

HB

119

MEMORANDUM

State of Alaska

Department of Education

TO: William Demmert
Commissioner
Department of Education

DATE: December 28, 1988

FILE NO: FAC 1602

FROM: Tom Ryan 
Acting Director

SUBJECT: Foundation
Issues

Pursuant to your request we have analyzed the impact of adjustments to the foundation funding formula which would reduce the total state cost for this program. If the foundation program is underfunded without changes to the statute, then a proration of basic need as required by AS 14.17.225(b) would allow districts to exceed disparity limits. Therefore, if there are insufficient funds available to fully fund the program, rather than simply prorate entitlements based upon a unit value which has not been fully funded, the legislature should reduce the unit value in AS 14.17.056.

This change and others we have considered and rejected are discussed in more detail below. We are not promoting any of these options, and we have requested full funding of foundation program entitlements in our budget request.

Since FY 90 foundation information was not yet complete at the time of this analysis, and since the principles in operation are the same, our discussion below uses FY 89 data.

1. UNIT VALUE ADJUSTMENT

A change of the unit value from \$60,000/unit to \$59,500/unit (value set in AS 14.17.056) would have reduced the FY 89 full foundation entitlement by \$5,087,010. Each subsequent reduction of \$500 in the instructional unit value reduces the FY 89 entitlement by an identical amount, i.e. a \$1,000 change in unit value changes the foundation entitlement by \$10,174,020. Preliminary FY 90 data indicates that a foundation unit value of \$56,500 would produce a foundation entitlement of \$439,245,198 versus almost \$475 million with a \$60,000 unit.

Discussion: Unit value adjustments would not create any problem with disparity test calculations. The school district impact appears to be balanced. If the foundation program is underfunded and the unit value were left unchanged at \$60,000, then a proration of basic need as required by AS 14.17.225 (b) would allow districts to exceed disparity limits and jeopardize federal funding. Therefore, if there are insufficient funds available to fully fund the program, rather than simply prorate entitlements based upon a unit value which has not been fully funded, it is essential to reduce the unit value. This action simultaneously reduces entitlements and allowed local contribution, and so protects disparity limits.

2. INCREASE MINIMUM REQUIRED LOCAL CONTRIBUTION (MILL RATE)

If the required mill rate alone is changed (AS 14.17.025(1)) and the ceiling (AS 14.17.025(2)) remains at 35% of basic need, then the reduction in state aid would be as follows:

<u>Mills</u>	<u>foundation</u>	<u>increment</u>	<u>total saved</u>	<u>Note:</u>
4	\$448,430,555		0	N.Slope/Valdez at 35%
4.5	435,179,047	\$13,251,508	\$13,251,508	Kenai reaches 35%
5	426,294,829	8,884,218	\$22,135,726	Anchorage & Matsu -35%
5.5	423,660,420	2,634,409	\$24,770,135	Fairbanks, Juneau Ketchikan, Unalaska -35%
6	422,338,082	1,322,338	\$26,092,473	

Discussion: This change would have no effect on the disparity test. However, it would have an unbalanced impact on school districts: most small municipal school districts would never reach the 35% ceiling, whereas the larger and more affluent municipal school districts would reach the ceiling on local share and therefore be able to appropriate less for schools. Therefore, although foundation entitlement decreases of up to \$26 million are possible with mill rate changes alone, the burden of such changes is unevenly distributed.

3. CHANGE LOCAL CONTRIBUTION PERCENTAGE CEILING

If the local contribution required by AS 14.17.025(2) is changed so that there is an increased maximum percentage (40%, 45%, or 50%, instead of 35%) then only the North Slope and Valdez would be affected. The increased ceiling on local share of basic need would increase the costs for the two districts and reduce the state's cost of the foundation program a like amount. A 4 mill tax in other municipal school districts does not generate enough to reach the existing 35% ceiling. The changes are linear, i.e. each 5% change in the ceiling changes the costs by the same amount since it is a percentage of the same figure: basic need.

each 5% increase costs North Slope \$593,790 (based upon FY 89 figures)
each 5% increase costs Valdez 189,840
each 5% increase reduces foundation 783,630

Discussion: An increase to a 50% ceiling by itself would reduce foundation entitlements by only \$2,350,890. Only the two districts will be affected until such time as the assessed valuation in other municipal school districts increases to a level at which the minimum required tax levy meets or exceeds the existing 35% of basic need ceiling.

Note: Except for North Slope and Valdez, every city borough school district currently contributes an equivalent of a 4 mill tax levy. If the North Slope and Valdez had the same requirement, that is if there were a higher ceiling or no ceiling, then the revenue generated would exceed the basic need of those districts by over \$40 million (\$38,443,979 for North Slope and \$2,456,739 for Valdez). This analysis suggests that some combination of increased mill rate and increased ceiling on local share would involve more school districts in increased local support and produce significantly more local contributions toward education, reducing the foundation payment entitlements significantly.

4. CHANGE LOCAL CONTRIBUTION CEILING AND MILL RATE

This change places a greater burden on a larger number of municipal school districts and as a result more dramatically reduces foundation entitlements:

<u>Minimum mills</u>	<u>Maximum % ceiling</u>	<u>foundation reduced</u>
A 4.5 mill minimum with a	40% ceiling reduces state payments	\$16,115,669
	45%	17,081,593
	50%	18,047,516
A 5.0	40%	29,569,410
	45%	32,197,016
	50%	33,162,939
A 5.5	40%	40,865,063
	45%	45,920,400
	50%	48,264,381
A 6.0	40%	45,516,307
	45%	59,054,732
	50%	62,269,611

Discussion: This change affects only who pays what share of basic need and therefore does not affect disparity calculations. Disparity tests are affected only by expenditures beyond the basic need amount.

5. REAA INTEREST COUNTED AS LOCAL CONTRIBUTION

AS 14.17.025 (d) could be changed to require regional education attendance area school districts to contribute a local share in the amount of interest earnings. For FY 89 the amount of such earnings was projected to be \$2,211,984. This figure does not include interest earnings on capital project funds, but only interest on amounts in the general operating fund.

Discussion: Reducing state foundation payments to REAAs by interest earned on investments removes any incentive for investment and REAAs would likely cease the practice and eliminate the expense of managing these investments. Such a change would likely be counter-productive unless some incentive was retained for investment.

HOUSE COMMITTEE REPORT

(7)

Date Referred: January 27, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 4/5/89

The HEALTH, EDUCATION & SOCIAL SERVICES Committee recommends that:

HOUSE BILL NO. 119 [CHANGES AREA COST DIFFERENTIAL]
"An Act relating to the area cost differential for school districts; and providing for an effective date."

[X] be replaced with CSHB 119 (HESS) [X] the same title
[] a new title

[] have attached amendment(s)

- [] do pass
- [] do not pass
- [X] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [X] fiscal impact
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

W. H. Hurnace

George J. ...

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Peter J. ...

Mr. F. ...

Cheri Davis - No Rec

Max Baker - DO NOT PASS

without full review of

foundation formula

Ph. Ellis no rec

Ph. Ellis

Chairman's signature

A M E N D M E N T

OFFERED IN THE HOUSE

BY BOYER

TO: CSHB 119 (HESS)

Page 3, after line 16:

Insert a new bill section to read:

"* Sec. 3. The Department of Education shall implement the changes made to the area cost differential in sec. 2 of this Act, in equal amounts over the next three fiscal years, beginning July 1, 1989."

Renumber the following bill section accordingly.

Original sponsor: Larson

Adopted

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 119 (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 relating to the area cost differential for
7 school districts; and providing for an effective
8 date."

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

10 * Section 1. FINDINGS. The legislature finds that by making an adjust-
11 ment to the existing K-12 statutory area cost differential, as recommended
12 in a recent Legislative Budget and Audit Study, the funding formula will be
13 more equitable as to the true cost of education, for all districts of the
14 state.

15 * Sec. 2. AS 14.17.051 is amended to read:

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

School District	Area Cost Differential
Adak	<u>1.29</u> [1.27]
Alaska Gateway	<u>1.14</u> [1.19]
<u>Aleutian East</u>	<u>1.33</u>
Aleutian Region	1.31
Anchorage	1.00
Annette Island	<u>1.08</u> [1.03]
Bering Strait	<u>1.40</u> [1.39]
Bristol Bay	<u>1.33</u> [1.27]
Chatham	<u>1.10</u> [1.03]
Chugach	<u>1.20</u> [1.14]
Copper River	<u>1.13</u> [1.14]

1	Cordova	<u>1.20</u> [1.11]
2	Craig	<u>1.08</u> [1.03]
3	Delta/Greely	<u>1.14</u> [1.16]
4	Dillingham	<u>1.29</u> [1.27]
5	Fairbanks	<u>1.03</u> [1.04]
6	Galena	<u>1.33</u> [1.30]
7	Haines	<u>1.04</u> [1.05]
8	Hoonah	<u>1.10</u> [1.08]
9	Hydaburg	<u>1.08</u> [1.03]
10	Iditarod	1.33
11	Juneau	1.00
12	Kake	<u>1.10</u> [1.03]
13	Kashunamiut	<u>1.37</u> [1.33]
14	Kenai	1.00
15	Ketchikan	1.00
16	[KING COVE	1.27]
17	Klawock	<u>1.08</u> [1.03]
18	Kodiak	<u>1.08</u> [1.09]
19	Kuspuk	1.33
20	Lake & Peninsula	<u>1.33</u> [1.31]
21	Lower Kuskokwim	<u>1.40</u> [1.42]
22	Lower Yukon	<u>1.37</u> [1.35]
23	Matanuska-Susitna	1.00
24	Nenana	<u>1.14</u> [1.20]
25	Nome	<u>1.05</u> [
26	North Slope	<u>1.49</u> [1.45]
27	Northwest Arctic	<u>1.43</u> [1.45]
28	Pelican	<u>1.10</u> [1.08]
29	Petersburg	1.00

1	Pribilof	<u>1.40</u> [1.30]
2	Railbelt	<u>1.14</u> [1.23]
3	SAND POINT	1.27]
4	Sitka	1.00
5	Skagway	1.05
6	Southeast Island	<u>1.08</u> [1.04]
7	Southwest Region	<u>1.33</u> [1.31]
8	St. Mary's	<u>1.37</u> [1.30]
9	Tanana	<u>1.33</u> [1.30]
10	Unalaska	<u>1.29</u> [1.27]
11	Valdez	<u>1.08</u> [1.11]
12	Wrangell	1.00
13	Yakutat	<u>1.20</u> [1.08]
14	Yukon Flats	<u>1.36</u> [1.46]
15	Yukon-Koyukuk	<u>1.33</u> [1.34]
16	Yupiit	<u>1.40</u> [1.41]

* Sec. 3. This Act takes effect July 1, 1989.

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Alaska State Legislature



Session Address:
STATE CAPITOL BUILDING
BOX V
JUNEAU, ALASKA 99811
(907) 485-3727

Interim Address:
BOX 53
PALMER, ALASKA 99645
(907) 745-3826 - Palmer
(907) 376-8828 - Wasilla

Representative Ronald L. Larson District 16B

House Bill 119 An Act to Change Area Cost Differential by Representative Ronald Larson would change the portion of the public school foundation law that compensates a district for the cost associated with "doing business" in a particular geographic area. The area cost differential formula is a companion but separate from the formula that compensates for number of students, size of schools and number of communities within a school district.

The ACD Study was undertaken following the request by various individuals and groups alleging the ACD established in 1987, when the public school foundation formula was revised, was not accurate as it was taken from information that was collected by election district rather than school district and based only on personnel cost (didn't include operation cost). The Legislative Budget and Audit Committee contracted with the McDowell Group to prepare a study with recommendations that showed by school district:

1. personnel costs
2. operation costs
3. revenue and expenditure data per student

Presently the ACDs range from 1.0 to 1.46. HB119 calls for ACD from 1.0 to 1.49. Changes were modest resulting in 42 of the 53 districts changed by 5 points or less and only half of all districts (29) changed by less than 3 points. Eleven districts remained the same.

The concern that lead the Legislature to seek a study also lead to the appropriation of 3.5 million dollars for the express purpose of correcting any inequities found to exist as a result of this study.

Analysis by the Department of Education shows there will be no additional cost if the ACD were amended as called for in HB119. Although the purpose of the study was to insure appropriate compensation for the cost of business rather than to reduce public school expenditures, the findings do show it would require less funds if the proposal ACD were in effect. The information provided by the Department of Education shows the need for approximately \$200,000 less for the 1989-90 school year. The 3.5 million appropriated for correcting inequities will now be available for reappropriation and will most likely be reappropriated to fund a supplemental needed for the foundation program; thereby preventing the need to prorate the foundation program to all school districts in Alaska.

THE MCDOWELL GROUP
MANAGEMENT AND ECONOMIC CONSULTANTS

a division of



DATA DECISIONS GROUP, INC.

February 13, 1989

Representative Ron Larson
House of Representatives
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Larson:

The purpose of this letter is to address two questions concerning the final district differentials from the recently completed *Alaska School District Profiles and Differential Study*.

1. The Haines District inquired about adjusting their insurance differential. On their questionnaire they reported no property insurance costs because the administration of their insurance payments involves the Haines Borough. However, unlike any other borough government, the sole function of the Haines Third Class Borough is school finance and school funds were used by the borough to pay insurance premiums of \$19,613 in FY 1988, the year used for the study. Therefore, in our professional opinion the Haines School District should be credited with the payment of property insurance and their insurance expenditure weight and price differential adjusted accordingly. This would raise their geographic differential from 1.03 in our final report to 1.04.
2. In the first printing of Volume I, for which only a limited number of copies were printed, a typographical error existed for the Valdez District in one table in Chapter I. A 1.06 differential is shown and this should be corrected to 1.08. The copies from the major printing contain the correct differential of 1.08. Since the committee was given the copies of the first printing, any proposed legislation should be checked to insure a 1.08 for Valdez. Your office and Valdez were advised of this correction by phone in December.

Please call if you have any questions.

Sincerely,

D. Eric McDowell
Principal

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

POSITION PAPER

HB 119

Cost Differentials for School Districts

The Association of Alaska School Boards is concerned with the impact that the redistribution of the new area differentials will have on a number of small districts.

The impact of a decreased differential on a small district can be quite significant. Department of Education projections indicate. Four districts will receive cuts in excess of 5% of their state aid according to the McDowell scenario.

School districts are currently dealing with the suggestions from the Legislature to reduce their budgets due to revenue shortfalls from the State. This cost differential reduction to some districts, on top of possible reduced revenues from the State, may not provide some small districts with the latitude to adequately adjust to the redistribution of this new area cost differential.

AASB encourages the Legislature to insure that every consideration is made to protect the educational and operational integrity of each district in the State of Alaska.

1 ALASKA PUBLIC SCHOOL FUNDATION FUNDING PROGRAM
 2 FY90 LEGISLATIVE PROJECTION AS 14.17

3

4 PREPARED 1/11/89

BASED ON
 FRODOHILL

PERCENTAGE

5 *****
 6 PROJECTED STUDY COLUMN 3 OF CHANGE
 7 SCHOOL FY90 FY90 MINUS COLUMN 3 TO
 8 DISTRICT STATE AID STATE AID COLUMN 2 COLUMN 2
 9 -----

SCHOOL DISTRICT	PROJECTED FY90 STATE AID	STUDY FY90 STATE AID	COLUMN 3 MINUS COLUMN 2	OF CHANGE COLUMN 3 TO COLUMN 2
11 ADAK	\$2,185,603	\$2,250,403	\$64,800	2.96%
12 ALASKA GATEWAY	\$4,663,800	\$4,467,600	(\$196,200)	-4.21%
13 ALEUTIAN REGION	\$1,750,444	\$1,781,044	\$30,600	1.75%
14 ANCHORAGE	\$142,653,962	\$142,653,962	\$0	0.00%
15 ANNETTE ISLAND	\$1,191,188	\$1,302,388	\$121,200	10.26%
16 BERING STRAIT	\$11,397,158	\$12,112,958	\$715,800	6.28%
17 BRISTOL BAY	\$1,542,840	\$1,651,440	\$108,600	7.04%
18 CHATHAM	\$2,230,873	\$2,437,873	\$207,000	9.28%
19 CHUGACH	\$1,156,300	\$1,231,900	\$75,600	6.54%
20 COPPER RIVER	\$4,748,121	\$4,703,721	(\$44,400)	-0.94%
21 CORDOVA	\$2,211,486	\$2,430,686	\$219,200	9.90%
22 CRAIG	\$1,273,032	\$1,343,832	\$70,800	5.56%
23 DELTA GREELY	\$4,302,137	\$4,209,737	(\$92,400)	-2.15%
24 DILLINGHAM	\$2,503,779	\$2,555,979	\$52,200	2.08%
25 FAIRBANKS	\$51,113,347	\$50,680,347	(\$433,000)	-0.85%
26 GALENA	\$1,076,974	\$1,110,574	\$33,600	3.12%
27 HAINES	\$1,913,954	\$1,874,954	(\$39,000)	-2.04%
28 HOONAH	\$1,368,806	\$1,398,806	\$30,000	2.19%
29 HYDABURG	\$946,004	\$993,404	\$47,400	5.01%
30 IDITAROD	\$4,336,946	\$4,336,946	\$0	0.00%
31 JUNEAU	\$17,971,471	\$17,971,471	\$0	0.00%
32 KAKE	\$1,138,441	\$1,232,641	\$94,200	8.27%
33 KASHUNARTUT	\$980,334	\$1,034,234	\$53,900	5.49%
34 KENAI	\$32,247,213	\$32,247,213	\$0	0.00%
35 KETCHIKAN	\$8,903,122	\$8,903,122	\$0	0.00%
36 KING COVE	\$989,828	\$1,054,628	\$64,800	6.55%
37 KLAMOCK	\$1,065,944	\$1,134,944	\$69,000	6.47%
38 KODIAK	\$11,255,595	\$11,128,395	(\$127,200)	-1.13%
39 KUSLUK	\$4,532,907	\$4,532,907	\$0	0.00%
40 LAKE & PENINSULA	\$4,540,682	\$4,624,082	\$83,400	1.84%
41 LOWER KUSKOKWIM	\$26,399,207	\$25,946,207	(\$453,000)	-1.72%
42 LOWER YUKON	\$9,451,133	\$9,652,133	\$201,000	2.13%
43 MAT-SU	\$31,838,033	\$31,838,033	\$0	0.00%
44 NENANA	\$1,613,938	\$1,529,938	(\$84,000)	-5.20%
45 NOME	\$4,797,902	\$4,878,902	\$81,000	1.69%
46 NORTH SLOPE	\$6,512,331	\$6,841,131	\$328,800	5.05%
47 NORTHWEST ARCTIC	\$12,987,756	\$12,759,756	(\$228,000)	-1.76%
48 PELICAN	\$516,579	\$526,779	\$10,200	1.97%
49 PETERSBURG	\$2,766,182	\$2,766,182	\$0	0.00%
50 PRIBILOF	\$1,447,595	\$1,593,995	\$146,400	10.11%
51 RAILBELT	\$3,018,416	\$2,521,016	(\$497,400)	-16.48%
52 SAND POINT	\$1,254,838	\$1,320,838	\$66,000	5.26%
53 SITKA	\$6,062,363	\$6,062,363	\$0	0.00%
54 SKAGWAY	\$863,019	\$863,019	\$0	0.00%
55 SOUTHEAST ISLAND	\$4,558,473	\$4,766,073	\$207,600	4.55%
56 SOUTHWEST REGION	\$4,977,737	\$5,076,737	\$99,000	1.99%
57 ST. MARY'S	\$1,340,461	\$1,413,661	\$73,200	5.46%
58 TANANA	\$874,075	\$899,875	\$25,800	2.95%
59 UNALASKA	\$1,177,160	\$1,203,260	\$26,100	2.22%
60 VALDEZ	\$2,546,224	\$2,371,024	(\$175,200)	-6.88%
61 WRANGELL	\$2,418,601	\$2,418,601	\$0	0.00%
62 YAKUTAT	\$1,020,333	\$1,155,933	\$135,600	13.29%
63 YUKON FLATS	\$4,121,488	\$3,765,088	(\$356,400)	-8.65%
64 YUKON-KOYUKUK	\$5,019,436	\$4,971,436	(\$48,000)	-0.96%
65 YUPIIT	\$3,271,367	\$3,241,367	(\$30,000)	-0.92%
66				
67				
68 *****				
69				
70 TOTALS	\$469,643,738	\$469,575,338	(\$68,400)	-0.01%
71				
72 *****				
73 STATE CORR STUDY -->	\$3,728,010	\$3,728,010	\$0	0.00%
74 VALDEZ CONTRACT -->	\$600,000	\$600,000	\$0	0.00%
75 MT. EDGECLIFFE ---->	\$1,426,397	\$1,426,397	\$0	0.00%
76				
77 TOTAL STATE AID -->	\$475,398,145	\$475,329,745	(\$68,400)	-0.01%

ALASKA PUBLIC SCHOOL FOUNDATION FUNDING PROGRAM
 FY90 LEGISLATIVE PROJECTION 43 14 17

PREPARED 1/11/89

SCHOOL DISTRICT	FY90 PROJECTED UNITS	AREA COST DIFF.	FY90 ADJUSTED UNITS	FY90 PROJECTED BASIC NEED \$60,000	REQUIRED LOCAL EFFORT	DEDUCTIBLE PL874	PROJECTED FY90 STATE AID
ADAK	54.02	1.27	92.01	\$4,110,600	80	\$1,930,997	\$2,185,603
ALASKA GATEWAY	65.82	1.19	77.73	\$4,663,800	80	80	\$4,663,800
ALEUTIAN REGION	25.39	1.31	33.92	\$2,035,300	80	\$294,756	\$1,750,444
ANCHORAGE	3,103.37	1.20	3,103.37	\$186,202,200	\$43,334,202	\$214,036	\$142,653,962
ANNETTE ISLAND	40.78	1.03	41.99	\$2,495,600	80	\$1,314,212	\$1,181,168
BERING STRAIT	192.85	1.39	268.06	\$16,383,500	80	\$4,086,442	\$11,997,158
BRISTOL BAY	30.25	1.27	38.42	\$2,305,200	\$472,721	\$289,639	\$1,542,840
CHATHAM	49.16	1.03	50.63	\$3,037,300	80	\$806,927	\$2,230,873
CHUGACH	20.88	1.14	23.80	\$1,428,000	80	\$271,700	\$1,156,300
COPPER RIVER	74.74	1.14	85.20	\$5,112,000	80	\$363,879	\$4,748,121
CORDOVA	40.56	1.11	45.02	\$2,701,200	\$494,414	\$25,300	\$2,211,686
CRAIG	23.45	1.03	24.15	\$1,449,000	\$155,155	\$20,633	\$1,273,232
DELTA GREELY	76.92	1.16	89.23	\$5,353,900	80	\$1,051,663	\$4,302,137
DILLINGHAM	43.47	1.27	55.21	\$3,312,600	\$486,205	\$322,616	\$2,503,779
FAIRBANKS	1,055.20	1.04	1,097.41	\$65,844,600	\$14,683,509	\$47,744	\$51,113,347
GALENA	18.69	1.30	24.30	\$1,458,000	\$78,340	\$302,686	\$1,076,974
HAINES	37.86	1.05	39.75	\$2,385,000	\$450,452	\$14,594	\$1,919,954
HOONAH	25.19	1.08	27.21	\$1,632,600	\$90,228	\$172,906	\$1,368,906
HYDABURG	15.92	1.03	16.40	\$984,000	\$37,996	80	\$946,004
IGITAROD	63.90	1.33	84.99	\$5,099,400	80	\$762,454	\$4,336,946
JUNEAU	389.96	1.00	389.96	\$23,397,600	\$5,413,248	\$12,881	\$17,971,471
KAKE	22.35	1.03	23.02	\$1,381,200	\$70,921	\$171,838	\$1,138,441
KASHUNAMIUT	22.33	1.33	29.70	\$1,782,000	80	\$801,146	\$980,854
KENAI	774.01	1.00	774.01	\$46,440,600	\$14,086,937	\$106,450	\$32,247,213
KETCHIKAN	204.10	1.00	204.10	\$12,246,000	\$3,331,958	\$10,920	\$8,903,122
KING COVE	17.87	1.27	22.69	\$1,361,400	\$106,145	\$265,427	\$989,828
KLAMOCK	22.82	1.03	23.50	\$1,410,000	\$38,712	\$305,344	\$1,065,944
KODIAK	212.38	1.09	231.49	\$13,889,400	\$2,378,504	\$255,301	\$11,255,595
KUSPUK	65.33	1.33	86.99	\$5,213,400	80	\$680,493	\$4,532,907
LAKE & PENINSULA	69.39	1.31	91.56	\$5,493,600	80	\$952,918	\$4,540,682
LOWER KUSKOKWIM	377.58	1.42	536.16	\$32,169,600	80	\$5,770,393	\$26,399,207
LOWER YUKON	167.41	1.35	226.00	\$13,560,000	80	\$4,108,867	\$9,451,133
MAT-SU	663.60	1.00	663.60	\$41,016,000	\$9,159,961	\$18,006	\$31,838,033
MENANA	23.33	1.20	28.00	\$1,680,000	\$66,062	80	\$1,613,938
MOPE	67.30	1.34	90.18	\$5,410,800	\$560,332	\$52,566	\$4,797,902
NORTH SLOPE	137.09	1.45	198.78	\$11,928,800	\$4,150,440	\$1,364,029	\$6,512,331
NORTHWEST ARCTIC	189.93	1.45	275.40	\$16,524,000	\$632,184	\$2,904,060	\$12,987,756
PELICAN	8.63	1.08	9.32	\$559,200	\$42,621	80	\$516,579
PETERSBURG	57.88	1.00	57.88	\$3,472,800	\$692,336	\$14,282	\$2,766,182
PRIBILOF	24.46	1.30	31.80	\$1,908,000	80	\$460,405	\$1,447,595
RAILBELT	61.45	1.23	75.98	\$3,058,800	80	\$40,384	\$3,018,416
SAND POINT	18.33	1.27	23.28	\$1,396,800	\$141,962	80	\$1,254,838
SITKA	132.65	1.20	159.18	\$7,959,000	\$1,896,637	80	\$6,062,363
SKAGWAY	17.23	1.35	23.26	\$1,085,400	\$221,334	\$547	\$863,019
SOUTHEAST ISLAND	86.65	1.34	116.12	\$5,407,200	80	\$848,727	\$4,558,473
SOUTHWEST REGION	92.73	1.31	121.58	\$6,502,300	80	\$1,525,063	\$4,977,237
ST. MARY'S	17.40	1.30	22.62	\$1,357,200	\$16,739	80	\$1,340,461
TANANA	14.33	1.30	18.63	\$1,117,800	\$46,048	\$197,677	\$874,075
UNALASKA	21.47	1.27	27.27	\$1,636,200	\$386,275	\$72,465	\$1,177,460
VALDEZ	58.38	1.11	64.80	\$3,888,000	\$1,331,610	\$10,166	\$2,546,224
WRANGELL	67.31	1.30	87.51	\$2,838,600	\$417,379	\$2,620	\$2,418,601
YAKUTAT	18.86	1.28	24.13	\$1,222,200	\$76,168	\$125,699	\$1,020,333
YUKON FLATS	59.41	1.46	86.74	\$5,204,400	80	\$1,082,912	\$4,121,488
YUKON-KOYUKUK	79.61	1.34	106.68	\$6,400,800	80	\$1,381,364	\$5,019,436
YUPIIT	50.12	1.41	70.67	\$4,240,200	80	\$968,833	\$3,271,367

TOTALS 9,342.00 10,197.63 \$611,857,800 \$105,518,875 \$36,495,187 \$469,643,738

STATE CORR STUDY -----))) \$3,723,010
 VALDEZ CONTRACT -----))) \$600,000
 MT. EDGECLUMBE -----))) \$1,426,397
 TOTAL STATE AID -----))) \$475,349,165

ALASKA PUBLIC SCHOOL FUNDATION FINANCING PROGRAM
FY90 LEGISLATIVE PROJECTION AS 10.17

PREPARED 1/11/89

McDowell

SCHOOL DISTRICT	STUDY						
	FY90 PROJECTED UNITS	AREA COST DIFF.	FY90 ADJUSTED UNITS	FY90 PROJECTED BASIC NEED \$60,000	REQUIRED LOCAL EFFORT	DEDUCTIBLE PL876	PROJECTED FY90 STATE AID
ADAK	54.32	1.29	59.69	\$4,181,400	80	\$1,430,997	\$2,250,403
ALASKA GATEWAY	65.32	1.14	74.46	\$4,467,600	80	80	\$4,467,600
ALEUTIAN REGION	25.29	1.33	34.43	\$2,065,800	80	\$284,756	\$1,781,044
ANCHORAGE	3,103.37	1.00	3,103.37	\$186,202,200	\$43,334,202	\$214,036	\$142,653,962
ANNETTE ISLAND	40.28	1.08	43.51	\$2,616,600	80	\$1,314,212	\$1,302,388
BERING STRAIT	192.25	1.40	269.99	\$16,199,400	80	\$4,086,442	\$12,112,958
BRISTOL BAY	30.25	1.33	40.23	\$2,613,800	\$472,721	\$289,639	\$1,651,440
CHATANAH	49.16	1.10	54.08	\$3,244,800	80	\$806,927	\$2,437,873
CHUGACH	20.88	1.20	25.06	\$1,503,600	80	\$271,700	\$1,231,900
COPPER RIVER	74.74	1.13	84.46	\$5,067,600	80	\$363,879	\$4,703,721
CORDOVA	40.56	1.20	48.67	\$2,920,200	\$464,414	\$25,300	\$2,430,486
CRAIG	27.45	1.08	29.53	\$1,519,300	\$155,125	\$20,833	\$1,343,452
DELTA GREELY	76.92	1.14	87.69	\$5,261,400	80	\$1,051,663	\$4,209,737
DILLINGHAM	43.47	1.29	56.08	\$3,364,800	\$486,205	\$322,616	\$2,555,979
FAIRBANKS	1,055.20	1.03	1,086.86	\$65,211,600	\$14,683,509	\$47,744	\$50,480,347
GALENA	18.69	1.33	24.86	\$1,491,600	\$78,340	\$302,686	\$1,110,574
HAINES	37.36	1.03	39.00	\$2,340,000	\$450,452	\$14,594	\$1,874,954
HOONAH	25.19	1.10	27.71	\$1,662,600	\$90,888	\$172,906	\$1,398,806
HYDABURG	15.92	1.08	17.19	\$1,031,400	\$37,996	80	\$993,404
IDITAROD	63.90	1.33	84.99	\$5,099,400	80	\$762,454	\$4,336,946
JUNEAU	389.96	1.00	389.96	\$23,397,600	\$5,413,248	\$12,881	\$17,971,471
KAKE	22.35	1.10	24.59	\$1,475,400	\$70,921	\$171,838	\$1,232,641
KASHUNAHUT	22.33	1.37	30.59	\$1,835,400	80	\$801,166	\$1,034,234
KENAI	774.01	1.00	774.01	\$46,440,600	\$14,086,937	\$106,150	\$32,247,213
KETCHIKAN	204.10	1.00	204.10	\$12,246,000	\$3,331,958	\$10,920	\$8,903,122
KING COVE	17.87	1.33	23.77	\$1,426,200	\$106,143	\$265,427	\$1,054,628
KILBUCK	22.82	1.08	24.65	\$1,479,000	\$38,712	\$305,344	\$1,134,944
KODIAK	212.38	1.08	229.37	\$13,762,200	\$2,378,504	\$255,301	\$11,128,395
KUSKOK	65.33	1.33	86.89	\$5,213,400	80	\$680,493	\$4,532,907
LAKE & PENINSULA	69.89	1.33	92.95	\$5,577,000	80	\$952,918	\$4,624,082
LOWER KUSKOKWIM	377.58	1.40	528.61	\$31,716,600	80	\$5,770,393	\$25,946,207
LOWER YUKON	167.41	1.37	229.35	\$13,761,000	80	\$4,108,867	\$9,652,133
MAT-SU	683.60	1.00	683.60	\$41,016,000	\$9,159,961	\$18,006	\$31,838,033
NEENAH	23.33	1.14	26.60	\$1,596,000	\$66,062	80	\$1,529,938
NOME	67.30	1.36	91.53	\$5,491,800	\$560,332	\$52,566	\$4,878,902
NORTH SLOPE	137.09	1.49	204.26	\$12,255,600	\$4,150,440	\$1,264,029	\$6,841,131
NORTHWEST ARCTIC	189.93	1.43	271.60	\$16,296,000	\$452,184	\$2,904,060	\$12,739,756
PELICAN	8.63	1.10	9.49	\$569,400	\$42,621	80	\$526,779
PETERSBURG	57.88	1.00	57.88	\$3,472,800	\$492,336	\$14,282	\$2,766,182
PRIBILOF	24.46	1.40	34.24	\$2,054,400	80	\$460,405	\$1,593,995
RAILBELT	41.45	1.03	42.69	\$2,561,400	80	\$40,384	\$2,521,016
SAND POINT	18.33	1.33	24.38	\$1,462,800	\$141,962	80	\$1,320,838
SITKA	132.65	1.00	132.65	\$7,959,000	\$1,896,637	80	\$6,062,363
SKAGWAY	17.23	1.05	18.09	\$1,085,400	\$221,834	\$547	\$863,019
SOUTHEAST ISLAND	86.65	1.08	93.58	\$5,614,800	80	\$843,727	\$4,766,073
SOUTHWEST REGION	82.73	1.33	110.03	\$6,601,800	80	\$1,525,063	\$5,076,737
ST. MARY'S	17.40	1.37	23.84	\$1,430,400	\$16,739	80	\$1,413,661
TANANA	14.33	1.33	19.06	\$1,143,600	\$46,048	\$197,677	\$899,875
UNALASKA	21.47	1.29	27.70	\$1,662,000	\$386,275	\$72,465	\$1,203,260
VALDEZ	58.28	1.36	81.53	\$3,712,800	\$1,331,610	\$10,166	\$2,371,024
WRANGELL	67.31	1.00	67.31	\$2,838,600	\$417,379	\$2,620	\$2,418,601
YAKUTAT	18.86	1.20	22.63	\$1,357,800	\$76,168	\$125,699	\$1,155,933
YUKON FLATS	59.41	1.36	80.80	\$4,848,000	80	\$1,082,912	\$3,765,088
YUKON-KOYUKUK	79.61	1.33	105.88	\$6,352,800	80	\$1,381,364	\$4,971,436
YUPIIT	50.12	1.40	70.17	\$4,210,200	80	\$968,833	\$3,241,367

TOTALS 9,342.20 10,196.49 \$611,789,400 \$105,518,875 \$36,695,187 \$469,575,338

STATE CORR STUDY -----))) \$3,708,310
VALDEZ CONTRACT -----))) \$600,000
MT. EDGECLUMBE -----))) \$1,426,397
TOTAL STATE AID -----))) \$475,329,745

SITKA SCHOOL DISTRICT



TO : House HESS Committee Members

FROM : Joe Beckford, Ass't. Sup't. *Joe B.*
Sitka School District

DATE : April 4, 1989

RE : House Bills 119 & 185

House Bill 119

My questioning of Mr. McDowell was meant to bring out that the area differentials are invalid as applied. In a market basket approach to determining a cost of living index, a wide range of expenses impacting a total budget are compiled. In the school district cost survey, a relatively few expenses are extrapolated out as if they impacted the whole school district's budget. While the cost of utilities, transportation, and freight comprise a relatively small portion of school district budgets, the area differentials they represent are applied to 100% of a district's entitlement. The area differentials should be adjusted according to how much of a school district's budget goes into expense categories truly impacted by differential costs. This is not being done. This and the dispersion calculations have a compounding effect which has significantly led to the creation of "have's" and "have not's" in state foundation funding. It has also led to a small number of communities which want a good basic educational program having to pay an extremely high amount of local funding in order to do so.

House Bill 185

Sitka School district could add to the scenarios that other single site school districts have provided in their testimony to show the wholesale cutbacks in people and programs which have occurred over the last several years; cutbacks which were the direct result of inadequate funding through an inequitable funding formula.

A good example of the problem can be shown by looking at next year's (FY'90) Basic Need calculations for Sitka Schools. Basic Need is what it should cost Sitka to carry out its educational program with the number of students and groupings of students (foundation units) for which it is eligible.

The inadequacy of Basic Need, as a realistic cost

determinant, can be shown by the following:

- Basic Need (132.66 units x \$60,000.)	=	\$ 7,959,600.
- Sitka's salary and benefit costs	=	<u>7,855,122.</u>
		\$ 104,122.

After payroll expenses, Basic Need leaves the district with \$104,122. to pay the utilities (electricity, fuel oil, water, sewer, and garbage), insurance, mandated costs (i.e. audit, curriculum review, etc.), contracted services, and other expenses. Basic need, at full funding is not covering the bills let alone talk of prorating the basic need by 95%.

It is my understanding that the Department has put together an alternate proposal which would exclude Sitka and some of the other higher category districts from the relief sought under HB 185. They claim that the larger districts proposed for this relief have efficiency of size. If you look at the computation of Basic Need, efficiency of size has not been taken into consideration anyplace else in funding formulations. If you take Anchorage's Basic Need and divide it by their enrollment (38,685.23), you get \$ \$4,830.17 per pupil; Sitka's Basic Need (at 1657.90 enrollment) is \$4,943.24; a \$ 113.07 difference. However, Northwest Arctic School District, which is comparable to Sitka in size has a Basic Need per pupil of \$10,004.46.; a \$6,188.68 difference. Where has efficiency of size been taken into consideration in the foundation formulations ? The answer is nowhere, and that is a part of the problem that the small school district's face.

The Department's input on this issue is vacuous; it has no data or valid rationale to support its position because the facts are very clear; small single site school districts, of which Sitka is and should be a part, have taken a disproportionate higher reduction in state funding than other categories of school districts.



SOUTHEAST
ISLAND
SCHOOL
DISTRICT

1621 TONGASS AVENUE SUITE 301
POST OFFICE BOX 8340
KETCHIKAN, ALASKA 99901
(907) 225-9658 (OR 225-9651)

Robert Weinstein
SUPERINTENDENT

April 4, 1989

Representative Johnnie Ellis
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Ellis:

Due to the limited time this morning for testimony regarding HB 119, I was unable to present the position of the Southeast Island School District with respect to this legislation. I am therefore submitting our position in written form.

The School District generally supports the revised differentials as some appropriate corrections are made, and certain inequities in the current formula are reduced.

When the original differentials were proposed, I did a considerable amount of research and expressed a great deal of concern regarding the appropriateness of using household cost data to reflect the relative costs of operating school districts.

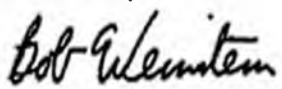
Two of the major subindices used inappropriately were for housing and transportation, which alone accounted for between 40 and 50% of the household costs in each area of the state. The current study appears to correct this and similar problems with the earlier data, and more accurately reflects the cost of school district operations. It certainly shows what people in this area have been saying: the area differentials for Southeast Alaska school districts were, on a relative basis, inappropriately low.

Another reason to adopt the proposed changes in some form has to do with federal PL 874 requirements. It is my understanding that, when federal officials reviewed the new foundation plan to determine whether it met certain tests with respect to PL 874, so that a deduction from state aid could be made, the plan was approved in part because a showing could be made that the best available data at the time was used to establish the differentials. Now that the source of the original data is stating that better data is now available, it seems that some type of action is appropriate in order to avoid jeopardizing the current deductibility of the PL 874 funds from state foundation aid.

A few other suggestions which come to mind are as follows:

- (A) Additional consideration might be given to more regionalization of data. For example, in southern Southeast the data indicated that this school district had a cost of doing business of 11% above the base. However, the proposed differential puts us only 8% above the base. This was so our district would not stand out in southern Southeast among the rural districts with respect to area differentials. Given the relative locations of the school districts in this part of the state, that approach does make some sense. If this were to be applied to some other places throughout the state, such as northern Southeast Alaska, perhaps that would reduce some of the problems perceived in the proposed legislation in that there are differences between neighboring towns and districts.
- (B) Consideration should be given to a hold harmless provision so that no district loses funds due to a decrease in area differentials. If such a provision were implemented, the area differential perhaps would only decrease as the foundation unit increased in future years.
- (C) A provision should be made for the periodic updating of data every three to five years. This would assure that in future years we are not operating on completely antiquated data.

Sincerely,



Robert Weinstein
Superintendent

STATE OF ALASKA
THE LEGISLATURE

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907-465-3800

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

Mary Van Nimwegen

H. HESS

2-23-89

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

**ALASKA SCHOOL DISTRICT
PROFILES AND
DIFFERENTIAL STUDY**

**SUMMARY OF RESULTS AND
RECOMMENDATIONS**

CHAPTER I OF VOLUME I

PREPARED FOR:

LEGISLATIVE BUDGET AND AUDIT COMMITTEE
ALASKA STATE LEGISLATURE

PREPARED BY:

THE MCDOWELL GROUP
A DIVISION OF
DATA DECISIONS GROUP, INC.

IN ASSOCIATION WITH
DR. NAT COLE

DECEMBER 1988

