

SB

119

SENATE COMMITTEE REPORT

FURTHER:

4/8/87

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SB 119

public school foundation program. efd.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact.

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-27-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED 1 **
IN ACCORDANCE WITH AS 24.08.035
(see below)

DATE TURNED INTO OFFICE 4/7/87

Mr. President:

HESS Committee considered SB 119

public school foundation program; efd

and recommended:

replace with CS SB 119 (HESS) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rick Halford (unless amended)
[Signature]
[Signature]
[Signature]

Paul Fisher Do Pass
Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

SENATOR PAUL FISCHER, Chairman
SENATOR JOE JOSEPHSON, Vice Chairman
SENATOR LLOYD JONES
SENATOR JAY KERTULLA
SENATOR RICK HALFORD



P. O. BOX V
ROOM 508
STATE CAPITOL
(907) 465-3762

Senate Committee on Health, Education and Social Services

LETTER OF INTENT FOR ^{SB}SB-119 11655

CONCERNING HERMON HUTCHENS SPECIAL SCHOOL

Under AS 14.17.045 SPECIAL EDUCATION INSTRUCTIONAL UNITS, it is our intent that an adequate amount be allocated from the monies appropriated for the statewide operations of schools to continue funding of the Hermon Hutchens special education program. This amount would be available to the State Department of Education to be applied to the school for the handicapped budget under the terms and conditions of a grant agreement to the Valdez City School District for the operation of the education program provided to the students of Hermon Hutchens Special School.

STEVE COWPER, GOVERNOR

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER
March 30, 1987

GOLDBELT PLACE
801 WEST 10th STREET
POUCH F
JUNEAU, ALASKA 99811

Lewis Simpson, Superintendent
Valdez City Schools
Box 398
Valdez, Alaska 99686

Dear Mr. Simpson:


The purpose of this letter is to confirm earlier discussions as to how the Department will pay for the educational services provided to the residents of the Harborview Developmental Center by the Hermon Hutchens Special School for fiscal years beginning with FY 88, and to provide a brief history of the state's involvement with that program.

From its inception several years ago, the educational program for the Harborview residents has qualified for state aid under the Foundation program. When the Hermon Hutchens Special School was begun, I agreed that Foundation funding was appropriate because the Harborview students were, for the most part, of school age, and also because it only seemed fair that since the municipality provided most of the construction funds, and since the students being served were from all areas of the state, the state should assist in the operation of the school program.

Since that time, the philosophy of service delivery for the developmentally disabled has changed dramatically, and the average age of the clients served by the Center has increased. I continue to believe that the state has some obligation to assist in the operation of the Center, but I also feel that the Foundation Program mechanism may no longer be the most appropriate way to provide the financial assistance. Beginning with the next fiscal year, it is our intent to ask the legislature to transfer \$600,000 from the Foundation Program budget to the Schools for the Handicapped budget for payment as a grant to the Valdez City School District for the operation of the education program provided to the residents of the Harborview Developmental Center. For succeeding fiscal years state aid for the program will be provided through this same way.

If I can provide additional information, do not hesitate to contact me at your convenience.

Sincerely,


Marshall L. Lind
Commissioner

cc: Senator Jay Kerttula
Senator Mike Szymanski
Representative Bette Cato

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

March 17, 1987

STEVE COWPER, GOVERNOR

GOLDBELT PLACE
801 WEST 10th STREET
POUCH 5
JUNEAU, ALASKA 99811

The Honorable Bette Cato
The Alaska State Legislature
PO Box V
Juneau, Alaska 99811

MAR 18 1987

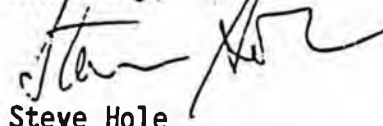
Dear Representative Cato:

This letter will confirm our conversation of this date in which I represented to you that the recent problem associated with state support for the Harborview facility will be taken care of through a contract between the Department of Education and the Valdez City School District.

It is our intent to transfer \$600,000, which represents an appropriate amount of financial support for the Harborview facility, from the foundation allocation to the handicapped contract schools allocation for support of the facility beginning with FY 88.

I apologize for any confusion or inconvenience associated with this matter.

Sincerely,



Steve Hole
Deputy Commissioner

cc: Senator Jay Kertulla
Alaska State Legislature

The Honorable Stephen McAlpine
Lieutenant Governor

Alison Elgee
Office of Budget and Management

Lewis Simpson, Superintendent
Valdez City School District

Back-up for letter of intent
m 6556119 HESS

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: CSSB-119 HESS
Publish Date: 4-8-87

Revision Date: _____

Agency Affected: Education

Title: ...Public School Foundation
Program: ...

BRU: K-12 Support

Sponsor: Governor

Components: Foundation

Requestor: Senate HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The bill has no additional cost under the Governor's FY-88 Operating Budget request.

Prepared by: Steve Hole *Steve Hole*
Division: Commissioner's Office

Phone: 465-2800
Date: February 24, 1987

Approved by Commissioner: Marshall L. Lind
Agency: Education

Date: February 24, 1987

Distribution (by preparer):

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

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR SENATE BILL NO. 119 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public school foundation
7 program; and providing for an effective date."

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

9 * Section 1. AS 14.17.010 is amended to read:

10 Sec. 14.17.010. PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The
11 public school foundation account is established. The account consists
12 of appropriations for distribution to districts and [OR] for central-
13 ized correspondence study programs under this chapter.

14 (b) The money of the account may be used only in aid of public
15 schools, including community school programs, and [OR] for centralized
16 correspondence study programs as provided by this chapter.

17 * Sec. 2. AS 14.17.021 is repealed and reenacted to read:

18 Sec. 14.17.021. STATE FOUNDATION AID. (a) The amount of state
19 foundation aid for which a school district may qualify in a fiscal
20 year is calculated by subtracting from the basic need defined in (b)
21 of this section the required local effort under AS 14.17.025(a) and
22 90 percent of the amount of federal aid received by the district as of
23 March 1 of that fiscal year as payment for its entitlement for the
24 application submitted during the preceding fiscal year, including
25 advance payments and adjustments received since March 1 of the preced-
26 ing fiscal year from prior year applications, under secs. 2, 3, and 4
27 of P.L. 81-874 (20 U.S.C. 237 - 239), as amended, to the extent per-
28 mitted by that Act and regulations adopted under it.

29 (b) The basic need of a school district is determined by
S

1 multiplying the area cost differential of the district under AS 14.-
2 17.051 by the number of instructional units in the district under
3 AS 14.17.031 and then multiplying that product by the instructional
4 unit value in AS 14.17.056.

5 * Sec. 3. AS 14.17.022 is amended to read:

6 Sec. 14.17.022. MONEY [FUNDS] FOR CENTRALIZED CORRESPONDENCE
7 STUDY. Money [FUNDS] for providing centralized correspondence study
8 programs for students not enrolled in an approved school district
9 correspondence study program includes [SHALL INCLUDE] an allocation
10 [APPROPRIATION] from the public school foundation account in an amount
11 calculated by multiplying the [BASE] instructional unit value in
12 AS 14.17.056 by the total number of instructional units, as determined
13 by applying the number of correspondence students to the formula for
14 elementary schools in AS 14.17.041(b)(1), then multiplying that prod-
15 uct by 65 percent [AS 14.17.041(a)].

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

17 Sec. 14.17.025. LOCAL EFFORT. (a) A city or borough that is a
18 school district shall appropriate and contribute to the school op-
19 erating fund of the district for each fiscal year, under AS 14.14.060
20 and 14.14.065, at least the lesser of

21 (1) the equivalent of a four mill tax levy on the full and
22 true value of the taxable real and personal property in the district
23 as of January 1 of the second preceding fiscal year, as determined by
24 the Department of Community and Regional Affairs under AS 14.17.140
25 and AS 29.45.110; or

26 (2) 35 percent of the district's basic need for the preced-
27 ing fiscal year, as determined under AS 14.17.021(b).

28 (b) In addition to the required contribution under (a) of this
29 section a city or borough may contribute to the school operating fund

1 of the district for any fiscal year no more than the greater of:

2 (1) the equivalent of a 2.0 mill tax levy on the full and
3 true value of the taxable real and personal property in the district
4 as of January 1 of the second preceding fiscal year, as determined by
5 the Department of Community and Regional Affairs under AS 14.17.140
6 and AS 29.45.110; or

7 (2) the product of

8 (A) 21 percent of the instructional unit value in
9 AS 14.17.056;

10 (B) the number of instructional units approved for the
11 district for the fiscal year; and

12 (C) the area cost differential of the district under
13 AS 14.17.051.

14 (c) Interest earnings that a district is allowed to keep and
15 spend on school operations, state tuition payments, and in-kind con-
16 tributions by the city or borough may be counted toward the local
17 effort requirement in (a) of this section, and shall be counted under
18 the contribution limit in (b) of this section, under regulations
19 adopted by the department. Payments received under P.L. 81-874 (20
20 U.S.C. 237-239), as amended, may not be counted under (a) or (b) of
21 this section.

22 (d) A local contribution is not required in a regional educa-
23 tional attendance area. Interest earnings and other local revenue in
24 a regional educational attendance area are not considered local reve-
25 nue for current operating expenditures, and are subject to regulation
26 and disposition by the department.

27 (e) A state foundation aid payment may not be made to a city or
28 borough school district in which the requirements of (a) of this
29 section have not been met.

1 * Sec. 5. AS 14.17.031 is repealed and reenacted to read:

2 Sec. 14.17.031. ALLOWABLE INSTRUCTIONAL UNITS. (a) The depart-
3 ment shall adopt regulations defining funding communities within each
4 district which reflect geographic and attendance area factors. For
5 the purpose of determining instructional units, students are counted
6 in the district and the funding community from which they receive
7 educational services. The total number of instructional units in a
8 school district is the sum of the following units for each funding
9 community within the district, as determined by the department:

10 (1) the number of units for elementary and secondary stu-
11 dents determined under AS 14.17.041(a) or (b);

12 (2) the number of units for vocational education determined
13 under AS 14.17.043;

14 (3) the number of units for special education determined
15 under AS 14.17.045; and

16 (4) the number of units for bilingual education determined
17 under AS 14.17.047.

18 (b) For purposes of (a)(1) of this section, in fiscal years
19 beginning after July 1, 1987, 90 percent of the district's total
20 elementary and secondary instructional units for the preceding fiscal
21 year is used if that number is greater than the district's total under
22 (a)(1) of this section for the current fiscal year.

23 * Sec. 6. AS 14.17.041 is repealed and reenacted to read:

24 Sec. 14.17.041. ELEMENTARY AND SECONDARY INSTRUCTIONAL UNITS.

25 (a) For funding communities that have an average daily membership of
26 less than 200 in grades K-6 or less than 200 in grades 7-12, combined
27 elementary and secondary instructional units are determined under the
28 following table:

29 ADM

 Units

1 1 - 10

2

2 11 - 20

2 + ((ADM-10)/5)

3
4 21 - 60

4 + ((ADM-20)/8)

5
6 61 - 120

9 + ((ADM-60)/12)

7
8 121 - 525

14 + ((ADM-120)/15)

9 (b) For funding communities that are not included under (a) of
10 this section,

11 (1) instructional units for elementary students are de-
12 termined by the formula:

13 units = 15 + ((ADM-200)/17), where ADM is the number of
14 students in average daily membership in grades kindergarten through 6;

15 (2) instructional units for secondary students are de-
16 termined by the formula:

17 units = 18 + ((ADM-200)/13), where ADM is the number of
18 students in average daily membership in grades 7 through 12.

19 (c) Kindergarten students who attend school less than four hours
20 a day are counted as 0.5 ADM under (a) and (b) of this section.

21 (d) District correspondence or other students who do not regu-
22 larly attend school on a daily basis are counted in the appropriate
23 grade level of the funding community with the highest ADM in the
24 district.

25 * Sec. 7. AS 14.17 is amended by adding new sections to read:

26 Sec. 14.17.043. VOCATIONAL EDUCATION INSTRUCTIONAL UNITS. Voca-
27 tional education instructional units for vocational education courses
28 approved by the department are calculated as the sum, for all of those
29 courses in the funding community, of the products obtained by

1 multiplying 0.05 by the ADM full-time equivalent of the course, and
2 then by the cost weighting factor for the course determined under
3 department regulations. A funding community in which a vocational
4 education course approved by the department is operated receives a
5 minimum of 0.10 instructional units for vocational education, or each
6 district in which a vocational education course is operated receives a
7 minimum of 1.00 instructional units, whichever is greater.

8 Sec. 14.17.045. SPECIAL EDUCATION INSTRUCTIONAL UNITS. (a) An
9 exceptional child, as defined in AS 14.30.350, who is enrolled in a
10 special education program, approved by the department, on the last day
11 of the counting period for which a determination is being made, gener-
12 ates 0.025 instructional units if the child receives gifted services,
13 0.056 instructional units if the child receives resource services, 0.1
14 instructional units if the child receives self-contained services, or
15 0.333 instructional units if the child receives intensive or hospi-
16 tal/homebound services, as those categories of service are defined by
17 the department by regulation, in the funding community in which the
18 child is served. A child may be counted in one special education
19 category only.

20 (b) Notwithstanding (a) of this section, in a district that
21 offers a special education program each funding community receives a
22 minimum of 0.25 instructional units for special education or the
23 district receives a minimum of 1.00 instructional units for special
24 education, whichever is greater.

25 Sec. 14.17.047. BILINGUAL EDUCATION INSTRUCTIONAL UNITS. A
26 student for whom an appropriate bilingual program must be provided
27 under regulations adopted by the department, and who is enrolled in a
28 bilingual program, approved by the department, as of the last day of
29 the counting period for which a determination is being made,

1 generates, in the funding community in which the student is served,
2 the number of bilingual education instructional units that is the
3 product obtained by multiplying 0.042 by the student's language domi-
4 nance category weight under department regulations. A funding commu-
5 nity in which a bilingual program approved by the department is oper-
6 ated receives a minimum of 0.10 instructional units for bilingual
7 education, and a district in which a bilingual program is operated
8 receives a minimum of 1.00 instructional units.

9 * Sec. 8. AS 14.17.051 is repealed and reenacted to read:

10 Sec. 14.17.051. AREA COST DIFFERENTIAL. The area cost differen-
11 tial for a school district is as follows:

School District	Area Cost Differential
Adak	1.27
Alaska Gateway	1.16
Aleutian Region	1.27
Anchorage	1.00
Annette Island	1.00
Bering Strait	1.34
Bristol Bay	1.27
Chatham	1.00
Chugach	1.11
Copper River	1.11
Cordova	1.11
Craig	1.00
Delta/Greely	1.16
Dillingham	1.27
Fairbanks	1.04
Galena	1.30
Haines	1.05

1	Hoonah	1.05
2	Hydaburg	1.00
3	Iditarod	1.30
4	Juneau	1.00
5	Kake	1.00
6	Kashunamiut	1.30
7	Kenai	1.00
8	Ketchikan	1.00
9	King Cove	1.27
10	Klawock	1.00
11	Kodiak	1.09
12	Kuspuk	1.30
13	Lake & Peninsula	1.27
14	Lower Kuskokwim	1.38
15	Lower Yukon	1.30
16	Matanuska-Susitna	1.00
17	Nenana	1.20
18	Nome	1.34
19	North Slope	1.42
20	Northwest Arctic	1.42
21	Pelican	1.05
22	Petersburg	1.00
23	Pribilof	1.27
24	Railbelt	1.20
25	Sand Point	1.27
26	Sitka	1.00
27	Skagway	1.05
28	Southeast Island	1.00
29	Southwest Region	1.27

1	St. Mary's	1.30
2	Tanana	1.30
3	Unalaska	1.27
4	Valdez	1.11
5	Wrangell	1.00
6	Yakutat	1.05
7	Yukon Flats	1.42
8	Yukon-Koyukuk	1.30
9	Yupit	1.30

10 * Sec. 9. AS 14.17.056 is amended to read:

11 Sec. 14.17.056. [BASE] INSTRUCTIONAL UNIT VALUE. The [BASE]
12 instructional unit value [FOR FISCAL YEARS BEGINNING ON OR AFTER
13 JULY 1, 1986,] is \$60,000 [\$42,184].

14 * Sec. 10. AS 14.17.080 is repealed and reenacted to read:

15 Sec. 14.17.080. STUDENT COUNT ESTIMATES. Each district shall
16 prepare and submit to the department, by October 15 of each fiscal
17 year, in the manner and on forms prescribed by the department, an
18 estimate of its average daily membership and other student count data
19 for the succeeding fiscal year, upon which computations can be made of
20 the amount of estimated state foundation aid for which the district
21 will be eligible under AS 14.17.021 in that fiscal year. In making
22 this estimate, the district shall consider its average daily member-
23 ship, other student count data, the pattern of growth or decline in
24 preceding years, and other pertinent information available to the
25 district. The preliminary reports required by this section are the
26 basis for estimating the need for state foundation aid for the next
27 fiscal year.

28 * Sec. 11. AS 14.17.082 is repealed and reenacted to read:

29 Sec. 14.17.082. FUND BALANCE IN SCHOOL OPERATING FUND. (a) A

1 district may not accumulate in a fiscal year an unreserved portion of
2 its year-end fund balance in its school operating fund, as defined by
3 department regulations, that is greater than five percent of its
4 expenditures for that fiscal year.

5 (b) The department shall review the annual audit of each dis-
6 trict for the preceding fiscal year to ascertain its year-end operat-
7 ing fund balance. The amount by which the unreserved portion of that
8 balance exceeds the amount permitted in (a) of this section shall be
9 deducted from the state foundation aid that would otherwise be paid to
10 the district in the current fiscal year.

11 * Sec. 12. AS 14.17.140 is amended to read:

12 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
13 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the amount
14 of local effort under AS 14.17.025 and to aid the department and the
15 legislature in planning, [EQUALIZED PERCENTAGE TO BE APPLIED TO BASIC
16 NEED UNDER AS 14.17.021] the Department of Community and Regional
17 Affairs, in consultation with the assessor for each district, shall
18 determine the full value of the taxable real and personal property in
19 each city or borough district. [EXEMPTIONS GRANTED UNDER CH. 129, SLA
20 1957, KNOWN AS THE ALASKA INDUSTRIAL INCENTIVE ACT (AS 43.25), SHALL
21 BE HONORED.] If there is no local assessor or current local assess-
22 ment for a district, then the Department of Community and Regional
23 Affairs shall make the determination of full value from information
24 available. In making the determination, the Department of Community
25 and Regional Affairs shall be guided by AS 29.45.110. The determina-
26 tion of full value shall be made by [BEFORE] October 1 and sent by
27 certified mail, return receipt requested, on or before that date to
28 the president of the school board in each district. Duplicate copies
29 shall be sent to the commissioner. The governing body of a [THE]

1 borough or city that [WHICH] is a school [THE] district may obtain
2 judicial review of the determination. The superior court may modify
3 the determination of the Department of Community and Regional Affairs
4 only upon a finding of abuse of [OR] discretion or upon a finding that
5 there is no substantial evidence to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax
7 under AS 28.10.431 [AS 28.10.255] shall be treated as taxable property
8 under [FOR PURPOSES OF (a) OF] this section.

9 * Sec. 13. AS 14.17.160 is repealed and reenacted to read:

10 Sec. 14.17.160. STUDENT COUNTING PERIODS. (a) Within two weeks
11 after the end of the 20-school-day period ending the fourth Friday in
12 October, each district shall transmit a report to the department that,
13 under regulations adopted by the department, reports its average daily
14 membership for that counting period, and other student count informa-
15 tion that will aid the department in making a determination of its
16 state foundation aid. If it makes the district eligible for more
17 state foundation aid, a district may transmit, within two weeks after
18 the 20-school-day period ending the second Friday in February, a
19 similar report for that counting period. The department may make
20 necessary corrections in the report submitted, and shall notify the
21 district of changes made. The commissioner shall notify the governor
22 of additional appropriations the commissioner estimates to be neces-
23 sary to fully fund the public school foundation program for the cur-
24 rent fiscal year.

25 (b) Upon written request and for good cause shown, the commis-
26 sioner may permit a district to use a 20-school-day counting period
27 other than the periods set out in (a) of this section. However, the
28 counting period must be 20 consecutive school days.

29 * Sec. 14. AS 14.17.170 is repealed and reenacted to read:

1 Sec. 14.17.170. DISTRIBUTION OF STATE FOUNDATION AID. (a) The
2 department shall determine the state foundation aid for each school
3 district in a fiscal year on the basis of the district's data reported
4 under AS 14.17.160 for the counting period that makes the district
5 eligible for the greatest number of instructional units. On or before
6 the 15th day of each of the first nine months of each fiscal year,
7 1/12 of each district's state foundation aid shall be distributed on
8 the basis of the data reported for the preceding fiscal year. On or
9 before the 15th day of each of the last three months of each fiscal
10 year, 1/3 of the balance of each district's state foundation aid shall
11 be distributed, after the balance has been recomputed on the basis of
12 student count and other data reported for the current fiscal year.

13 (b) If a district receives more state aid money than it is
14 entitled to receive under this chapter, it shall immediately remit the
15 amount of overpayment to the commissioner, to be returned to the
16 public school foundation account. Upon an adequate showing of a cash
17 flow shortfall, and in the discretion of the commissioner, the depart-
18 ment may make advance payments to a school district. The total of
19 advance payments may not exceed the amount of state foundation aid for
20 which the district is eligible for the fiscal year.

21 * Sec. 15. AS 14.17.190(b) is amended to read:

22 (b) Each district shall maintain complete financial records of
23 the receipt and disbursement of public school foundation money, [AND]
24 money acquired from local effort, and other money received by the
25 district. The records must be in the form required by the department
26 [COMMISSIONER] and are subject to audit by the department [COMMIS-
27 SIONER OR THE BOARD] at any time.

28 * Sec. 16. AS 14.17.220 is amended to read:

29 Sec. 14.17.220. PURPOSE. It is the intention of the legisla-

1 ture, in enacting this public school foundation program, to assure
2 an adequate level of educational opportunities for those in atten-
3 dance in the public schools of the state. Except for the limita-
4 tions of AS 14.17.025, this [THIS] chapter may [SHALL] not be inter-
5 preted as preventing a public school district from providing educa-
6 tional services and facilities beyond those assured by the foundation
7 program.

8 * Sec. 17. AS 14.17.225 is repealed and reenacted to read:

9 · Sec. 14.17.225. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)
10 This chapter does not create a debt of the state. Each district shall
11 establish, maintain, and operate under a balanced budget. The state
12 is not responsible for the debts of a school district.

13 (b) Money to carry out the provisions of AS 14.17.010 - 14.-
14 17.190 may be appropriated annually by the legislature into the public
15 school foundation account. If amounts in the account are insufficient
16 to meet the allocations authorized under AS 14.17.010 - 14.17.190 for
17 a fiscal year, the instructional unit value in AS 14.17.056 shall be
18 reduced by the department as necessary to make the funds available
19 sufficient to meet the allocations for that fiscal year.

20 * Sec. 18. AS 14.17.250(1) is amended to read:

21 (1) "ADM full-time equivalent" means the [QUOTIENT OF THE]
22 aggregate class periods of pupil membership [PER DAY] in specified
23 classes for the student counting period for which a determination is
24 being made, divided by the total number of all class periods in the
25 student counting period [SCHOOL DAY];

26 * Sec. 19. AS 14.17.250(2) is amended to read:

27 (2) "average daily membership" or "ADM" means the aggregate
28 days of membership of pupils divided by the actual number of days in
29 session for the counting period for which a determination is being

1 made [SCHOOL TERM];

2 * Sec. 20. AS 14.17.250(11) is amended to read:

3 (11) "taxable real and personal property" means all real and
4 personal property taxable under the laws of the state [, BUT DOES NOT
5 INCLUDE HOUSEHOLD GOODS AND PERSONAL EFFECTS];

6 * Sec. 21. TRANSITION. (a) For the purpose of calculating the re-
7 quired local effort under AS 14.17.025(a)(2) for fiscal year 1988, and for
8 the purpose of (d)(2) of this section, each district's basic need for the
9 preceding fiscal year is as determined by the department based on its
10 projections of student count data for fiscal year 1988 and the allowable
11 instructional units and instructional unit value as contained in this Act.

12 (b) In fiscal years 1988, 1989, and 1990, a district may receive
13 state aid, in addition to its state foundation aid under AS 14.17.021(a),
14 in the lesser amount of

15 (1) $(p \times \text{sum}87 \times \text{current ADM/ADM}87) - \text{current need}$; or

16 (2) $(p \times \text{state}87 \times \text{current ADM/ADM}87) - \text{current state}$.

17 (c) In (b) of this section

18 (1) "ADM87" means the average daily membership of the district
19 in the student counting period used for funding for fiscal year 1987;

20 (2) "current ADM" means the average daily membership of the
21 district in the student counting period used for funding for the current
22 fiscal year;

23 (3) "current need" means the basic need of the district under
24 AS 14.17.021(b), as amended by sec. 2 of this Act, for the current fiscal
25 year;

26 (4) "current state" means the state foundation aid to the dis-
27 trict under AS 14.17.021(a), as amended by sec. 2 of this Act, for the
28 current fiscal year;

29 (5) "p" means the transition percentage, which is 90 percent in
CSSB 119(HESS)

1 fiscal year 1988, 80 percent in fiscal year 1989, and 70 percent in fiscal
2 year 1990;

3 (6) "state87" means the state aid received by the district for
4 fiscal year 1987 under AS 14.17.021, as it read before July 1, 1987;

5 (7) "sum87" means the sum of

6 (A) state aid received by the district under AS 14.17.021,
7 as it read before July 1, 1987, for fiscal year 1987;

8 (B) 90 percent of that portion of the federal impact aid
9 received by the district in fiscal year 1987 under secs. 2 - 4 of P.L.
10 81-874 (20 U.S.C. 237 - 239), as amended, to the extent that that
11 money could be considered as local resources under that Act and the
12 regulations adopted under it; and

13 (C) for city or borough school districts, the total of

14 (i) the district's revenue from earnings in the dis-
15 trict's operating fund in fiscal year 1987;

16 (ii) state tuition payments to the district in fiscal
17 year 1987; and

18 (iii) city or borough appropriations or in-kind contri-
19 butions for fiscal year 1987.

20 (d) The amount determined under (c)(7)(C) of this section may not
21 exceed the lesser of

22 (1) the equivalent of a four-mill tax levy on the full and true
23 value of taxable real and personal property in the district as of January
24 1, 1986, as determined by the Department of Community and Regional Affairs
25 under AS 14.17.170; or

26 (2) 35 percent of the district's basic need as determined under
27 (a) of this section.

28 (e) Notwithstanding AS 14.17.021(a), in fiscal year 1988 amounts
29 received by a district under P.L. 81-874 (20 U.S.C. 237 - 239), as amended,

1 between March 1, 1987, and July 1, 1987, based upon applications submitted
2 before or during fiscal year 1986 may not be subtracted from the district's
3 basic need under AS 14.17.021(b).

4 * Sec. 22. AS 14.17.023, 14.17.027, 14.17.061, 14.17.090, 14.17.150,
5 14.17.180, 14.17.205, 14.17.250(5), 14.17.250(7), 14.17.250(10), and 14.-
6 17.250(12) are repealed.

7 * Sec. 23. Sections 4 and 21 of this Act take effect immediately under
8 AS 01.10.070(c).

9 * Sec. 24. Sections 1 - 3, 5 - 10, 12 - 20, and 22 of this Act take
10 effect July 1, 1987.

11 * Sec. 25. Section 11 of this Act takes effect July 1, 1988.
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Introduced: 2/10/87
Referred: Health, Education and Social
Services and Finance

w01157s

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 119

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the public school foundation
7 program; and providing for an effective date."

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

9 * Section 1. AS 14.17.010 is amended to read:

10 Sec. 14.17.010. PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
11 school foundation account is established. The account consists of
12 appropriations for distribution to districts and [OR] for centralized
13 correspondence study programs under this chapter.

14 (b) The money of the account may be used only in aid of public
15 schools, including community school programs, and [OR] for centralized
16 correspondence study programs as provided by this chapter.

17 * Sec. 2. AS 14.17.021 is repealed and reenacted to read:

18 Sec. 14.17.021. STATE FOUNDATION AID. (a) The amount of state
19 foundation aid for which each school district may qualify in any
20 fiscal year is calculated by subtracting from the basic need defined
21 in (b) of this section the required local effort under AS 14.17.025(a)
22 and 90 percent of the amount of federal aid received by the district
23 during the preceding fiscal year under secs. 2, 3, and 4 of P.L. 81-
24 874 (20 U.S.C. 237 -- 239), as amended, to the extent permitted by
25 that Act and regulations adopted under it.

26 (b) The basic need of each school district is determined by
27 multiplying the area cost differential of the district under AS 14.-
28 17.051 by the number of instructional units in the district under
29 AS 14.17.031 and then by the instructional unit value in AS 14.17.056.
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1 * Sec. 3. AS 14.17.022 is amended to read:

2 Sec. 14.17.022. MONEY [FUNDS] FOR CENTRALIZED CORRESPONDENCE
3 STUDY. Money [FUNDS] for providing centralized correspondence study
4 programs for students not enrolled in an approved school district
5 correspondence study program includes [SHALL INCLUDE] an allocation
6 [APPROPRIATION] from the public school foundation account in an amount
7 calculated by multiplying the [BASE] instructional unit value in
8 AS 14.17.056 by the total number of instructional units, as determined
9 by applying the number of correspondence students to the formula for
10 elementary schools in AS 14.17.041(b)(1), then multiplying that prod-
11 uct by 65 percent [AS 14.17.041(a)].

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

13 Sec. 14.17.025. LOCAL EFFORT. (a) Each city or borough that is
14 a school district is required to appropriate and contribute to the
15 school operating fund of the district for each fiscal year, in accor-
16 dance with AS 14.14.060 and AS 14.14.065, at least the lesser of

17 (1) the equivalent of a four mill tax levy on the full and
18 true value of the taxable real and personal property in the district
19 as of January 1 of the second preceding fiscal year, as determined by
20 the Department of Community and Regional Affairs under AS 29.45.110
21 and AS 14.17.140; or

22 (2) 35 percent of the district's basic need for the preced-
23 ing fiscal year, as determined under AS 14.17.021(b).

24 (b) A city or borough may not contribute more to the school
25 operating fund of the district in any fiscal year than the equivalent
26 of a 5.5 mill tax levy on the full and true value of the taxable real
27 and personal property in the district as of January 1 of the second
28 preceding fiscal year, as determined by the Department of Community
29 and Regional Affairs under AS 29.45.110 and AS 14.17.140.

1 (c) Interest earnings that a district is allowed to keep and
2 spend on school operations, state tuition payments, and in-kind con-
3 tributions by the city or borough, may be counted toward the local
4 effort requirement in (a) of this section, and must be counted under
5 the contribution limit in (b) of this section, in accordance with
6 regulations adopted by the department.

7 (d) No local contribution is required in regional educational
8 attendance areas. Interest earnings and other local revenue in such
9 districts are not considered local revenues for current operating
10 expenditures, and are subject to regulation and disposition by the de-
11 partment.

12 (e) No state foundation aid payments may be made to a city or
13 borough school district in which the requirements of (a) of this
14 section have not been met.

15 * Sec. 5. AS 14.17.031 is repealed and reenacted to read:

16 Sec. 14.17.031. ALLOWABLE INSTRUCTIONAL UNITS. (a) The depart-
17 ment shall adopt regulations defining funding communities within each
18 district which reflect geographic and attendance area factors. For
19 the purpose of determining instructional units, students are counted
20 in the district and the funding community from which they receive
21 educational services. The total number of instructional units in each
22 school district is the sum of the following units for each funding
23 community within the district, as determined by the department:

24 (1) the number of units for elementary and secondary stu-
25 dents determined under AS 14.17.041(a) or (b);

26 (2) the number of units for vocational education determined
27 under AS 14.17.043;

28 (3) the number of units for special education determined
29 under AS 14.17.045; and

1 (4) the number of units for bilingual education determined
2 under AS 14.17.047.

3 (b) For purposes of (a)(1) of this section, in fiscal years
4 beginning after July 1, 1987, 90 percent of the district's total
5 elementary and secondary instructional units for the preceding fiscal
6 year is used if that number is greater than the district's total under
7 (a)(1) of this section for the current fiscal year.

8 * Sec. 6. AS 14.17.041 is repealed and reenacted to read:

9 Sec. 14.17.041. ELEMENTARY AND SECONDARY INSTRUCTIONAL UNITS.

10 (a) For funding communities that do not have an average daily mem-
11 bership of at least 200 in grades K-6 and at least 200 in grades 7-12,
12 combined elementary and secondary instructional units are determined
13 under the following table:

<u>ADM</u>	<u>Units</u>
1 - 10	2
11 - 20	2 + $\frac{(ADM-10)}{5}$
21 - 60	4 + $\frac{(ADM-20)}{8}$
61 - 120	9 + $\frac{(ADM-60)}{12}$
121 - 525	14 + $\frac{(ADM-120)}{15}$

14 (b) For other funding communities,

15 (1) instructional units for elementary students are de-
16 termined by the formula:

17 units = $15 + \frac{(ADM - 200)}{17}$,

18 where ADM is the number of students in average daily
19

1 membership in grades kindergarten through 6;

2 (2) instructional units for secondary students are de-
3 termined by the formula:

$$4 \text{ units} = 13 + \frac{\text{ADM} - 200}{13},$$

5 13

6 where ADM is the number of students in average daily member-
7 ship in grades 7 through 12.

8 (c) Kindergarten students who attend school less than four hours
9 a day are counted as 0.5 ADM under (a) and (b) of this section.

10 (d) District correspondence or other students who do not regu-
11 larly attend school on a daily basis are counted in the appropriate
12 grade level of the funding community with the highest ADM in the
13 district.

14 * Sec. 7. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.043. VOCATIONAL EDUCATION INSTRUCTIONAL UNITS.

16 Vocational education instructional units for high-cost vocational
17 education courses, approved by the department, are calculated as the
18 sum, for all such courses in the funding community, of the products
19 obtained by multiplying 0.05 by the ADM full-time equivalent of the
20 course, and then by the cost weighting factor for the course de-
21 termined under department regulations. Any funding community in which
22 a high-cost vocational education course, approved by the department,
23 is operated receives a minimum of 0.10 instructional units for voca-
24 tional education, and each district in which such a course is operated
25 receives a minimum of 1.00 such units.

26 * Sec. 8. AS 14.17 is amended by adding a new section to read:

27 Sec. 14.17.045. SPECIAL EDUCATION INSTRUCTIONAL UNITS. Each
28 exceptional child, as defined in AS 14.30.350, who is enrolled in a
29 special education program, approved by the department, on the last day

1 of the counting period for which a determination is being made, gener-
2 etes 0.025 instructional units if the child receives gifted services,
3 0.056 instructional units if the child receives resource services, 0.1
4 instructional units if the child receives self-contained services, or
5 0.333 instructional units if the child receives intensive or hospi-
6 tal/homebound services, as those categories of service are defined by
7 the department by regulation, in the funding community in which the
8 child is served. A child may be counted in one special education
9 category only. Any funding community in which a special education
10 program, approved by the department, is operated receives a minimum of
11 0.25 instructional units for special education, and any district in
12 which such a program is operated receives a minimum of 1.00 such
13 units.

14 * Sec. 9. AS 14.17 is amended by adding a new section to read:

15 Sec. 14.17.047. BILINGUAL EDUCATION INSTRUCTIONAL UNITS. Each
16 student for whom an appropriate bilingual program must be provided
17 under regulations adopted by the department, and who is enrolled in a
18 bilingual program, approved by the department, as of the last day of
19 the counting period for which a determination is being made, gener-
20 ates, in the funding community in which the student is served, the
21 number of bilingual education instructional units that is the product
22 obtained by multiplying 0.042 by the student's language dominance
23 category weight under department regulations. Any funding community
24 in which a bilingual program, approved by the department, is operated
25 receives a minimum of 0.10 instructional units for bilingual educa-
26 tion, and each district in which such a program is operated receives a
27 minimum of 1.00 such units.

28 * Sec. 10. AS 14.17.051 is repealed and reenacted to read:

29 Sec. 14.17.051. AREA COST DIFFERENTIAL. The area cost

1 differential for each school district is as follows:

2	<u>School District</u>	<u>Area Cost Differential</u>
3	Adak	1.27
4	Alaska Gateway	1.16
5	Aleutian Region	1.27
6	Anchorage	1.00
7	Annette Island	1.00
8	Bering Strait	1.34
9	Bristol Bay	1.27
10	Chatham	1.00
11	Chugach	1.11
12	Copper River	1.11
13	Cordova	1.11
14	Craig	1.00
15	Delta Greely	1.16
16	Dillingham	1.27
17	Fairbanks	1.04
18	Galena	1.30
19	Haines	1.05
20	Hoonah	1.05
21	Hydaburg	1.00
22	Iditarod	1.30
23	Juneau	1.00
24	Kake	1.00
25	Kashunamuit	1.30
26	Kenai	1.00
27	Ketchikan	1.00
28	King Cove	1.27
29	Klawock	1.00

1	Kodiak	1.09
2	Kuspuk	1.30
3	Lake & Peninsula	1.27
4	Lower Kuskokwim	1.38
5	Lower Yukon	1.30
6	Matanuska-Susitna	1.00
7	Nenana	1.20
8	Nome	1.34
9	North Slope	1.42
10	Northwest Arctic	1.42
11	Pelican	1.05
12	Petersburg	1.00
13	Pribilof	1.27
14	Railbelt	1.20
15	Sand Point	1.27
16	Sitka	1.00
17	Skagway	1.05
18	Southeast Island	1.00
19	Southwest Region	1.27
20	St. Mary's	1.30
21	Tanana	1.30
22	Unalaska	1.27
23	Valdez	1.11
24	Wrangell	1.00
25	Yakutat	1.05
26	Yukon Flats	1.42
27	Yukon-Koyukuk	1.30
28	Yupitc	1.30

* Sec. 11. AS 14.17.056 is amended to read:

1 Sec. 14.17.056. [BASE] INSTRUCTIONAL UNIT VALUE. The [BASE]
2 instructional unit value [FOR FISCAL YEARS BEGINNING ON OR AFTER
3 JULY 1, 1986,] is \$60,000 [\$42,184].

4 * Sec. 12. AS 14.17.080 is repealed and reenacted to read:

5 Sec. 14.17.080. STUDENT COUNT ESTIMATES. Each district shall
6 prepare and submit to the department, by September 20 of each fiscal
7 year, in the manner and on forms prescribed by the department, an
8 estimate of its average daily membership and other student count data
9 for the succeeding fiscal year, upon which computations can be made of
10 the amount of estimated state foundation aid for which the district
11 will be eligible under AS 14.17.021 in that fiscal year. In making
12 this estimate, the district shall consider its average daily member-
13 ship, other student count data, the pattern of growth or decline in
14 preceding years, and other pertinent information available to the
15 district. The preliminary reports required by this section are the
16 basis for estimating the need for state foundation aid for the next
17 fiscal year.

18 * Sec. 13. AS 14.17.082 is repealed and reenacted to read:

19 Sec. 14.17.082. FUND BALANCE IN SCHOOL OPERATING FUND. (a) A
20 district may not accumulate in any fiscal year an unreserved portion
21 of its year-end fund balance in its school operating fund, as defined
22 by department regulations, which is greater than five percent of its
23 expenditures for that fiscal year.

24 (b) The department shall review the annual audit of each dis-
25 trict for the preceding fiscal year to ascertain its year-end operat-
26 ing fund balance. Any amount by which the unreserved portion of that
27 balance exceeds the amount permitted in (a) of this section must be
28 deducted from the state foundation aid that would otherwise be paid to
29 the district in the current fiscal year.

1 * Sec. 14. AS 14.17.140 is amended to read:

2 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
3 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the amount
4 of local effort under AS 14.17.025 and to aid the department and the
5 legislature in planning, [EQUALIZED PERCENTAGE TO BE APPLIED TO BASIC
6 NEED UNDER AS 14.17.021,] the Department of Community and Regional
7 Affairs, in consultation with the assessor for each district, shall
8 determine the full value of the taxable real and personal property in
9 each district, as defined in AS 14.17.250. Exemptions granted under
10 ch. 129, SLA 1957, known as the Alaska Industrial Incentive Act
11 (AS 43.25), must [SHALL] be honored. If there is no local assessor or
12 current local assessment for a district, then the Department of Commu-
13 nity and Regional Affairs shall make the determination of full value
14 from information available. In making the determination, the Depart-
15 ment of Community and Regional Affairs shall be guided by AS 29.45.-
16 110. The determination of full value must [SHALL] be made by [BEFORE]
17 October 1 and sent by certified mail, return receipt requested, on or
18 before that date to the president of the school board in each dis-
19 trict. Duplicate copies must [SHALL] be sent to the commissioner.
20 The governing body of a [THE] borough or city that [WHICH] is a school
21 [THE] district may obtain judicial review of the determination. The
22 superior court may modify the determination of the Department of
23 Community and Regional Affairs only upon a finding of abuse of [OR]
24 discretion or upon a finding that there is no substantial evidence to
25 support the determination.

26 (b) Motor vehicles subject to the motor vehicle registration tax
27 under AS 28.10.431 must [AS 28.10.255 SHALL] be treated as taxable
28 property under [FOR PURPOSES OF (A) OF] this section.

29 * Sec. 15. AS 14.17.160 is repealed and reenacted to read:

2 Sec. 14.17.160. STUDENT COUNTING PERIODS. Within two weeks
3 after the end of the 20-school-day period ending the fourth Friday in
4 October, each district shall transmit a report to the department
5 which, in accordance with regulations adopted by the department,
6 reports its average daily membership for that counting period, and
7 other student count information that will aid the department in making
8 a determination of its state foundation aid. If it makes the district
9 eligible for more state foundation aid, a district may transmit,
10 within two weeks after the 20-school-day period ending the second
11 Friday in February, a similar report for that counting period. The
12 department may make any necessary corrections in the report submitted,
13 and shall notify the district of any changes made. The commissioner
14 shall notify the governor of any additional appropriations the commis-
15 sioner estimates to be necessary to fully fund the public school
16 foundation program for the current fiscal year.

17 * Sec. 16. AS 14.17.170 is repealed and reenacted to read:

18 Sec. 14.17.170. DISTRIBUTION OF STATE FOUNDATION AID. (a) The
19 department shall determine the state foundation aid for each school
20 district in any fiscal year on the basis of the district's data re-
21 ported under AS 14.17.160 for the counting period that makes the
22 district eligible for the greatest number of instructional units. On
23 or before the 15th day of each of the first nine months of each fiscal
24 year, one-twelfth of each district's state foundation aid will be
25 distributed on the basis of the data reported for the preceding fiscal
26 year. On or before the 15th day of each of the last three months of
27 each fiscal year, one-twelfth of the balance of each district's state
28 foundation aid will be distributed, after the balance has been recom-
29 puted on the basis of student count and other data reported for the
current fiscal year.

1 (b) If a district receives more state aid money than it is
2 entitled to receive under this chapter, it shall immediately remit the
3 amount of overpayment to the commissioner, to be returned to the
4 public school foundation account. Upon an adequate showing of a cash
5 flow shortfall, and in the discretion of the commissioner, the depart-
6 ment may make advance payments to a school district. The total of
7 advance payments is not to exceed the amount of state foundation aid
8 for which the district is eligible for the fiscal year.

9 * Sec. 17. AS 14.17.190 is amended to read:

10 Sec. 14.17.190. RESTRICTIONS GOVERNING RECEIPT AND EXPENDITURE
11 OF MONEY FROM PUBLIC SCHOOL FOUNDATION ACCOUNT. (a) The public
12 school foundation money distributed to a district during a year must
13 [SHALL] be received, held, and expended by the district subject to the
14 provisions of law and regulations of [PROMULGATED BY] the department.

15 (b) Each district shall maintain complete financial records of
16 the receipt and disbursement of public school foundation money, [AND]
17 money acquired from local effort, and any other money received by the
18 district. The records must be in the form required by the department
19 [COMMISSIONER] and are subject to audit by the department [COMMISSION-
20 ER OR THE BOARD] at any time.

21 * Sec. 18. AS 14.17.200 is amended to read:

22 Sec. 14.17.200. REGULATIONS. The department shall adopt [PRO-
23 MULGATE] regulations to implement this chapter.

24 * Sec. 19. AS 14.17.220 is amended to read:

25 Sec. 14.17.220. PURPOSE. It is the intention of the legisla-
26 ture, in enacting this public school foundation program, to assure an
27 adequate level of educational opportunities for those in attendance in
28 the public schools of the state. Except for the limitations of
29 AS 14.17.025, this [THIS] chapter may [SHALL] not be interpreted as

1 preventing a public school district from providing educational ser-
2 vices and facilities beyond those assured by the foundation program.

3 * Sec. 20. AS 14.17.225 is repealed and reenacted to read:

4 Sec. 14.17.225. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)
5 This chapter does not create a debt of the state. Each district shall
6 establish, maintain, and operate under a balanced budget. The state
7 is not responsible for the debts of any school district.

8 (b) Money to carry out the provisions of AS 14.17.010 -- 14.-
9 17.190 may be appropriated annually by the legislature into the public
10 school foundation account. If amounts in the account are insufficient
11 to meet the allocations authorized under AS 14.17.010 -- 14.17.190,
12 the instructional unit value in AS 14.17.056 must be reduced by the
13 department as required.

14 * Sec. 21. AS 14.17.250(1) is amended to read:

15 (1) "ADM full-time equivalent" means the [QUOTIENT OF THE]
16 aggregate class periods of pupil membership [PER DAY] in specified
17 classes for the student counting period for which a determination is
18 being made, divided by the total number of all class periods in the
19 student counting period [SCHOOL DAY];

20 * Sec. 22. AS 14.17.250(2) is amended to read:

21 (2) "average daily membership" or "ADM" means the aggregate
22 days of membership of pupils divided by the actual number of days in
23 session for the counting period for which a determination is being
24 made [SCHOOL TERM];

25 * Sec. 23. AS 14.17.250(11) is amended to read:

26 (11) "taxable real and personal property" means all real and
27 personal property taxable under the laws of the state[, BUT DOES NOT
28 INCLUDE HOUSEHOLD GOODS AND PERSONAL EFFECTS];

29 * Sec. 24. TRANSITION. (a) For the purpose of calculating the

1 required local effort under AS 14.17.025(a)(2) for fiscal year 1988, and
2 for the purpose of (c)(7) of this section, each district's basic need for
3 the preceding fiscal year is as determined by the department based on its
4 projections of student count data for fiscal year 1988 and the allowable
5 instructional units and instructional unit value as contained in this Act.

6 (b) In fiscal years 1988, 1989, and 1990, a district may receive
7 state aid, in addition to its state foundation aid under AS 14.17.021(a),
8 in the lesser amount of

9 (1) $(p \times \text{sum87} \times \text{current ADM} / \text{ADM87}) - \text{current need}$; or

10 (2) $(p \times \text{state87} \times \text{current ADM} / \text{ADM87}) - \text{current state}$.

11 (c) In (b) of this section

12 (1) "ADM87" means the average daily membership of the district
13 in the student counting period used for funding for fiscal year 1987;

14 (2) "current ADM" means the average daily membership of the
15 district in the student counting period used for funding for the current
16 fiscal year;

17 (3) "current need" means the basic need of the district under
18 AS 14.17.021(b), as amended by sec. 2 of this Act, for the current fiscal
19 year;

20 (4) "current state" means the state foundation aid to the dis-
21 trict under AS 14.17.021(a), as amended by sec. 2 of this Act, for the
22 current fiscal year;

23 (5) "p" means the transition percentage, which is 90 percent in
24 fiscal year 1988, 80 percent in fiscal year 1989, and 70 percent in fiscal
25 year 1990;

26 (6) "state87" means the state aid received by the district for
27 fiscal year 1987 under AS 14.17.021, as it read before July 1, 1987;

28 (7) "sum87" means the sum of

29 (A) state aid received by the district under AS 14.17.021,

1 as it read before July 1, 1987, for fiscal year 1987;

2 (B) 90 percent of that portion of the federal impact aid
3 received by the district in fiscal year 1987 under secs. 2 -- 4 of P.L.
4 81-874 (20 U.S.C. 237 -- 239), as amended, to the extent that that money
5 could be considered as local resources under that Act and the regulations
6 adopted under it; and

7 (C) for city or borough school districts, the total of

8 (i) the district's revenue from earnings in the
9 district's operating fund in fiscal year 1987;

10 (ii) state tuition payments to the district in fiscal
11 year 1987; and

12 (iii) any city or borough appropriations or in-kind
13 contributions for fiscal year 1987.

14 (d) The amount determined under (c)(7)(C) of this section may not
15 exceed the lesser of

16 (1) the equivalent of a four mill tax levy on the full and true
17 value of taxable real and personal property in the district as of January
18 1, 1986, as determined by the Department of Community and Regional Affairs
19 under AS 14.17.170; or

20 (2) 35 percent of the district's basic need as determined under
21 (a) of this section.

22 * Sec. 25. AS 14.17.023, 14.17.027, 14.17.061, 14.17.090, 14.17.150,
23 14.17.180, 14.17.205, 14.17.250(5), 14.17.250(7), 14.17.250(10), and 14.-
24 17.250(12) are repealed.

25 * Sec. 26. Sections 4, 13, and 24 of this Act take effect immediately
26 under AS 01.10.070(c).

27 * Sec. 27. Sections 1 -- 3, 5 -- 12, 14 -- 23, and 25 of this Act take
28 effect July 1, 1987.

STEVE COWPER
GOVERNOR

2119

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 9, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the public school foundation program. The primary purpose of this bill is to provide for an equalization program in Alaska's public school foundation program which will ensure that the disparities in per pupil spending between districts are sufficiently small that school districts in the state may continue to qualify for federal impact aid, and that the state may continue to take that impact aid into account when distributing state aid under the guidelines of P.L. 81-874 (20 U.S.C. 236, et seq.), as amended, and the regulations adopted under it. Alaska currently receives approximately \$65 million in federal impact aid, and all or part of that funding may be jeopardized if the funding formula considers the level of federal aid when setting state aid, but does not keep the disparities in per pupil spending below federal guidelines.

Timely enactment of this bill, substantially as written, is important if the equalization program embodied in this bill is to work correctly in fiscal year 1988. Under AS 14.14.060 -- 14.14.065, the local contributions for the following fiscal year must be appropriated by each city or borough which is a school district by May 31 of each fiscal year. For that reason, sec. 4 of this bill has an immediate effective date. If the bill takes effect by May 31, 1987, the municipal contributions for fiscal year 1988 will be covered by the local effort requirements of this bill. Under AS 14.17.025(c), interest earnings that the school district is allowed to keep and spend, and in-kind contributions by the municipality, may later be counted toward the local effort requirement under department regulations. However, the required appropriation must include any estimated in-kind contributions and interest earnings and must be made by May 31 of the "pre-fiscal year."

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The bill also addresses several other problem areas in the current foundation program, as discussed in the following section-by-section analysis.

Section 1 of the bill amends AS 14.17.010 to make it clear that public school foundation aid received by school districts may be used for community school programs, regardless of whether funds are separately appropriated to the community schools program under AS 14.36.

Section 2 repeals and reenacts AS 14.17.021 to provide a new basis for calculating state aid, now to be called state foundation aid. Basic need is calculated under subsec. (b) for each school district by multiplying the district's area cost differential in AS 14.17.051 by the number of instructional units for which the district is eligible under AS 14.17.031, and then multiplying that product by the instructional unit value in AS 14.17.056. State foundation aid is then calculated under subsec. (a) by subtracting from the district's basic need its required local effort under AS 14.17.025(a) and 90 percent of the federal impact aid the district received in the preceding fiscal year.

Section 3 provides the basis for funding centralized correspondence study. The total number of state correspondence students is used to calculate instructional units under the formula for elementary schools in AS 14.17.041(b)(1). Each unit is then funded at 65 percent of the instructional unit value in AS 14.17.056. No area cost differential is applied.

Section 4 provides the basis for calculating the required and permissive local effort of each school district. Each municipal school district's operations must be funded by its local municipality by at least the equivalent of a four mill tax levy on the full and true value of the taxable property in the district under AS 14.17.140, or 35 percent of the district's basic need for the preceding fiscal year, whichever is less. No municipality is permitted to contribute more than the equivalent of a 5.5 mill tax levy to its associated school district, a feature designed to prevent excessive disparities from arising in the amount being spent per student on a statewide basis.

In REAA school districts (regional educational attendance areas) no local contribution is required. However, to prevent excessive disparities from arising in those districts, interest earnings and other local revenues are not to be considered local revenues for current expenditures within the meaning of federal law and regulation, and are subject to regulation and disposition by the

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department. The department may require, for instance, that interest earnings and other local revenue be placed in the district's capital projects fund rather than being placed in the district's operating fund.

Section 5 amends AS 14.17.031, which itemizes the instructional units each district may receive. Units are generated in funding communities within each district, to be determined by the department on the basis of geographic and attendance area factors. Separate units are generated in each funding community on the basis of K-12 average daily membership, high-cost vocational course ADM full-time equivalent, special education, and bilingual education student counts in various categories of service. Although units are generated based on student counts in each of the programs mentioned, there is no requirement that a district actually spend its foundation aid in each program in proportion to the units generated by that program. A "hold harmless" provision appears in AS 14.17.031(b), so that a district whose K-12 units decline by more than 10 percent in a given year is treated as if the drop were only 10 percent. Provisions for the actual calculations of instructional units are in AS 14.17.041 --- 14.17.047.

Section 6 repeals and reenacts AS 14.17.041 to provide for the calculation of the instructional units based on K-12 average daily membership. Kindergarten students attending programs less than four hours a day are weighted by 0.5. Students in district correspondence or other alternative programs who do not regularly attend school on a daily basis are counted in the appropriate grade level of the funding community with the largest ADM in the district. Instructional unit calculations are not rounded upward to the next whole unit, as was done under previous funding formulas, so that the addition or loss of a single student does not result in major funding discontinuities. Smaller funding communities that do not have at least 200 ADM in both K-6 and 7-12 populations are funded in subsec. (a) under a separate table that presumes inherent inefficiencies of small scale. Other funding communities are funded under separate formulas in AS 14.17.041(b) for K-6 and 7-12 students, which generate greater funding for the 7-12 students.

Section 7 adds AS 14.17.043, which provides for the calculation of vocational education instructional units. Only high-cost vocational education courses approved by the department will generate units. Units are based on the average daily membership full-time equivalent of each course, with the units weighted by a cost factor set by the department for each course. A minimum number of units is guaranteed for funding communities and districts that operate such approved high-cost programs.

Section 8 adds AS 14.17.045, which provides for the calculation of special education instructional units, based upon identified children enrolled in approved special education programs on the last day of the counting period being used. The number of units generated is weighted by the category of service each identified child receives. A minimum number of units is guaranteed for funding communities and districts that operate approved special education programs.

Section 9 adds AS 14.17.047, which provides for the calculation of bilingual education instructional units based upon identified children, who are required by department regulations to be served by bilingual programs, and who are enrolled in approved bilingual education programs on the last day of the counting period being used. Units generated are weighted, based upon the language dominance category of each such student, under regulations adopted by the department.

Section 10 repeals and reenacts AS 14.17.051 to provide for a multiplier, called the area cost differential, which is based on the cost differences in the various districts, and which is used to determine basic need under AS 14.17.021(b). The area cost differentials in this bill are based upon an arbitrator's decision, dated October 24, 1986, setting area differentials in salaries of Alaska Public Employees Association employees working in various regions of the state.

Section 11 of the bill amends AS 14.17.056, setting the instructional unit value at \$60,000.

Section 12 of the bill repeals and reenacts AS 14.17.080. Under the proposed new language, that section would require each district to submit an estimate of its average daily membership and other student count data for the succeeding fiscal year by September 20 of each fiscal year. Those estimates will serve as the basis for the department's request to the governor for legislative appropriations for the succeeding fiscal year, but will not be the basis of payments to the districts. Payments will be based, for the first nine months of each fiscal year, on the actual student data for the previous fiscal year, and, for the last three months of the fiscal year, will be adjusted based on actual student data for that fiscal year, as provided in the amendment to AS 14.17.170 in sec. 16 of the bill.

Section 13 repeals and reenacts AS 14.17.082 to limit, to five percent of the year's expenditures, the unreserved portion of the balance in each district's school operating fund which may be carried over at the end of a fiscal year to the next fiscal year. State aid in the next fiscal year is reduced by any amount by which that limit is exceeded. This section also has an immediate effective date, so that operating fund balances at the end of fiscal year 1987 will be covered by this limit.

Section 14 of the bill amends AS 14.17.140(a) to make it clear that the Department of Community and Regional Affairs is to provide an assessment of the full value of taxable property in all school districts, not just the city and borough school districts. That provision is to aid the legislature in planning for the future of the unorganized borough by providing a more accurate estimate of the tax base that would be available in the rural areas.

Section 14 also makes a technical amendment to AS 14.17.140(b), which provides that motor vehicles subject to the motor vehicle registration tax are to be included in the assessment, by correcting the statutory reference.

Section 15 of the bill repeals and reenacts AS 14.17.160, which provides for two student counting periods that serve as the basis for funding school districts. It requires that the district reports be submitted to the department within two weeks after the close of the counting period, in an effort to speed up the department's data handling ability.

Section 16 repeals and reenacts AS 14.17.170 to provide that the October report, or the February report if it results in the district being eligible for more instructional units, is used to adjust the district's state foundation aid for the fiscal year in which the report is made, by adjusting the payments during the last three months. The applicable report also serves as the basis for calculating the state foundation aid payments for the first nine months of the next fiscal year, until that year's balance is recomputed based on that year's student count period data. Preliminary funding based on actual student counts from the preceding fiscal year provides a better system than current law, which provides preliminary payments based on school district estimates rather than actual count period data, because districts have sometimes estimated far too high. This section also requires districts to immediately remit any overpayments in their state aid to the commissioner. It permits the commissioner, upon an appropriate showing, to make advance payments to districts experiencing cash flow shortfalls, so long as no district's state aid entitlement for the fiscal year is exceeded.

Section 17 makes technical amendments to AS 14.17.190, and makes it clear that a school district must maintain complete financial records of any money received by the district and that all school district financial records are subject to state audit at any time.

Section 18 makes a technical correction to AS 14.17.200. Under Alaska's Administrative Procedure Act, agency regulations are "adopted" rather than "promulgated" by the department. "Promulgation" is completed by the lieutenant governor's publishing the regulations in the Alaska Administrative Code. Consistent use of "adopt" helps simplify the matter.

Section 19 amends AS 14.17.220 to make it clear that the local effort limitation in AS 14.17.025 does prevent local school districts from providing educational funding beyond a certain extent. The purpose of that limitation is to prevent the disparities in per pupil spending from exceeding the limitations of the federal impact aid program.

Section 20 repeals and reenacts AS 14.17.225. New language in subsec. (a) requires each district to establish, maintain, and operate under a balanced budget. Thus if a district's revenue outlook changes for some reason, the district must adjust its budget and its spending pattern accordingly. Subsection (a) also clarifies that the state is not responsible or liable for any debts incurred by school districts. New language in subsec. (b) clarifies that if a proration is necessary to keep aid to districts within the amount appropriated for that purpose, the proration will be accomplished by reducing the instructional unit value in AS 14.17.056 as required.

Section 21 amends the definition of "ADM full-time equivalent" in AS 14.17.250(1) to make the counting period for which a determination is being made the basis for calculation.

Section 22 amends the definition of "average daily membership" in AS 14.17.250(2) to make the counting period for which a determination is being made the basis for calculation.

Section 23 amends the definition of "taxable real and personal property" in AS 14.17.250(11) to delete the exception for "household goods and personal effects." The amendment is technical in nature, because AS 29.45.030(a)(2) currently requires exemption from taxation for "household furniture and personal effects of members of a household." AS 29, rather than AS 14, is the proper place for the exception.

Section 24 is a transition section applying only to fiscal years 1988, 1989, and 1990. Subsection (a) is a special provision for the calculation of each district's required local effort for fiscal year 1988. For that purpose, each district's basic need for the preceding fiscal year will be determined by the department on the basis of projected data for fiscal year 1988, and on the allowable instructional units and instructional unit value as contained in the bill. This section is also given an immediate effective date so that the municipal appropriations in the spring of 1987 for FY 1988 can be determined accordingly.

Subsection (b) of the transition section provides for "hold harmless" aid in fiscal years 1988, 1989, and 1990. If both (1) the district's basic need, per ADM, for the year is less than 90 percent, 80 percent, or 70 percent, respectively, of a comparable figure for FY 1987 (the sum of the district's state aid under former AS 14.17.021, 90 percent of its federal impact aid received during that year, and, for city and borough districts, its interest earnings and municipal contributions for that year), and (2) the district's state foundation aid, per ADM, for the year under AS 14.17.021(a) is less than either 90 percent, 80 percent, or 70 percent for one of those years, respectively, of the state aid, per ADM, it received for FY 1987; then the district will be brought up to the appropriate transition level that costs the state the least amount. In simple terms, if the number arrived at under either (1) or (2) of subsec. (b) is a negative number, or is zero, the district is not eligible for additional aid. If both numbers are positive, the district is eligible for additional aid in the amount of the smaller number.

Section 25 is a repealer section, repealing several sections of the existing foundation program statutes that are no longer applicable.

Section 26 makes secs. 4, 13, and 24 of the bill effective immediately. Section 27 makes the remaining sections effective July 1, 1987.

I believe that this bill, if enacted, will provide a fair and equitable formula for funding our public schools for years to come. I also believe that it will allow Alaska's program to meet the equalization requirements of the federal impact aid program. It is one of my highest priorities in this legislative session. I hope that you will give it your prompt and careful consideration, and will pass it substantially as presented.

Sincerely,

Steve Cowper
Governor

ALASKA STATE LEGISLATURE

15TH Legislature 1ST Session

SENATE BILL NO. 119

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act relating to the public school foundation program; and providing for an effective date."

Introduced in the Senate ...2/10, 19.87

HISTORY IN THE SENATE

1987

Read first time and referred to Committee on

2 10

HESS and FINANCE

4 8

Reported back with HESS recommendation that replace w/CS, 5 do pass, LD, intent, zero fund to fur. Plan:

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

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 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.