

SB

496

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE _____

4/5/88

Mr. President:

Finance Committee considered SB 496

special appropriation to the Department of Education to satisfy a condition of a conditional determination issued by the United States Department of Education regarding the state's compliance with P.L. 81-874 in fiscal year 1987; efd and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] 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 _____ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

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

3/18/88
Mr. President:

DATE TURNED INTO OFFICE _____

_____ HESS _____ Committee considered _____ SB 496 _____

special appropriation to the Department of Education to satisfy a condition of a conditional determination issued by the United States Department of Education regarding the state's compliance with P.L. 81-874 in fiscal year 1987; efd and recommended:

- replace with CS _____ 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

Committee Backup Attached

Chairman signature and recommendation

Introduced: 3/18/88
Referred: Health, Education and
Social Services and Finance

go00638s

Funding Information
General Fund \$9,583,566
Other Funds -0-
\$9,583,566

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 496

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 a special appropriation to the Depart-
7 ment of Education to satisfy a condition of a condi-
8 tional determination issued by the United States
9 Department of Education regarding the state's compli-
10 ance with P.L. 81-874 in fiscal year 1987; and
11 providing for an effective date."

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

13 * Section 1. The sum of \$9,583,566 is appropriated from the general
14 fund to the Department of Education to satisfy a condition set out in a
15 "Conditional Determination," issued by the assistant secretary for elemen-
16 tary and secondary education, United States Department of Education, on
17 March 15, 1983, regarding Alaska's compliance in fiscal year 1987 with sec.
18 5(d), Public Law 81-874, as amended. The money is allocated as follows:

19 SCHOOL DISTRICT	GENERAL FUND
20 Adak	\$ 798,962
21 Alaska Gateway	29,032
22 Aleutian Region	11,246
23 Anchorage	2,101,738
24 Annette Island	298,441
25 Bering Strait	154,627
26 Chatham	190,290
27 Cordova	483,155
28 Delta/Greely	277,889
29 Hoonah	30,358

1	Hydaburg	40,311
2	Juneau	46,199
3	Kenai	492,856
4	Ketchikan	434,060
5	Klawock	53,999
6	Lower Yukon	1,454,461
7	Mat-Su	485,911
8	Nenana	17,949
9	Pelican	21,304
10	Petersburg	449,622
11	Pribilof	261,843
12	Sand Point	144,265
13	Sitka	97,807
14	Southeast Island	71,987
15	Southwest Region	439,711
16	Unalaska	134,023
17	Valdez	68,410
18	Wrangell	371,790
19	Correspondence Study - State	121,320

20 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

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STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 18, 1988

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 for a special appropriation to the Alaska Department of Education, to be allocated to certain school districts. The bill will satisfy a condition of a conditional determination, issued by the United States Department of Education, that Alaska's program of state aid to local school districts for fiscal year 1987 complies with federal laws and regulations governing federal impact aid to school districts.

Federal provisions permit a state to consider federal impact aid payments from the federal government to a school district when determining local need and local resources available to a district, and thus the amount of state aid to which the district is entitled, only if the state's program meets certain federal equalization criteria. Section 5(d), P.L. 81-874 (20 U.S.C. 240(d)), as amended, and regulations adopted under it. The state's fiscal year 1987 program, enacted by ch. 75, SLA 1986, arguably considered federal impact aid in determining the area differential adjustment (AS 14.17.051) to which each district was entitled.

Federal officials held a hearing in Juneau in early February 1988, at which the state attempted to show that either federal money was not considered, or that it was properly considered because Alaska's program met federal equalization criteria. Although no formal decision has been rendered, federal officials have indicated informally that they were not persuaded by the state's arguments.

Alaska has the option of waiting for a formal determination, and then taking an appeal, first to an Administrative Law Judge who advises the United States Secretary of Education,

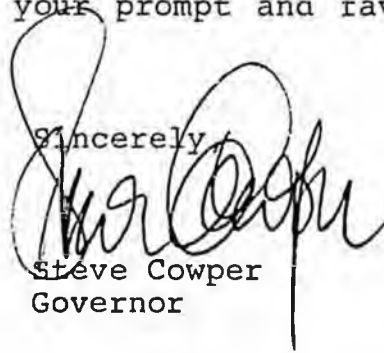
and then, if the secretary's decision is adverse to state, to the federal courts. If we take such an appeal the stakes are high. If we lose, the federal government could attempt to recover all federal impact aid paid to the state local districts in fiscal year 1987 (about \$65,000,000); could perhaps do so for a similar amount for fiscal year 1988; and could withhold future impact aid until that amount was repaid, and perhaps for as long as two years afterwards. The Department of Law advises me that, based on the information it has received from the Alaska Department of Education, it cannot confidently predict that we will prevail on appeal.

The Alaska Department of Education, working with the Department of Law, has therefore negotiated a settlement (a "conditional determination") with the federal government which would eliminate the risk of more severe actions by the federal government. The assistant secretary for elementary and secondary education, United States Department of Education, has issued a "Conditional Determination" under which the Alaska Department of Education is to seek an appropriation to pay to local school districts any additional amounts they would have received in fiscal year 1987 if the area cost differentials that were later adopted, in ch. 91, SLA 1987, for fiscal years beginning with fiscal year 1988, had been in effect in fiscal year 1987. (Both state and federal officials agree that those area cost differentials were derived without considering federal impact aid payments.) In this appropriation, the amount of "unique and emergency circumstances" money a district received under former AS 14.17.023(b) for fiscal year 1987 has been deducted from the additional amount it would otherwise have received. Federal officials agreed to this deduction because the district would not have needed the unique and emergency money had it gotten the additional amount in fiscal year 1987. A district's added entitlement, before deducting the amount received under former AS 14.17.023(b), will be included in the district's state aid for fiscal year 1987 for the purpose of determining the district's eligibility for "hold harmless" funding under sec. 24(b), ch. 91, SLA 1987.

I am attaching a copy of the conditional determination of the federal government. If the legislature fails to pass this bill, the parties are free to resume an administrative and, ultimately, judicial determination of the issues.

I believe the settlement is reasonable, not only because a very large and uncertain liability is exchanged for a smaller, definite one, but also because the settlement money would be paid to Alaska school districts rather than to the federal government. I urge your prompt and favorable consideration of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper". The signature is written in a cursive style with a large initial "S" and "C".

Steve Cowper
Governor

ALASKA STATE LEGISLATURE

Joint Legislature .. 2nd Session

SENATE... BILL..... NO. 496.

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

"An Act making a special appropriation to the Department of Education to satisfy a condition of a conditional determination issued by the United States Department of Education regarding the state's compliance with P.L. 81-874 in fiscal year 1987; and providing for an effective date."

Introduced in the Senate 3/15....., 19 83...

HISTORY IN THE SENATE

19 88
3 18

Read first time and referred to Committee on

HESS, FINANCE

Reported back with recommendation that

4 5 HESS WAIVED TO FIN

Read second time and

Read third time and

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED Effective Date
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

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

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Absent Absent

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

Chapter No.

Filed with Lt. Governor