Education Fund</u>	<u>Cum Total</u>
FY89.....\$168	\$168
FY90.....\$184	\$352
FY91.....\$254	\$606
Interest	\$ 44
Total	<u>\$650</u>

Forward Funding



Beginning FY 92, school districts could begin budgeting for the FY 93 school year as early as July 1, 1991 (FY 92). If the basic need in FY 92 is \$500 million, the fund balance would be approximately \$150 million. The legislature, during the normal budgeting cycle, would refill the forward fund. This process would continue through subsequent fiscal years. Note that the balance in the forward fund should be greater than the basic educational needs for any given year. That means if shortfalls should occur (e.g. enrollment exceeds projections) sufficient revenue to cover the shortfall would be available.

Forward Funding: Effects On Permanent Fund*

Under my forward funding proposal, Dividends, Inflation Proofing and the Permanent Fund balance would be affected:

Table 1*

FY 40/30/30 Permanent Fund As Is Difference

Permanent Fund Balance

89	8,918	9,054	136
90	9,431	9,768	337
91	9,963	10,544	581
92**	10,756	11,368	612
95	13,381	14,098	717

Dividends

89	\$807	\$842	\$ 35
90	816	889	73
91	764	881	117
92**	751	877	126
95	805	940	135

Reserve Account

92	610	510	10
99	712	396	316

* Source- House Research (see attached figures)

** Changes back to current law

As a result of lower earnings (less inflation proofing) the Permanent Fund Balance by FY 95 would be approximately \$717 million less than under current law (Table 1).

The annual Dividend payments decrease in FY 91 and FY 92; beginning FY 93 they continue to increase. While the Dividends are less than current law, House Research projections show that by FY 2005 the difference would amount to \$100.

While the Permanent Fund balance and the Dividend would be less under my proposal, the Reserve Account balance would be greater compared to current law. For example, in FY 99 the reserve balance would be \$712 million under my proposal compared to \$396 million under current law - a \$316 million difference. This results since inflation proofing consumes a greater proportion of the earnings under the status quo. By FY 2005 there would be approximately \$300 million in the earnings reserve account compared to zero under current law (see attached House Research projections).

Constitutional Amendment

There are several reasons why a constitutional amendment is necessary:

- * It would provide the opportunity for Alaska's people to decide whether the Permanent Fund earnings should be used to forward fund education;
- * No legislature can bind a future legislature. Unless the mechanism establishing the forward fund is in the constitution there would be no guarantee beyond the first year of appropriation that future legislatures would dedicate additional revenues to the fund; and
- * A constitutional amendment would protect the dividend and inflation proofing while the fund was being established.

My proposal would provide school districts "forward funding" of education as well creating a "buffer" since excess revenue in the fund would be available to offset unanticipated shortages.

House Research Projections

Forward Funding

FY 89 to FY 91

Column A: Fiscal Year

Columns E and F: Compares final Permanent Fund balance under 40/30/30 and status quo for current fiscal year.

Column I: Inflation Proofing under 40/30/30

Columns L and M: At the end of FY 88, \$32 million would remain in the reserve account (K). The final balance for FY 89 (M) is shown to be \$561 and is carried through to FY 92 under the assumption it is not appropriated by the legislature.

Columns M and N: Compares current law reserve balance with 40/30/30 proposal.

Columns S and T: Compares Dividends under 40/30/30 and current law.

Column U: Shows amount transferred to forward fund at the end of each fiscal year beginning FY 89.

TABLE A--Education Fund
 PERMANENT FUND BALANCE, RESERVES AND DIVIDEND PROJECTIONS
 (in millions of nominal dollars)

% of earnings to dividends: 50.0% 403 89-91 30% DOR REVENUE FORECAST, SEPTEMBER 1987
 ceiling on dividends: none FULL INFLATION PROOFING OCCURS IF EARNINGS+RESERVES EXCEED DIVIDENDS
 inflation proofing priority: 2 50% OF EARNINGS (PRIOR TO INFLATION PROOFING) GO TO DIVIDENDS
 inf. prf. % (if priority=3): 0.0% 302 89-91 REMAINING EARNINGS GO TO RESERVES FOR FUTURE INFLATION PROOFING BUT MAY GO TO GENERAL FUND
 I=dividends smoothed; O=no: 1
 I=reserves to Gen Fund; O=no: 0
 DOR Forecast (30% or 50%): 30%
 % of Earnings to Education: 0%
 C=PF0 pre education; I=post: 0

Fiscal Year	FUND BALANCE			PERM FUND AS IS:		DISPOSITION OF EARNINGS				RESERVE ACCOUNT		RESERVE ACCOUNT AS IS:		DIVIDEND PROGRAM					DIVIDEND AS IS:		Transfer to Education Fund
	Starting Balance	Contributions	Inflation Proofing	Final Balance	Final Balance	Available Earnings	To Dividends	Inflation Proofing	To Available Reserves	Starting Balance	Reserve Transfer	Final Balance	Final Balance	Earnings	Admin Cost	Available for Distribution	Thousands of Checks	Each PFC Check	Each PFC Check		
1978	0	54	0	54	54	2	0	0	2	0	0	0	0	0	--	0	--	--	--	--	--
1979	54	84	0	139	139	8	0	0	8	0	0	0	0	0	--	0	--	--	--	--	--
1980	139	344	0	483	483	32	0	0	32	0	0	0	0	0	--	0	--	--	--	--	--
1981	483	1,285	0	1,769	1,769	150	0	0	150	0	59	59	59	0	--	0	--	--	--	--	--
1982	1,769	1,201	0	2,969	2,969	368	482	0	(113)	59	185	244	244	482	3	478	478.8	\$1,000	\$1,000	--	--
1983	2,969	821	231	4,021	4,021	471	191	231	49	244	110	354	354	191	3	189	435.8	\$336	\$336	--	--
1984	4,021	656	151	4,839	4,839	530	163	151	215	354	203	558	558	163	3	150	493.1	\$331	\$331	--	--
1985	4,839	668	235	5,741	5,741	658	218	235	205	558	206	765	765	218	8	211	523.5	\$401	\$401	--	--
1986	5,741	323	216	6,281	6,281	1,021	304	216	500	765	(765)	0	0	394	8	297	533.4	\$556	\$556	--	--
1987	6,281	1,435	148	7,864	7,864	1,069	394	148	527	0	529	529	529	394	15	378	531.5	\$708	\$708	--	--
1988	7,864	230	348	8,442	8,442	810	429	348	32	529	32	561	561	429	16	413	531.2	\$778	\$778	--	--
1989	8,442	213	263	8,918	9,054	878	447	263	168	561	0	561	575	447	17	431	533.4	\$827	\$827	16E	16E
1990	8,918	247	274	9,431	9,768	912	455	274	184	561	0	561	533	455	18	437	535.7	\$815	\$815	18A	18A
1991	9,431	239	293	9,963	10,544	977	430	293	254	561	0	561	510	439	19	411	537.9	\$754	\$754	19B	19B
1992	9,963	237	555	10,756	11,368	1,029	425	555	48	561	48	610	510	425	20	405	540.1	\$751	\$751	20C	20C
1993	10,756	240	599	11,596	12,241	1,110	457	599	54	610	54	664	507	457	21	435	542.2	\$905	\$905	21D	21D
1994	11,596	229	644	12,469	13,149	1,196	509	644	43	664	43	707	502	509	22	487	544.4	\$954	\$954	22E	22E
1995	12,469	220	692	13,381	14,098	1,284	567	692	26	707	26	732	493	567	23	544	546.7	\$995	\$995	23F	23F
1996	13,381	214	762	14,357	15,115	1,421	634	762	24	732	24	757	499	634	25	610	548.9	\$1,110	\$1,110	24G	24G
1997	14,357	212	839	15,408	16,209	1,521	686	839	(5)	757	(5)	752	476	686	26	664	551.1	\$1,197	\$1,197	25H	25H
1998	15,408	212	900	16,520	17,368	1,625	740	900	(15)	752	(15)	738	442	740	28	712	553.3	\$1,287	\$1,287	26I	26I
1999	16,520	207	963	17,691	18,587	1,734	796	963	(25)	738	(25)	712	396	796	30	767	555.6	\$1,380	\$1,380	27J	27J
2000	17,691	201	1,031	18,923	19,970	1,849	856	1,031	(38)	712	(38)	674	337	856	32	824	557.9	\$1,477	\$1,477	28K	28K
2001	18,923	195	1,101	20,219	21,221	1,968	913	1,101	(47)	674	(47)	628	268	913	33	890	560.1	\$1,570	\$1,570	29L	29L
2002	20,219	187	1,175	21,581	22,641	2,092	973	1,175	(56)	628	(56)	571	187	973	36	939	562.4	\$1,657	\$1,657	30M	30M
2003	21,581	170	1,253	23,012	24,133	2,222	1,036	1,253	(67)	571	(67)	504	95	1,036	38	998	564.7	\$1,767	\$1,767	31N	31N
2004	23,012	176	1,336	24,523	25,698	2,358	1,101	1,336	(79)	504	(79)	425	0	1,101	40	1,061	567.0	\$1,872	\$1,872	32O	32O
2005	24,523	172	1,422	26,118	27,241	2,501	1,170	1,422	(91)	425	(91)	334	0	1,170	43	1,127	569.3	\$1,990	\$1,990	33P	33P

Source: Alaska Permanent Fund Corporation October 31, 1987 Financial Statement
 Department of Revenue, September 1987 Revenue Forecast

13-Jan-86 Prepared by the House Research Agency (88.074)

#606

David



Alaska State Legislature
House of Representatives
COMMITTEE ON HEALTH, EDUCATION
AND SOCIAL SERVICES

OFFICIAL BUSINESS

POUCH V
JUNEAU, AK 99811
465-3759

MEMORANDUM

TO: Rep. Niilo Koponen, Co-Chair, House HESS Committee
Rep. Johnny Ellis, Co-Chair, House HESS Committee

FROM: Jim Nordlund, House HESS Staff

RE: Proposals for early and forward funding

DATE: January 13, 1988

We have received several proposals dealing with the issue of early and/or forward funding for public school programs. Each of these proposals attempts either to establish an additional funding source for educational programs or to provide greater certainty to school district budget deliberations, or a combination of the two. These two related, yet distinct objectives sometimes get confused in discussions about educational funding.

Below is a brief description of each of the proposals which is to accompany the draft bill packets provided to Committee members.

1) Three months early -- CSHB 255 is the Governor's bill which is currently under consideration by the HESS Committee. If passed by the legislature and signed by the Governor before March 15th, this bill would establish state funding levels for school districts approximately three months earlier than usual. This type of early appropriation would need to be enacted every year in order to achieve early budget certainty each year.

2) One year early -- This bill, which will soon be introduced by the Governor, would establish funding levels this session for FY 90, with a delayed effective date. Certainty in funding levels could not be assured due to the difficulties in making projections one year in advance.

3) One year early, additional pass through -- This bill, which will soon be introduced by Representative Sund, is similar to #2 above except that it provides for a one year early commitment for revenue sharing and municipal assistance as well as for the foundation program.

4) Early deadline -- SB 2 was introduced by Senator Abood and is currently under consideration by the HESS Committee. This bill would require the legislature to pass an appropriation for the foundation program, school debt reimbursement and other education programs by March 16th for the succeeding fiscal year. There is no penalty if the legislature fails to act by this deadline. The bill also changes the date from April 1 to April 15 for the borough school board to submit the following year's budget to the borough assembly.

5a) Full funding, suspense account -- This proposal would establish an account to forward fund the school foundation program. Legislative appropriations made to this fund would be held "in suspense" and not be distributed to the school foundation account until a specific year designated in the appropriation. Presumably, the funds would be suspended for the second succeeding fiscal year, thus creating a mechanism for forward funding. The fund could be built up over successive fiscal years to equal full funding.

5b) Suspense appropriation -- This appropriation measure would be the first installment in building up the suspense account. It would appropriate to the account the partial settlement money recently received by the State in the Dinkum Sands lawsuit, other than that which must go into the permanent fund.

6) Full funding, constitutional amendment -- This proposal, which is being initiated by Representative Ulmer, would provide for a different forward funding mechanism. It would create an education forward fund which would achieve full funding through six consecutive yearly dedications from permanent fund earnings. The proposal calls for a constitutional amendment, and thus a vote of the people, to divide the permanent fund earnings for six years between dividends, inflation proofing and the education forward fund at 40%, 30% and 30% respectively.

7a) Buffer account -- This proposal would create a public school buffer account which could be tapped by the legislature if either the foundation, school debt reimbursement or the pupil transportation programs were funded at less than full funding in any fiscal year. The uncertainty caused by the possible marginal funding differences in these programs each year would be relieved due the existence of this account.

7b) Buffer appropriation -- This appropriation measure would fund the buffer account with \$60 million from Dinkum Sands settlement money. This amount represents the sum of the percentages of the FY 89 full funding levels for each of the foundation, school debt and pupil transportation programs which is equal to the historically greatest shortfalls in each of the programs. Greater certainly could be achieved by this "marginal" amount without without the costs of fully funded, forward funding mechanism. The necessary amount could be appropriated in one year from Dinkum Sands money.

8) One-time windfall -- This appropriation bill would appropriate the recently received Dinkum Sands settlement money, other than that which must go into the permanent fund, into the foundation program for disbursement in FY 90. This is, effectively, a one-time, partial forward funding proposal.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 18, 1988

MEMORANDUM

TO: Representative Fran Ulmer
ATTN: Dennis Burns
FROM: David Teal, Director *Teal*
RE: Forward Funding of Education
Research Request 88.103

As you know, the legislative appropriation of funds for primary and secondary education often occurs late in the budget cycle of municipalities charged with operating school systems. Municipalities and school districts claim that preparing their budgets is difficult when the amount of money that will be received from the State--which constitutes a major portion of their operational funds--is uncertain. You asked for a brief discussion of options that could mitigate the uncertainty of school funding in Alaska. You were particularly interested in the concept of forward funding, i.e., the use of a cash reserve fund as an intermediate step in the funding process. The intermediate step would allow expenses during the upcoming fiscal year to be paid from cash reserves while current appropriations would be placed in the reserve fund to become the cash to be used a full year in the future.

The forward funding concept was discussed by the legislature as early as 1979. Three features make it attractive to various advocates--it can limit expenditures, reduce volatility, and mitigate uncertainty. Each feature is discussed below.

Forward funding can act as an effective expenditure limit because the accumulation of the cash reserves required to initiate forward funding implies that expenditures be less than revenues during a transition period. This feature was more attractive in 1979--when the concept was being applied to the entire State budget and when, unlike today, several years of high oil prices and high State revenues were predicted. In addition, I do not believe that advocates of forward funding for education intend that implementation should reduce funding for education. For these

Representative Ulmer
January 18, 1988
Page 2

reasons, I limit discussion of this feature to pointing out that creation of a cash reserve fund for education is likely to reduce the amount of money that can be appropriated for other purposes.

Forward funding can reduce volatility in the flow of funds available for expenditure, but only with the addition of mechanisms to transfer funds from year to year. Without mechanisms to smooth the flow of funds, forward funding simply delays the impact of funding level changes by one year.

Forward funding can eliminate uncertainty regarding the total amount of money available in a given year, but does not address the allocation of funds among school districts. Allocation is a direct function of the number of education units within each district, while the number of units is largely determined by enrollment.

Based on testimony at the January 14 House HESS committee teleconference, there appears to be some confusion regarding the concepts of "forward funding" and "full funding." Forward funding and full funding are distinct concepts; "forward funding" refers only to the timing of appropriations while "full funding" refers to the level of appropriations, specifically to the statutorily-set value of \$60,000 per education unit.

Although State aid to individual school districts is based on a formula, the use of forward funding does not guarantee full funding of the formula. If appropriated funds are insufficient to fully fund the formula, a district which knew the total amount of money to be allocated and had a perfect forecast of its own enrollment would still not know the amount of State aid it would receive because each district's allocation would depend upon enrollment in every district.

To the extent that statewide enrollment predictions are used to determine the level of appropriation, predicting enrollment currently adds a degree of uncertainty to the funding process. Forward funding could increase budget uncertainty by requiring that enrollment predictions apply not to the upcoming school year, but to the one following it.

In summary, forward funding of the education formula does not appear to offer school districts or municipalities any significant advantage in the budgeting process. If, however, the concept of full funding were instituted, the perceived need for forward funding would diminish. The legislature would then have a target appropriation level which, if fully funded, would ensure that each district receives a predictable amount of money. Of course, each district's final allocation would be determined by actual enrollment, so that exact funding levels would be unknown until enrollment counts were available.

Forward funding alone would not resolve budgeting problems because any funding deficiencies not covered by a supplemental appropriation would cause a pro rata reduction in allocations to school districts. Forward funding might provide some warning that a shortage would occur, but it would not prevent shortages from occurring. Shortages could be prevented by: 1) consistently overfunding the program; or 2) using a secondary pool of funds to offset unintentional underfunding.

As an example of use of a secondary pool of funds, assume that estimates of the number of education units and a unit value of \$60,000 result in a FY 89 appropriation of \$428 million. If actual statewide enrollment exceeds projections, a budget shortage will occur in every district regardless of when the appropriation is approved. A secondary pool of funds could be used to offset any shortfall of appropriations, thus guaranteeing full funding in FY 89. In order to ensure full funding in the future, the secondary pool would have to be devised in a way that: 1) prevents unused funds from lapsing into the General Fund; or 2) relies upon a source of future revenue to replenish the fund. Providing for continuity may require a Constitutional amendment to allow dedication of funds to education. In order to add certainty to the districts' budgeting process, the dedication of revenue would not have to be sufficient to fund the entire foundation formula, it need be no larger than an amount which would offset unintentional underappropriation. In effect, the secondary pool of funds could be relied upon to correct minor errors in predictions of the amount required to fully fund education; the concept offers full funding as opposed to forward funding.

The existence of a secondary fund would not ensure that money from the fund would supplement annual appropriations to education rather than replace them. Constitutional dedication of revenue sufficient to consistently fully fund the education formula would approach the degree of budget certainty that school districts apparently seek. Even dedication of revenue to education cannot ensure that districts will receive a level of funding that can be known early in their budget cycles. Federal rules regarding the equalization of State aid require that aid per student be within a fixed range. Because State aid must be adjusted when actual enrollment is known, the level of funding for any school district cannot be guaranteed early in the district's budget cycle.

Discussion of Various Proposals

A January 13, 1988 memorandum (attached) from Jim Nordlund to the co-chairmen of the House HESS committee described several proposals for funding public education. For the purpose of discussion, I have divided the proposals into three categories.

Proposals (1) through (4) would implement early funding, which means that school districts would know the level of statewide appropriation earlier in their budget cycle. In this regard, the concept is similar to forward funding, which would be implemented by proposals (5a), (5b), (6) and (8). The major difference between the concepts is that forward funding would use money accumulated in one fiscal year to fund education in future years, while early funding does not cross fiscal years. Forward funding offers

earlier warning of funding shortages. It also requires the accumulation of cash reserves, which means that implementing the concept would reduce the amount of funds available for purposes other than education.¹ Neither concept addresses the issue of full funding, i.e., they offer no assurance that available funds would be sufficient to allocate \$60,000 per education unit.

Proposals (7a) and (7b) offer buffered funding as a means to ensure full funding. That is, they would create a secondary funding source that would be tapped if appropriations were insufficient to provide State aid of \$60,000 per education unit. As long as money in the buffer account is sufficient to offset any funding shortages, this concept offers far greater budget certainty to school districts than simple forward funding. Timing of appropriations would no longer be of concern; districts would know that they would receive a fixed amount of State aid per education unit in each and every year. These buffer proposals do require forward funding, but cash reserve requirements are limited to the amount required to cover unanticipated shortages rather than the full amount required to fund the formula.

Governor Cowper's proposed education endowment offers a type of buffered funding. The endowment plan is similar to proposal (6) in that Permanent Fund earnings would be used as source of funds for education. However, the Governor's plan would use interest earnings from the endowment as a secondary source of funds rather than using the accumulated funds to begin the forward funding process. This proposal would be implemented without reducing the amount of General Funds available for purposes other than education. As with other buffered funding proposals, school districts' budget certainty would be enhanced, but only if the legislature's annual appropriation plus funding from the secondary source were sufficient to fully fund the education foundation formula.

Dedicated funding offers the greatest degree of budget certainty, but only if the dedicated revenue were sufficient to fully fund the formula. Any shortage of dedicated revenue would cause a dedicated funding plan to be conceptually identical to the Governor's proposal.

* * *

If you wish to discuss the concepts addressed in this memorandum, I would be pleased to meet at your convenience.

Attachment

¹Proposal (6) would implement forward funding without reducing current expenditures. This would be accomplished by using a portion of the earnings of the Permanent Fund to create a reserve fund.

HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

EDUCATION FUNDING PROPOSALS
1/27/88

	EARLY	ADDITIONAL	FORWARD	FULL	CERTAINTY	PROGRAMS	REV. SOURCE	COMMENTS
CSHB 255 Governor	3 Month			X	High	F, DR, PT	GF	Needed Yearly
HB 370 Governor	1 Year				Low	F	GF	Projection Problems
HB 381 Sund	1 Year				Low	F, Rev. Share Muni. Asst.	GF	Projection Problems
SB 2 Abood	3 Month				High	F, DR	GF	Schoolboard Deadline changed
HB 376, 377 House HESS		X	X		Low	F	Lawsuit	Suspense Acct. in Gen. Fund
Proposal Ulmer		X	X	?	Low	F, ?	PFE	Constit. Amend. (Not required)
HB 378, 379 House HESS		X		X	High	F, DR, PT	Lawsuit	Buffer Account Offset problem
HB 407 Governor		X	?			F	PFE	Referendum in Per. Fund
HB 358 Ulmer		X				F	Lawsuit	\$ to School Fund

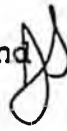
JOHN SUND, REPRESENTATIVE

2504 2nd Avenue
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While in Juneau
P O. Box V
Juneau, Alaska 99811
(907) 465-4919

MEMORANDUM

To: Representative Springer
Chairman, House Community and Regional Affairs
Committee

From: Representative John Sund 

Date: January 25, 1988

Subj: Request to schedule House Bill 381 which relates to
forward funding education, revenue sharing and
municipal assistance.

House Bill 381 would appropriate state funds for municipal assistance, revenue sharing and education a year earlier than under present practice thereby helping municipalities and schools plan their budgets. Communities are now trying to budget for next year without knowing the amount of state contributions.

Advance notice of funding can alleviate much of the financial uncertainty that municipalities and school districts face during their budget deliberations and assist in setting tax rates. The Legislature passes the budget in May and the Governor finalizes it in June. That is after many municipalities have tried to set their budgets and tax rates.

House Bill 381 would offer communities predictability and certainty.

Please consider scheduling HB 381 at your earliest convenience.

School Account Proposal

- Proposal establishes a school account within the principal of the Permanent Fund.
 - 1988 and 1989 Permanent Fund earnings, after distribution of dividends, will go to the school account.
 - Future earnings from the school account will be available for financing elementary and secondary schools.
 - About \$60 to \$70 million will be available annually for public education financing.

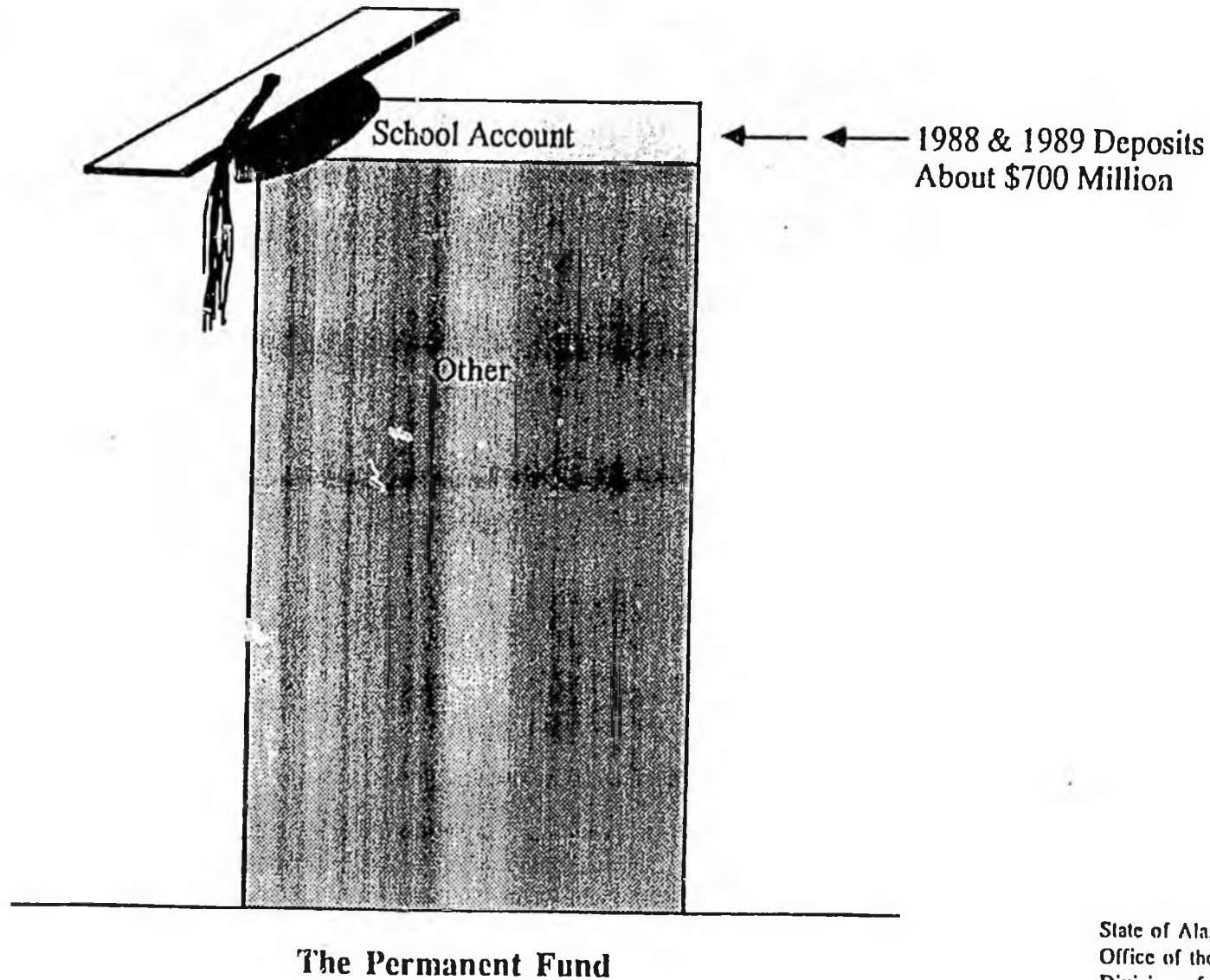
- The account does not change Permanent Fund dividends very much.
 - The dividend continues to grow larger, just not quite as large.

Year	Dividend Without School Account	Dividend With School Account	Difference
1988	\$ 771.08	\$ 771.08	\$ 0
1989	\$ 833.87	\$ 828.06	\$ 5.81
1990	\$ 882.47	\$ 868.84	\$ 13.63

- The school account provides the first significant step in forward funding for education.
 - The proposal provides lasting benefits to Alaska by contributing to stable funding for education.
 - The proposal creates a long-term account which can be the recipient of other windfall monies and additional future deposits. If the annual deposits to the Permanent Fund principal were allocated to the school account over the next seven to ten years, the school account earnings would essentially forward fund Alaska's public education system.

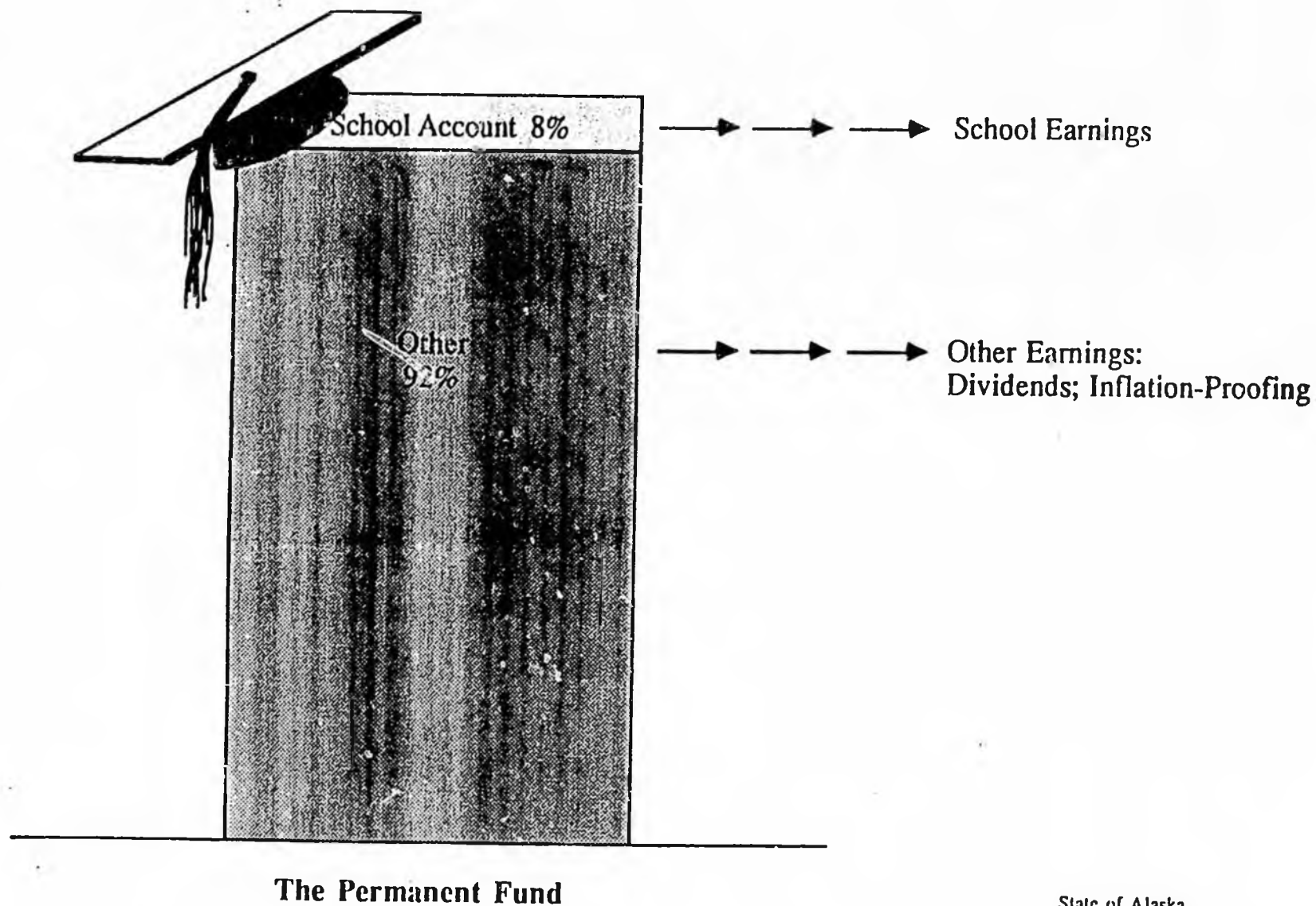
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1988 and 1989 Deposits Would Establish School Account in Permanent Fund Principal



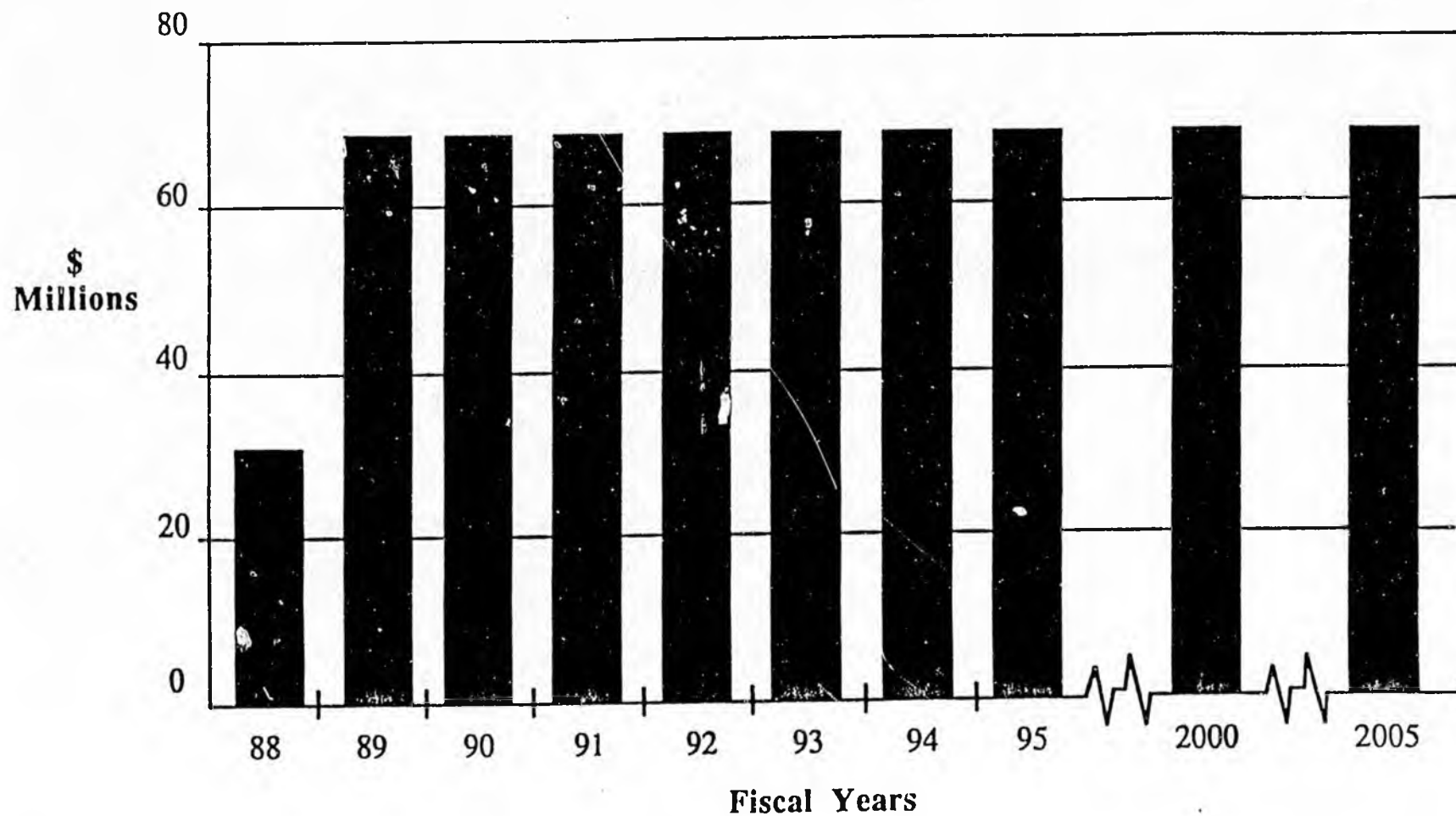
State of Alaska
Office of the Governor
Division of Policy 1/25/88

School Account Proposal Establishes Two Earning Streams



School Account Earnings Available for Education

From 1988 and 1989 Deposits



Source: Alaska Permanent Fund Corporation

State of Alaska
Office of the Governor
Division of Policy, 1/25/88



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: House State Affairs Committee Members

FROM: Representative Fran Ulmer, Chair
House State Affairs Committee

SUBJECT: HB 358: "An Act making special appropriations of windfall receipts to the principal of the permanent fund, the budget reserve fund, and to the public school fund; and providing for an effective date."

DATE: January 21, 1988

Sections 1, 2 and 3 make a special appropriation of windfall receipts received by the state from the North Slope royalty case and the Dinkum Sands Case to the principal of the Permanent Fund, to the Budget Reserve Fund and to the Public School Fund.

Sections 4 and 5 appropriate windfall receipts received by the state during fiscal year 1989 from tax proceedings against oil and gas production or pipeline companies under AS 43.20 (corporate income tax), and AS 43.55 (oil and gas properties production tax), and AS 43.55 (oil and gas properties production tax).

The provisions of HB 358 apply only to revenue received after the effective date of this bill. Therefore the above appropriations do not include the \$322 million recently received by the state as revenue sharing.

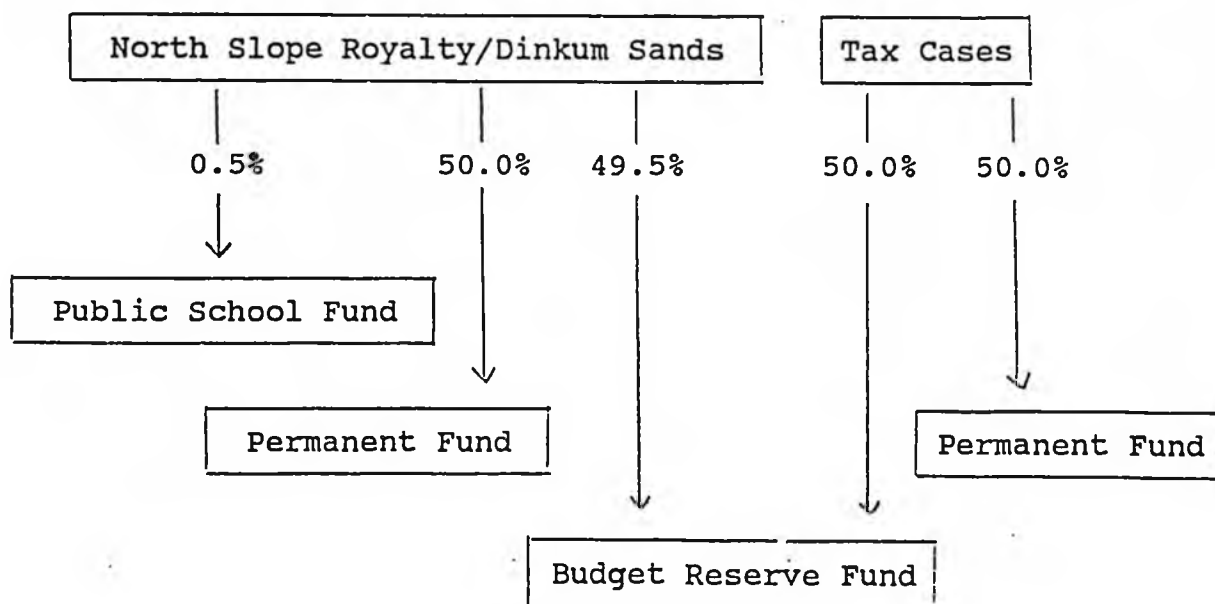
The proposed legislation would accomplish the following:

- 1) Dedicate funds to the principal of the Permanent Fund at a time when revenue decline reduces the likelihood of comparable deposits; and
- 2) Create a cushion against budget shortfalls.

TABLE 1 *

HB 358 appropriates various oil and gas windfall receipts and pending tax case receipts to the following funds:

SETTLEMENTS AND CONCLUSIONS



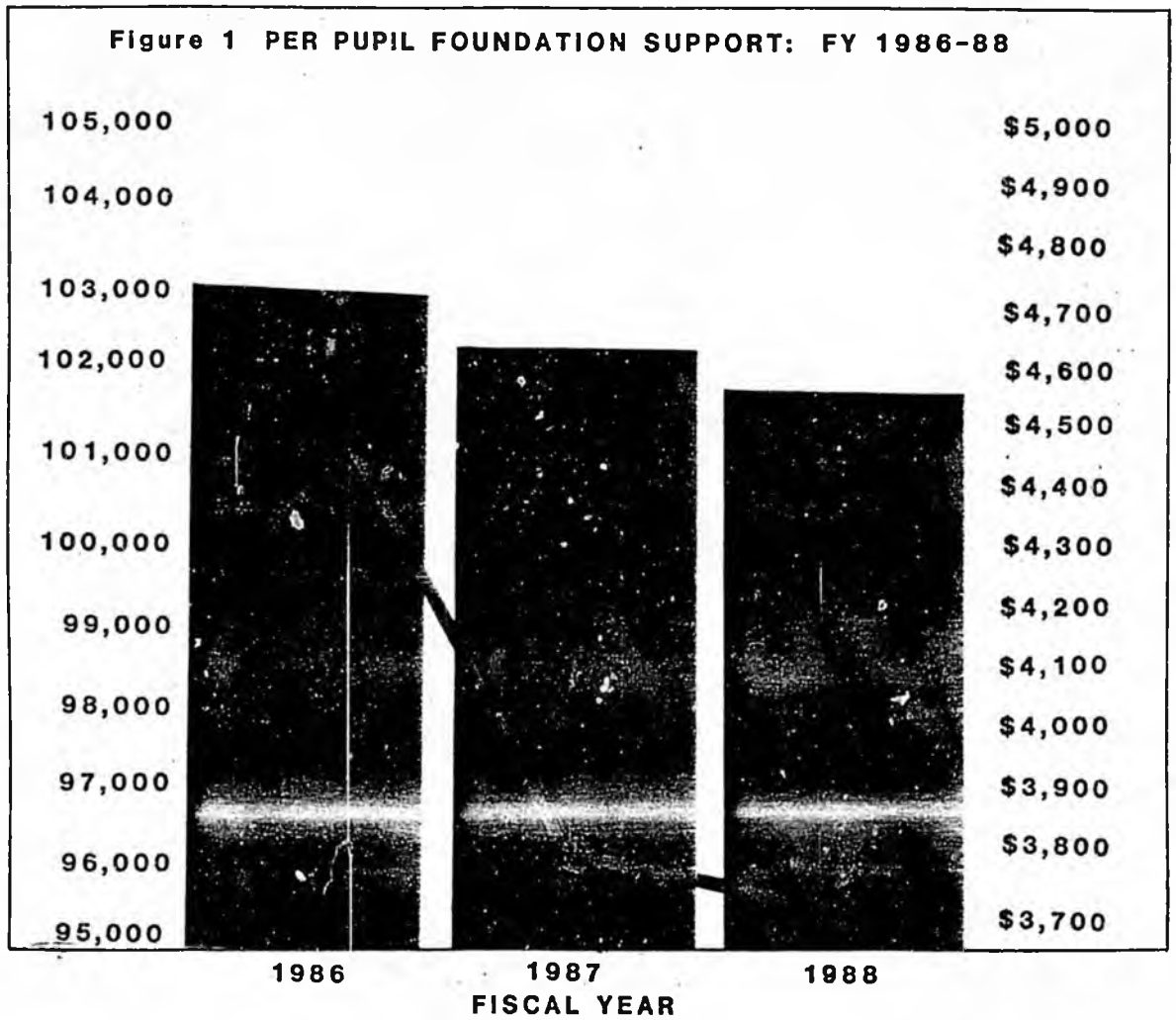
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SOURCE: DOR

3 HB 381

STATE GENERAL FUND APPROPRIATION

	1986	1987	1988
FOUNDATION SUPPORT	475,234.7	386,518.2	384,742.4
STATE ADM	103,149	102,212	122,160 102,160
PER PUPIL SUPPORT	\$4,607	\$3,782	\$3,766

Reflects 18% decrease in funds
1% decrease in enrollment



JOHN SUND, REPRESENTATIVE

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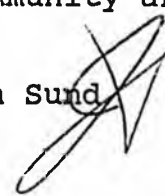
Juneau, Alaska 99811

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APR 12 1988

M E M O R A N D U M

To: Representative Springer
Chairman, House Community and Regional Affairs
Committee

From: Representative John Sund 

Date: April 12, 1988

Subj: HB 381 - forward funding education, revenue sharing
and municipal assistance.

The purpose of House Bill 381 is to forward fund municipal assistance, revenue sharing and education by the amounts passed in the FY 89 budget.

As I suggested during the last hearing, the committee may wish to leave the appropriation amounts blank and send a letter of intent that the amounts be filled in with FY 89 budget figures after they are determined.

Further, the House Community & Regional Affairs Committee may wish to suggest to the Finance Committee what those budget levels should be. I, personally, do not have specific recommendations.