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HOUSE COMMITTEE REPORT

(11)

Date Referred: April 3, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/4/89

The FINANCE Committee considered:

HB 233

HOUSE BILL NO. 233

[LOCAL CONTRIBUTION: ST. AID FOR EDUCATION]

"An Act relating to local contributions for education; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CS HB 233 (HESS) the same title
- have 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):
(Dept)

APPROVES PREVIOUS: (Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) _____
- zero fiscal note(s) 4/3/89 Educ.
- zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

Ronald J. Larson LARSON
Fay Brown BROWN
John Ulmer ULMER
Alvin Rieger RIEGER

Signature	Name	Do Not Pass	No Rec	Amend
<u>John Hoff</u>	HOFFMAN	X		
<u>Charles Swackhammer</u>	SWACKHAMMER	X		
<u>John Koponen</u>	KOPONEN	X		
<u>James Barnes</u>	BARNES	X		
<u>David Saultz</u>	SAULTZ	✓		
<u>Robert Phillips</u>	PHILLIPS	✓		
<u>Kay Wallis</u>	WALLIS	X		

Ronald J. Larson
 Co-Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Education
 Title: Local contributions for education BRU: K-12 Support
 Sponsor: Illmer Components: Foundation
 Requestor: House HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 3/28/89
 Approved by Commissioner: William G. Demmert Date: 3/28/89
 Agency: Education

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

Adopted

Original sponsors: Ulmer, Ellis,
and Larson

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 233 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act increasing a limit on the ~~required~~ local
7 contribution to a city or borough school district to
8 23 percent; and providing for an effective date."

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

10 * Section 1. AS 14.17.025(b) is amended to read:

11 (b) In addition to the local contributions required under (a) of
12 this section, local contributions to a city or borough school district
13 in a fiscal year may include no more than the greater of

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

19 (2) 23 percent of the district's basic need for the fiscal
20 year under AS 14.17.021(b), as adjusted under AS 14.17.225(b) [THE
21 PRODUCT OBTAINED BY MULTIPLYING

22 (A) 21 PERCENT OF THE INSTRUCTIONAL UNIT VALUE IN
23 AS 14.17.056;

24 (B) THE NUMBER OF INSTRUCTIONAL UNITS APPROVED FOR THE
25 DISTRICT FOR THE FISCAL YEAR; AND

26 (C) THE AREA COST DIFFERENTIAL OF THE DISTRICT UNDER
27 AS 14.17.051].

28 * Sec. 2. This Act takes effect July 1, 1989.

MEMORANDUM

State of Alaska

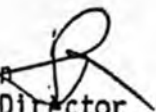
Department of Education

TO: Steve Hole
Deputy Commissioner

DATE: March 28, 1989

FILE NO: FAC 1831

TELEPHONE NO: 465-2865

FROM: Tom Ryan 
Acting Director

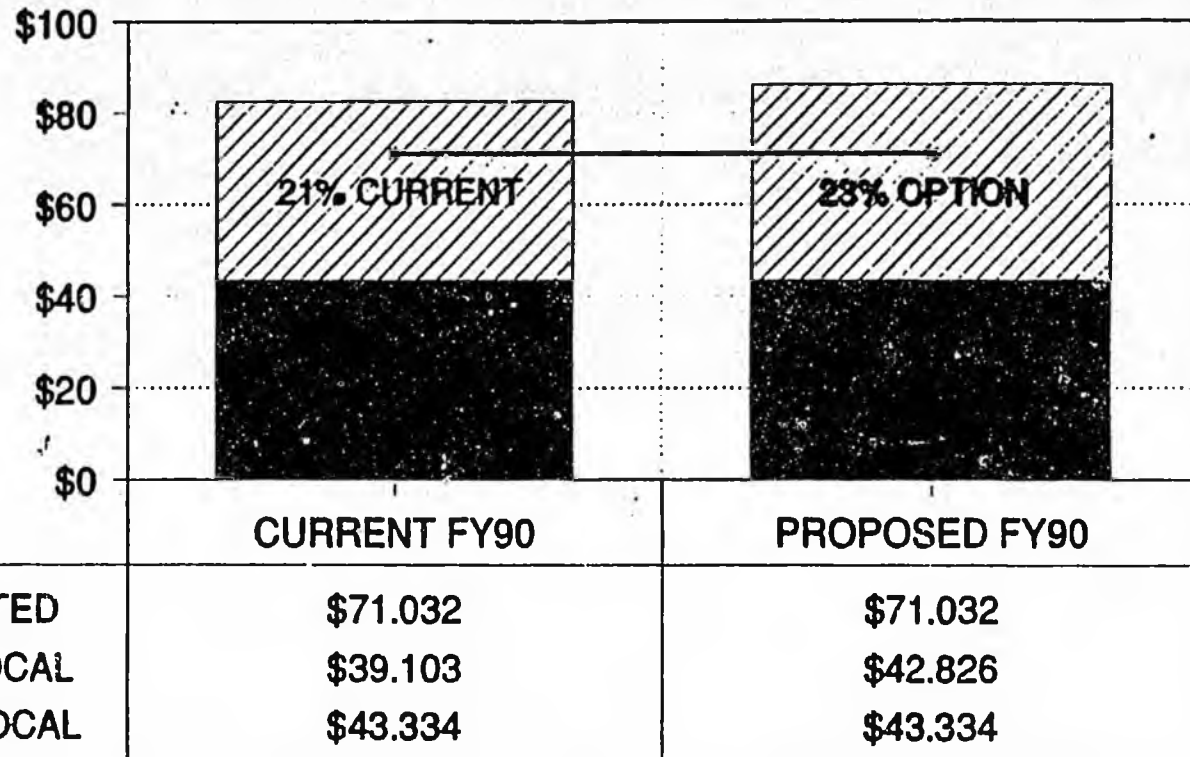
SUBJECT: HB 233 Impact

As requested I have reviewed House Bill 233. The bill would not require additional payments by any district, but would permit additional payments by any districts approaching the existing limits. Those especially close to the limit include Fairbanks, Juneau, Kenai, Ketchikan, and Sitka.

HB 233 would raise the maximum percentage of a school district's basic need that may be contributed by a city or borough over and above the minimum requirement. The minimum local contribution is unchanged. The federal disparity test, under 34 C.F.R.222.63, limits the disparity between revenues to districts to under 25%. Though it reduces our "cushion" from four percent to two percent, this change still provides the state adequate protection.

Attached are graphs showing FY 89 budgeted local contributions compared to proposed FY 90 minimum local contributions and optional contribution for the districts nearing the cap. Also attached is a graph showing all municipal school districts and the relationship of budgeted local revenues to the cap.

ANCHORAGE SCHOOL DISTRICT OPTIONAL LOCAL EFFORT



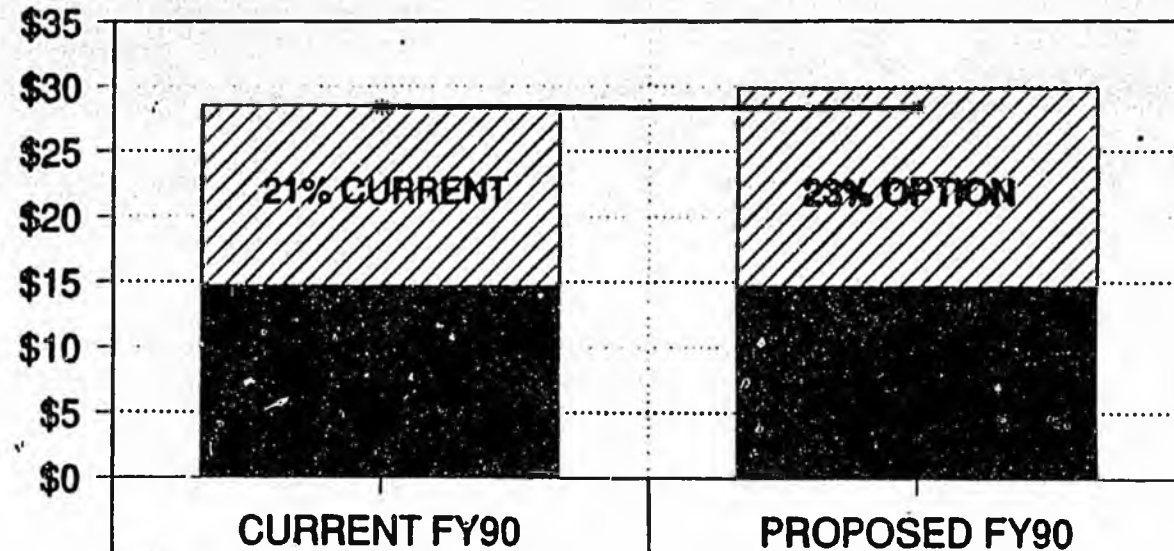
MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

FAIRBANKS BOROUGH SCHOOL DISTRICT

OPTIONAL LOCAL EFFORT



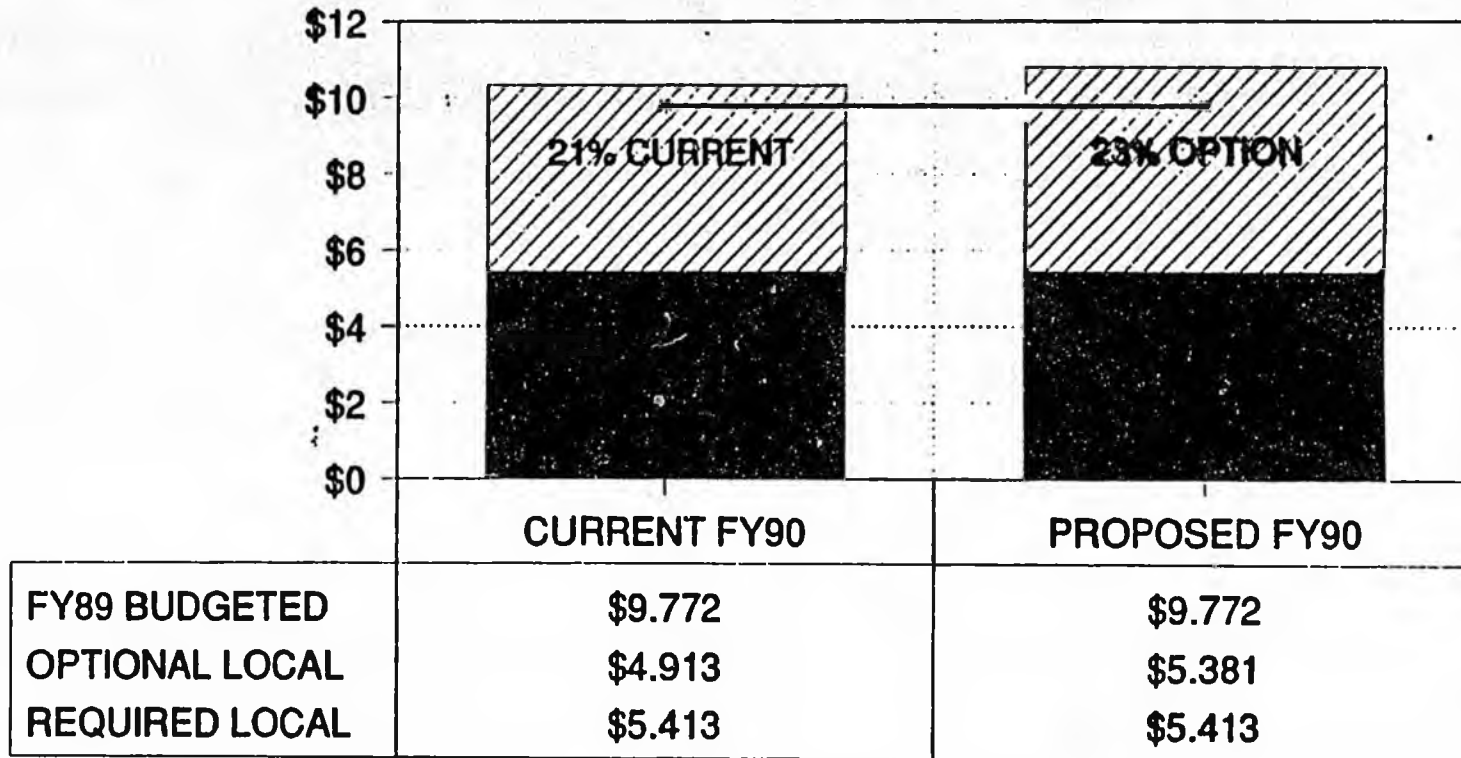
	CURRENT FY90	PROPOSED FY90
FY89 BUDGETED	\$28.373	\$28.373
OPTIONAL LOCAL	\$13.827	\$15.144
REQUIRED LOCAL	\$14.684	\$14.684

MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

JUNEAU BOROUGH SCHOOL DISTRICT OPTIONAL LOCAL EFFORT

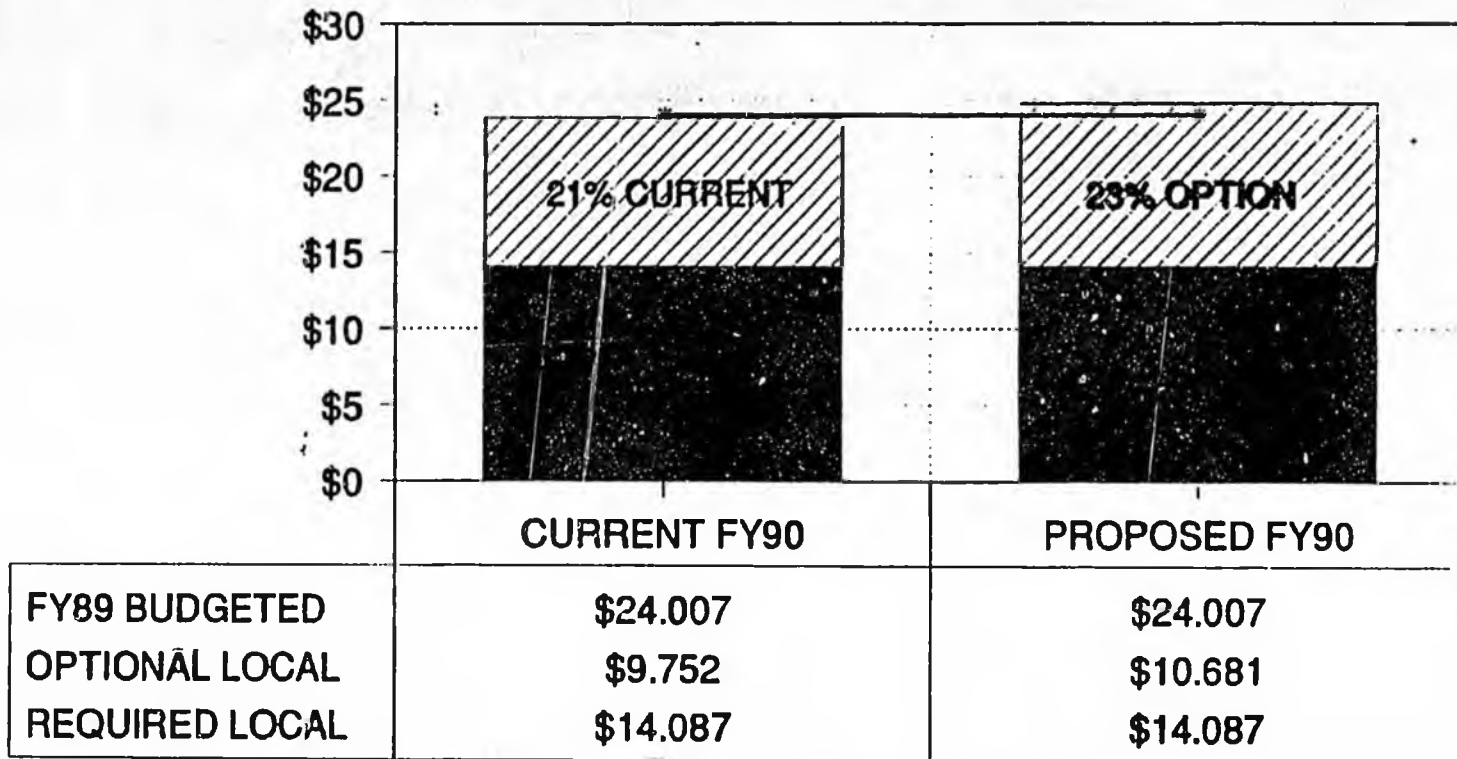


MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

KENAI SCHOOL DISTRICT OPTIONAL LOCAL EFFORT

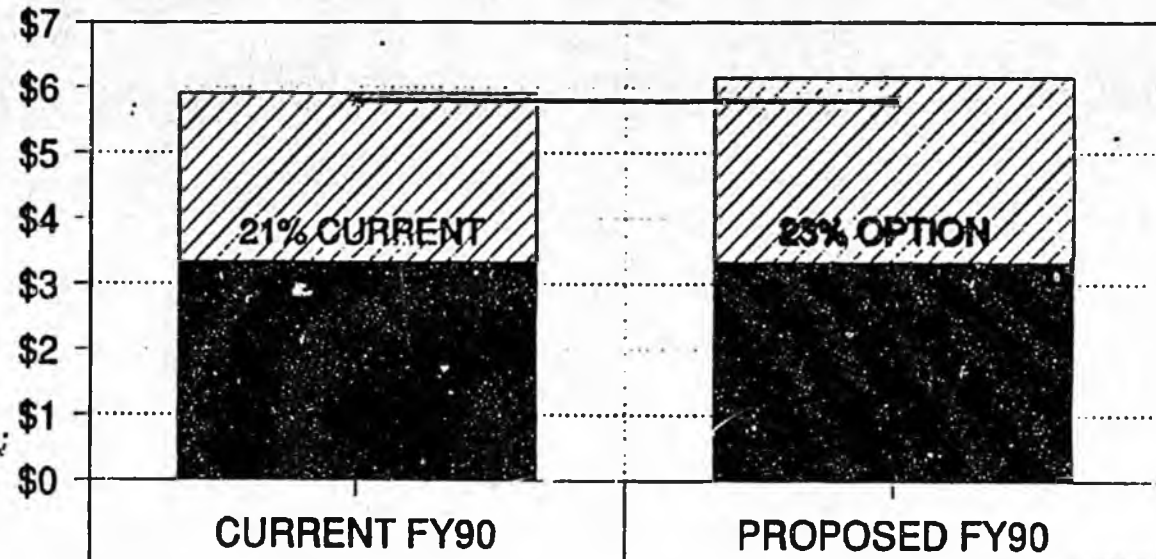


MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

KETCHIKAN GATEWAY SCHOOL DISTRICT OPTIONAL LOCAL EFFORT



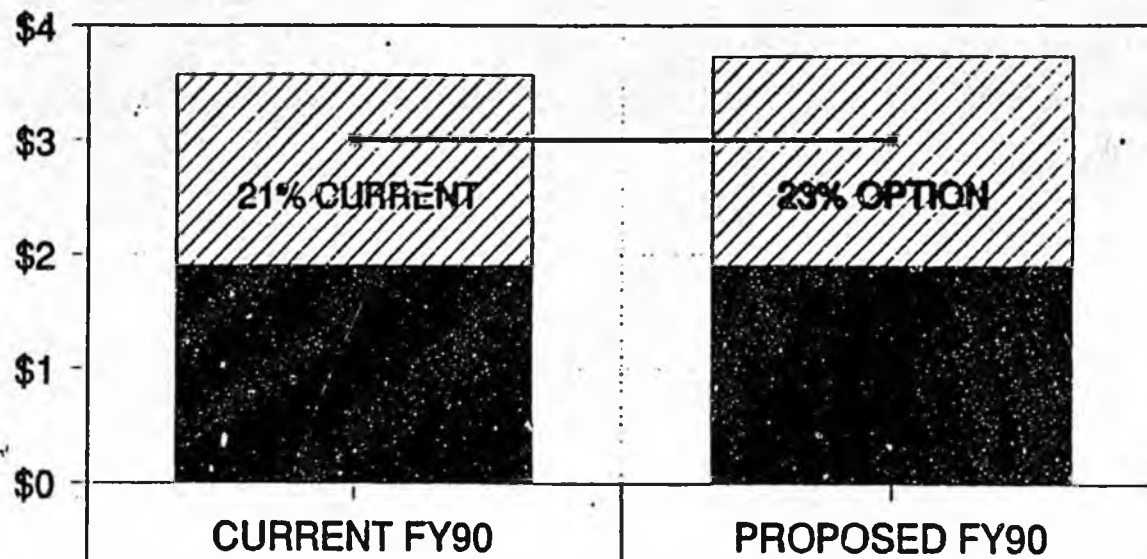
	CURRENT FY90	PROPOSED FY90
FY89 BUDGETED	\$5.799	\$5.799
OPTIONAL LOCAL	\$2.572	\$2.817
REQUIRED LOCAL	\$3.332	\$3.332

MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

SITKA BOROUGH SCHOOL DISTRICT OPTIONAL LOCAL EFFORT



	CURRENT FY90	PROPOSED FY90
FY89 BUDGETED	\$2.933	\$2.993
OPTIONAL LOCAL	\$1.671	\$1.831
REQUIRED LOCAL	\$1.897	\$1.897

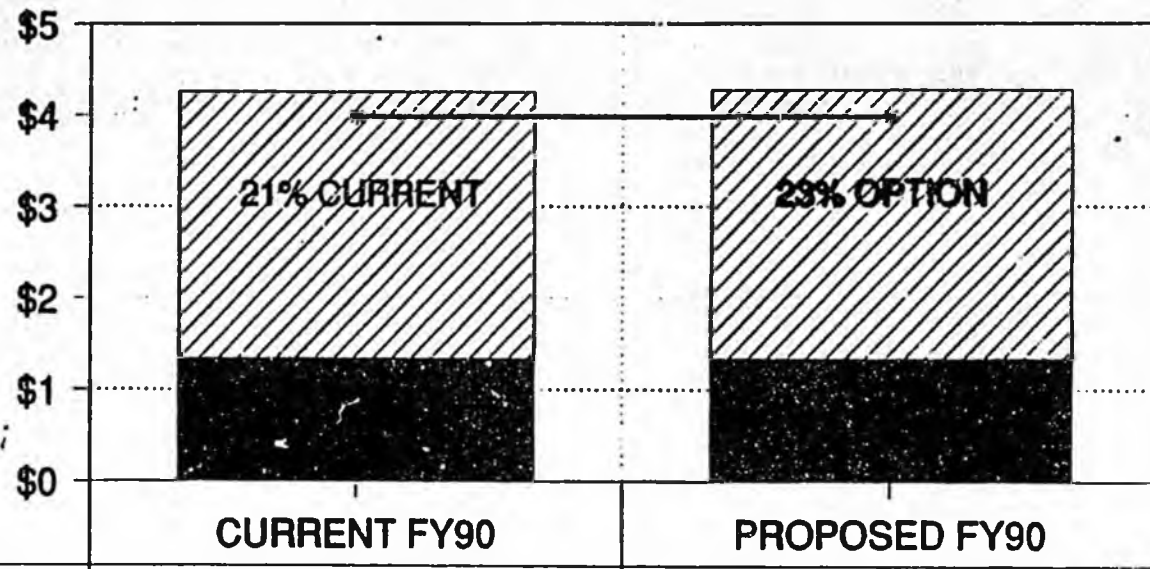
MILLIONS OF DOLLARS

REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

VALDEZ CITY SCHOOL DISTRICT

OPTIONAL LOCAL EFFORT



	CURRENT FY90	PROPOSED FY90
FY89 BUDGETED	\$3.976	\$3.976
OPTIONAL LOCAL	\$2.914	\$2.941
REQUIRED LOCAL	\$1.332	\$1.332

MILLIONS OF DOLLARS

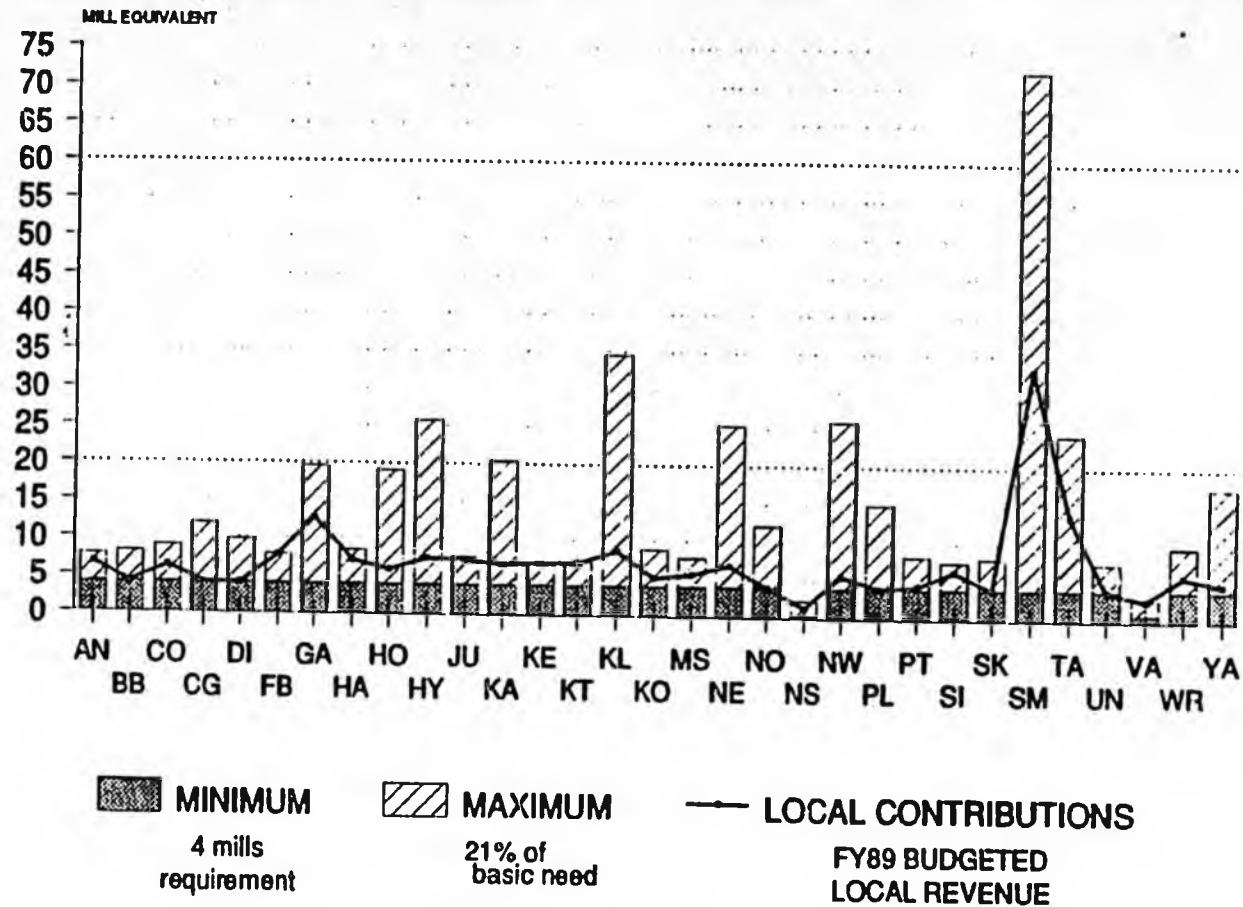
REQUIRED LOCAL
 OPTIONAL LOCAL
 FY89 BUDGETED

PROPOSED CHANGE TO AS 14.17.025(b)

CITY/BOROUGH SCHOOL DISTRICTS FY90 LOCAL CONTRIBUTIONS

School District
abbreviations

Anchorage = AN
Bristol Bay = BB
Cordova = CO
Craig = CG
Dillingham = DI
Fairbanks = FB
Galena = GA
Haines = HA
Hoonah = HO
Hydaburg = HY
Juneau = JU
Kake = KA
Kenai = KE
Ketchikan = KT
Klawock = KL
Kodiak = KO
Mat-Su = MS
Nonata = NE
Nome = NO
North Slope = NS
Northwest Arctic = NW
Pelican = PL
Petersonburg = PT
Sitka = SI
Skagway = SK
St. Mary's = SM
Tanana = TA
Unalaska = UN
Valdez = VA
Wrangell = WR
Yakutat = YA



ALASKA PUBLIC SCHOOL FOUNDATION FUNDING PROGRAM
 FY90 MAXIMUM LOCAL EFFORT AT 2 1/8 AND 2 3/8 OF BASIC NEED
 COMPARED TO BUDGETED FY89 LOCAL REVENUES
 PREPARED 7/27/89

SCHOOL DISTRICT	AS 14.17.025(a) LOCAL CONTRIBUTION SHALL INCLUDE LESSER OF 4 MILLS OR 3 3/8 BASIC NEED			AS 14.17.025(b) IN ADDITION, LOCAL CONTRIBUTION NO MORE THAN 2 MILLS OR 2 1/8 BASIC NEED			"MAXIMUM LOCAL" REQUIRED LOCAL PLUS THE GREATER OF 2 1/8 OR 2 MILLS			"MAXIMUM LOCAL" REQUIRED LOCAL PLUS THE GREATER OF 2 3/8 OR 2 MILLS		
	1988 ASSESSED FULL VALUE AT 4 MILLS FY90 FOUNDATION	3 3/8 OF FY89 BASIC NEED FY90 FOUNDATION	ESTIMATED FY90 REQUIRED LOCAL CONTRIBUTION	1988 ASSESSED FULL VALUE AT 2 MILLS FY90 FOUNDATION	2 1/8 OF FY90 BASIC NEED	ESTIMATED FY90 ADDITIONAL LOCAL CONTRIBUTION	GREATER OF 2 1/8 OR 2 MILLS	FY89 BUDGETED LOCAL REVENUES	FY89 BUDGETED COMPARED TO MAXIMUM LOCAL	2 3/8 OF FY90 BASIC NEED	GREATER OF 2 3/8 OR 2 MILLS	FY89 BUDGETED COMPARED TO INCREASED LOCAL
ANCHORAGE	843,334,202	865,170,770	843,334,202	821,667,101	839,102,462	839,102,462	882,436,664	871,031,578	86,178	842,826,506	886,160,708	87,448
BRISTOL BAY	8472,721	8806,320	8472,721	8236,360	8484,092	8484,092	8956,813	8669,182	46,958	8530,196	81,002,917	44,799
CORDOVA	8464,414	8945,420	8464,414	8232,207	8567,252	8567,252	81,031,666	8716,342	69,448	8621,276	81,085,690	65,981
CRAIG	8155,135	8507,150	8155,135	877,568	8304,290	8304,290	8459,425	8118,270	25,748	8333,270	8488,405	24,228
DILLINGHAM	8486,205	81,159,410	8486,205	8243,102	8695,646	8695,646	81,181,851	8395,181	33,448	8761,898	81,248,103	31,668
FAIRBANKS	814,683,509	823,045,610	814,683,509	87,341,755	813,827,366	813,827,366	828,510,875	828,372,555	99,518	815,144,258	829,827,767	95,128
GALENA	878,340	8510,300	878,340	839,170	8306,180	8306,180	8384,520	8248,629	64,668	8335,340	8413,680	60,108
HAINES	8450,452	8834,750	8450,452	8225,226	8900,850	8900,850	8951,302	8797,039	83,788	8548,350	8999,002	79,788
HOONAH	890,888	8571,410	890,888	845,444	8342,846	8342,846	8433,734	8134,212	30,948	8375,498	8466,386	28,788
HYDABURG	837,996	8344,400	837,996	818,998	8206,610	8206,610	8244,636	870,334	28,758	8226,320	8264,316	26,618
JUNEAU	85,413,248	88,189,160	85,413,248	82,706,624	84,913,496	84,913,496	810,326,744	89,772,431	94,638	85,321,448	810,794,696	90,538
KAKE	870,921	8483,420	870,921	835,461	8290,052	8290,052	8360,973	8118,642	32,878	8317,676	8388,597	30,538
KENAI	814,086,937	816,254,210	814,086,937	87,043,469	89,752,526	89,752,526	823,839,463	824,006,628	100,708	810,681,338	824,768,275	96,928
KETCHIKAN	83,331,958	84,286,100	83,331,958	81,665,979	82,571,660	82,571,660	85,903,618	85,798,750	98,228	82,816,580	86,148,538	94,318
KING COVE	8106,145	8476,490	8106,145	853,072	8285,894	8285,894	8392,039	8105,955	27,038	8313,122	8419,267	25,278
KLADOCK	838,712	8493,500	838,712	819,356	8296,100	8296,100	8334,812	882,816	24,748	8324,300	8363,012	22,818
KOOTAK	82,378,504	84,861,290	82,378,504	81,189,252	82,916,774	82,916,774	85,295,278	83,050,367	57,618	83,194,562	85,573,066	54,738
NIAT-SU	89,159,961	816,355,600	89,159,961	84,579,980	88,613,360	88,613,360	817,773,321	812,809,850	72,078	89,433,680	818,593,641	68,898
NENANA	866,062	8588,000	866,062	833,031	8352,800	8352,800	8418,862	8113,123	27,018	8386,400	8452,462	25,008
NOME	8560,332	81,893,780	8560,332	8280,166	81,136,268	81,136,268	81,696,600	8498,761	29,408	81,244,484	81,804,816	27,648
NORTH SLOPE	84,150,440	84,174,380	84,150,440	824,583,939	82,504,628	824,583,939	828,734,379	816,422,448	97,158	82,743,164	828,734,379	57,158
NORTHWEST ARCTIC	8632,184	85,783,400	8632,184	8316,092	83,470,040	83,470,040	84,102,226	8885,117	21,588	83,800,520	84,432,704	19,978
PELICAN	842,621	8195,720	842,621	821,311	8117,432	8117,432	8160,053	832,470	20,298	8128,616	8171,237	18,968
PETERSBURG	8692,336	81,215,480	8692,336	8346,168	8729,288	8729,288	81,421,624	8744,312	52,368	8798,744	81,491,080	49,928
SAND POINT	8141,962	8488,880	8141,962	870,981	8293,328	8293,328	8435,290	8143,279	32,928	8321,264	8463,226	30,938
SITKA	81,896,637	82,785,650	81,896,637	8948,318	81,671,390	81,671,390	83,568,027	82,993,379	83,898	81,830,570	83,727,207	80,318
SKAGWAY	8221,834	8379,890	8221,834	8110,917	8227,934	8227,934	8449,768	8159,179	35,398	8249,642	8471,476	33,768
ST. MARY'S	816,739	8475,020	816,739	818,369	8285,012	8285,012	8301,751	8137,805	45,678	8312,156	8328,895	41,908
TANANA	846,048	8391,230	846,048	823,024	8234,738	8234,738	8280,786	8158,064	56,298	8257,094	8303,142	52,148
UNALASKA	8386,275	8572,670	8386,275	8193,137	8343,602	8343,602	8729,877	8302,884	41,508	8376,326	8762,601	39,728
VALDEZ	81,331,610	81,360,800	81,331,610	82,914,263	8816,480	82,914,263	84,245,873	83,976,298	93,658	8894,240	84,245,873	93,658
WRANGELL	8417,379	8993,510	8417,379	8208,690	8596,106	8596,106	81,013,485	8616,571	60,848	8652,878	81,070,257	57,618
YAKUTAT	876,168	8427,770	876,168	838,084	8256,662	8256,662	8332,830	891,087	27,378	8281,106	8357,274	25,498
TOTALS	8105,518,872	8165,021,990	8105,518,875	877,516,614	899,013,194	8123,190,288	8228,709,163	8185,353,538		8106,443,022	8237,822,695	

Discussion of Local Contribution Limitations

	<u>100% State Funding</u>	<u>95% State Funding</u>
Formula Generated State Revenue*	\$17,908,367	\$16,740,801
Other Revenue--Federal & Indirect	153,000	153,000
Sub-total	18,061,367	16,893,801
Local Maximum Revenue	10,180,033	9,935,529
Total Allowable Revenue	28,241,400	26,829,330
Allowable <u>Additional</u> Local Contribution	499,033	254,529
Projected Shortfall for Program Rollover	70,000	1,481,932

Explanation

By law, a limit is set on the amount of money a District may have to operate. This limit or CAP is established to assure equal opportunity for all students across our state. Essentially, state law prohibits more than a 25% difference in funding among Districts.

This limit or CAP is established on operating funds only. The City and Borough of Juneau could provide additional funds for three (3) special revenue funds including pupil transportation (150,000), community schools (86,000) and pupil activities (107,000).

February 15, 1989

*Adjusted to reflect projected student enrollment of 4702.

Alaska State Legislature

Representative Fran Ulmer



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

HOUSE OF REPRESENTATIVES

MEMORANDUM

April 3, 1989

TO: Rep. *Ron* Larson, Co-Chair
Rep. Lyman Hoffman, Co-Chair
House Finance Committee

FROM: Rep. *Fran* Ulmer

RE: CSHB 233 relating to local contributions for education

By law, a limit is set on the amount of money which may be appropriated to a school district to operate. This limit or cap is designed to ensure relative parity among school districts and their educational programs across the state. Under this law, there shall be no difference in funding greater than 25% between districts.

Current law establishes a maximum local contribution of 21% of the instructional unit value in AS 14.17.056. HB 233 raises that cap on local contributions to 23% of the instructional unit value; there is no change to the minimum requirement. There are several districts close to the existing limits, including Fairbanks, Juneau, Kenai, Ketchikan, and Sitka. This increase in local contributions will maintain the policy of parity among districts while allowing districts to better maintain the level of service currently in place.

The decline in state revenues, and the potential reduction in funding of the foundation formula program, makes this increase crucial to the stable operation of Alaska's school districts. As an example, Juneau's allowable local contribution under current law is \$499,033. If the legislature enacts a 5% reduction to the foundation formula, the total allowable local contribution would be \$254,529, a reduction of \$244,502. Since the Juneau School District has already submitted a "maintenance" budget to the borough which requires a local contribution in excess of the current, allowable, local contribution, a reduction in state funding and the resultant lowering of the local contribution will be a heavy blow to the operation of the district.

House Finance Committee
April 3, 1989
Page 2

The Committee Substitute for House Bill 233 which has been transmitted to House Finance incorporates two minor amendments which are technical rather than substantive. (1) The title of this bill has been revised to more narrowly define its scope and purpose. (2) Section 1 b (2) has been redrafted to present in simpler, more direct language the percentage cap for local contributions. These amendments simply clarify the original intent of the bill.

Attached you will find information prepared by the Department of Education which displays a comparison of funding levels for a number of Alaska school districts, both under current law and under CSHB 233.