

HB

185

HOUSE COMMITTEE REPORT

(7)

Date Referred: February 17, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 4/5/89

The HEALTH, EDUCATION, & SOCIAL SERVICES Committee considered: HB 185

HOUSE BILL NO. 185 [STATE FOUNDATION FORMULA-SMALL DISTRICTS]
"An Act relating to state aid for education; and providing for an effective date."

RECOMMENDS:

- [] replacing with _____ [] the same title
[] a new title
[] the attached amendment(s)
[] do pass
[] do not pass
[] no recommendation
[X] 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:

Handwritten signatures: W. J. ... Chris Davis ...

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

Handwritten notes: Peter ... NR ... MARK BAKER // DO NOT Pass without full review of foundation formula ... J. Ellis no rec.

Handwritten signature: J. Ellis
Chairman's signature

HOUSE BILL 185

RELATING TO STATE AID FOR EDUCATION AND EFD

BY

REPRESENTATIVE KAY WALLIS

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1 IN THE HOUSE

BY WALLIS AND JACKO

2 HOUSE BILL NO. 185

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 state aid for education; and
7 providing for an effective date."

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

9 * Section 1. AS 14.17.041 is amended by adding new subsections to read:

10 (e) A district with an ADM of 3,000 or less that consists of one
11 funding community shall increase the elementary and secondary instruc-
12 tional units received under (a) or (b) of this section by multiplying
13 the instructional units by a percentage determined under the following
14 table:

15	District ADM	Percentage
16	1 - 250	1.12
17	251 - 525	1.08
18	526 - 1000	1.06
19	1001 - 2000	1.04
20	2001 - 3000	1.03

21 (f) A district with an ADM of 1,000 or less that consists of two
22 funding communities shall increase the elementary and secondary in-
23 structional units received under (a) or (b) of this section by multi-
24 plying the instructional units by a percentage determined under the
25 following table:

26	District ADM	Percentage
27	1 - 250	1.08
28	251 - 525	1.04
29	526 - 1000	1.02

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

Bill Explanation

The purpose of this bill is to provide a permanent solution to address a weakness in the Public School Foundation Program. The weakness is that for a school district of two or less funding communities, the instructional unit schedules which determine a district's entitlement to basic need do not generate sufficient revenue to provide for fixed costs, e.g., district administration and operation/maintenance of plant. These districts must fund fixed costs by decreasing the instructional program or increasing local taxes, if possible. Those districts which have more than two funding communities gain enough from replicating the instructional schedules to provide for these fixed costs.

The bill adds a percentage to the number of K-12 units to cover these fixed costs. The percentages are stepped on a sliding scale. That is, the smaller districts receive a larger percentage. These percentages were determined after analyzing expenditure patterns of these districts and identifying the fixed/variable costs of district operations according to district size.

The 1987 and 1988 Legislatures were cognizant of the problem with the formula and made special appropriations of \$2,000,000 and \$3,500,000 respectively. This bill will provide a permanent solution by which districts can plan their budgets and adequately meet expenses.

HIGHLIGHTS

SINGLE-DUAL SITE FINANCIAL CONSORTIUM STUDY REPORT

BACKGROUND

In April of 1988 a number of Alaska School District Board of Education members and superintendents met to discuss their belief that the funding formula had a disparate impact on single and dual-site school districts.

The group determined to form a consortium to investigate the effects of the application of House Bill 126 on small single and dual-site school districts. The membership included single and dual-site school districts with enrollments of less than 3,000 students. The consortium contracted for a study to investigate how these school districts had been impacted by the new Foundation Program.

FINDINGS

The major findings of the study are as follows:

1. All districts in Alaska experienced a reduction in expenditures per ADM (average daily membership) between fiscal years 1986 and 1989.
2. Single/dual site and small school districts experienced a greater reduction in dollars per ADM than did multiple site and larger school districts - that is, the changes in funding resulted in disproportionate/disparate program curtailments that negatively affected small single and dual-site school districts more than larger and multiple-site school districts.
3. Larger and multiple-site school districts have now approximated their FY 1986 dollar per ADM expenditure levels.
4. Smaller single and dual-site school districts have remained at a level relatively constant with the level to which they had fallen after the FY 1987 budget constrictions.
5. To bring the smaller school districts back to their relative position when compared to the larger districts, an increased expenditure of approximately \$10 million would be necessary.
6. The researchers concluded and recognized that multiple-site school districts are more costly to operate than single/dual site school districts.

SOLUTION

The researchers generated and evaluated several methods of addressing the funding problem. The researchers identified and recommended a funding scheme which would result in a percentage increase added to the Foundation Formula allocation to each of the small single and dual-site school districts. They generated three alternative solutions which the Consortium could consider, all of which would cost between .89% and 1.23% of the State of Alaska Education Foundation Allocation for FY 1989.

<u>SOLUTION</u>	<u>AMOUNT TO BE DISTRIBUTED</u>
A	\$4,672,724
B	\$4,072,837
C	\$5,539,129

CONCLUSION

The Consortium membership has no interest in competing with other school districts for existing dollars. It is the belief of the Single and Dual-Site Consortium membership that additional money in the amount of \$4,672,724 should be added to the Foundation Formula Allocation and distributed among the school districts negatively affected by application of House Bill 126.

FISCAL NOTES

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: State Aid for Education
Sponsor: Eliason, Zahroff et. al.
Requestor: Eliason

Agency Affected: Education
BRU: K-12 Support
Components: Foundation

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		4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
MISCELLANEOUS						
TOTAL OPERATING	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached analysis of impact on the Foundation program.

Prepared by: Mary Haka Phone: 465-2800
Division: Commissioner's Office Date: 2/23/89
Approved by Commissioner: William G. Demmert Date: 2/23/89
Agency: Education

Distribution (by preparer):

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

1 DEPARTMENT OF EDUCATION
 2 PROJECTED PERIOD FY90 FOUNDATION
 3 SINGLE/DUAL SITE PROPOSED SOLUTION (A)
 4

5	-----							
6	PROJECTED	ADJUSTMENT	INCREASED	AREA	ADJUSTED	COLUMN 13-		
7	SCHOOL	K-12	FACTOR	K-12	COST	INCREASED	TIMES	
8	DISTRICT	FY90 ADM	SINGLE/DUAL	UNITS	DIFF.	K-12 UNITS	\$40,000	
9	-----							
10	SCHOOL							
11	ADAK REGION	638.00	48.53	6%	2.91	1.27	3.70	\$222,000
12	ALASKA GATEWAY	477.00	57.59		0.00	1.19	0.00	0
13	ALEUTIAN REGION	115.00	22.36		0.00	1.31	0.00	0
14	ANCHORAGE	38,747.00	2,591.49		0.00	1.00	0.00	0
15	ANNETTE ISLAND	414.00	33.60	8%	2.69	1.03	2.77	\$166,200
16	BERING STRAIT	1,298.00	161.33		0.00	1.39	0.00	0
17	BRISTOL BAY	246.00	24.62	8%	1.97	1.27	2.50	\$150,000
18	CHATHAM	317.00	44.31		0.00	1.03	0.00	0
19	CHUGACH	101.00	17.54		0.00	1.14	0.00	0
20	COPPER RIVER	588.00	68.65		0.00	1.14	0.00	0
21	CORDOVA	428.00	34.53	8%	2.76	1.11	3.06	\$183,600
22	CRATE	217.60	20.51	12%	2.46	1.03	2.53	\$151,800
23	DELTA GREELY	900.00	65.13	6%	3.91	1.16	4.54	\$272,400
24	DILLINGHAM	460.00	36.67	8%	2.93	1.27	3.72	\$223,200
25	FAIRBANKS	13,175.00	903.94		0.00	1.04	0.00	0
26	GALENA	145.00	15.67	12%	1.88	1.30	2.44	\$146,400
27	HAINES	365.00	33.06	4%	1.32	1.05	1.39	\$83,400
28	HOONAH	235.00	21.62	12%	2.60	1.08	2.81	\$168,600
29	HYDABURG	106.00	12.83	12%	1.54	1.03	1.59	\$95,200
30	IDITAROD	407.00	56.41		0.00	1.33	0.00	0
31	JUNEAU	4,675.00	316.34		0.00	1.00	0.00	0
32	KAKE	183.00	18.20	12%	2.18	1.03	2.25	\$135,000
33	KASHUNAHUT	165.00	17.00	12%	2.04	1.33	2.71	\$162,600
34	KEULAI	8,476.00	672.77		0.00	1.00	0.00	0
35	KETCHIKAN	2,491.00	174.64	3%	5.24	1.00	5.24	\$314,400
36	KING COVE	133.00	14.87		0.00	1.27	0.00	0
37	KLAMOCK	184.00	18.27	12%	2.19	1.03	2.26	\$135,600
38	KODIAK	2,250.69	180.20		0.00	1.09	0.00	0
39	KUSPUK	402.00	56.16		0.00	1.33	0.00	0
40	LAKE & PENINSULA	367.15	63.72		0.00	1.31	0.00	0
41	LOWER KUSKOWIM	2,735.50	291.46		0.00	1.42	0.00	0
42	LOWER YUKON	1,301.00	145.56		0.00	1.33	0.00	0
43	MAT-SU	8,252.00	578.13		0.00	1.00	0.00	0
44	MENANA	196.00	19.07	12%	2.29	1.20	2.75	\$165,000
45	MOYE	765.00	56.73	6%	3.40	1.34	4.56	\$273,600
46	NORTH SLOPE	1,259.00	122.78		0.00	1.45	0.00	0
47	NORTHWEST ARCTIC	1,613.97	164.17		0.00	1.45	0.00	0
48	PELICAN	41.00	6.63	12%	0.80	1.08	0.86	\$151,600
49	PETERSBURG	647.00	48.89	6%	2.93	1.00	2.93	\$175,800
50	PRIBILOF	163.00	20.47	8%	1.64	1.30	2.13	\$127,800
51	RAILBELT	336.00	37.66		0.00	1.23	0.00	0
52	SAND POINT	155.00	16.33		0.00	1.27	0.00	0
53	SITKA	1,602.80	111.93	4%	4.48	1.00	4.48	\$268,800
54	SKAGWAY	135.00	15.00	12%	1.80	1.05	1.89	\$113,400
55	SOUTHEAST ISLAND	509.00	81.05		0.00	1.04	0.00	0
56	SOUTHWEST REGION	495.00	68.20		0.00	1.31	0.00	0
57	ST. MARY'S	112.00	13.33	12%	1.60	1.30	2.08	\$124,800
58	TANANA	88.00	11.33	12%	1.36	1.30	1.77	\$106,200
59	UNALASKA	180.00	18.00	12%	2.16	1.27	2.74	\$164,400
60	VALDEZ	715.00	53.61	6%	3.22	1.11	3.57	\$214,200
61	WRANGELL	523.00	40.49	3%	3.24	1.00	3.24	\$194,400
62	YAKUTAT	128.00	14.53	12%	1.74	1.08	1.88	\$112,800
63	YUKON FLATS	345.00	52.85		0.00	1.46	0.00	0
64	YUKON-KOYUK	506.00	71.32		0.00	1.34	0.00	0
65	YUPIIT	300.00	36.67		0.00	1.41	0.00	0
66	-----							
67								
68	TOTALS	101,809.71	7,896.89		69.28		78.19	\$4,728,400

FISCAL NOTE COST ANALYSIS

SCHOOL DISTRICT	LESS REQ LOCAL EFFORT FY 90	LESS DEDUCTIBLE PL 81 874 FY 90	PROJECTED STATE AID FY 90 INCL THIS BILL	PROJECTED STATE AID FY 90 DOE	COST OF THIS BILL
ADAM	\$0	\$1,930,997	\$2,437,462	\$2,185,601	\$221,879
ANNETTE (KANE)	\$0	\$1,314,212	\$1,347,396	\$1,181,188	\$166,118
BRISTOL BAY	\$472,721	\$289,639	\$1,693,278	\$1,542,840	\$150,368
CORREIVA	\$464,414	\$75,300	\$2,395,462	\$2,211,486	\$183,976
CRRIG	\$155,135	\$70,833	\$1,425,134	\$1,273,032	\$152,102
DELTA GREENLY	\$0	\$1,051,863	\$4,574,120	\$4,302,137	\$271,983
DEL BUDJAM	\$486,205	\$322,818	\$2,727,319	\$2,503,779	\$223,540
GALENA	\$78,345	\$302,646	\$1,223,645	\$1,078,878	\$144,671
HAINES	\$150,452	\$14,984	\$2,003,265	\$1,919,954	\$83,311
HICKMAN	\$90,868	\$172,906	\$1,537,312	\$1,368,806	\$168,506
HENDERSON	\$17,996	\$0	\$1,041,151	\$944,004	\$97,147
HANE	\$70,921	\$171,838	\$1,273,412	\$1,138,441	\$134,971
HASHBURNHILL	\$0	\$801,186	\$1,143,626	\$980,834	\$162,792
HETCHIKAN	\$1,331,958	\$10,920	\$9,217,474	\$8,903,122	\$314,352
KING COVE	\$0	\$0	\$0	\$0	\$0
KIT VOCK	\$38,712	\$205,344	\$1,201,434	\$1,063,944	\$137,490
LAHONA	\$66,062	\$0	\$1,778,703	\$1,613,938	\$164,765
MAINE	\$160,332	\$52,546	\$5,071,548	\$4,797,902	\$273,646
PELICAN	\$42,621	\$0	\$568,134	\$518,579	\$49,555
PETERSBURG	\$62,336	\$14,282	\$2,887,196	\$2,766,182	\$121,014
PUREL OF ISLANDS	\$0	\$450,405	\$1,575,328	\$1,447,595	\$127,733
SAND POINT	\$0	\$0	\$0	\$0	\$0
SITKA	\$1,096,637	\$0	\$6,330,995	\$6,062,363	\$268,632
SKAGWAY	\$221,834	\$547	\$976,419	\$963,019	\$13,400
ST MARYS	\$16,739	\$0	\$1,663,230	\$1,340,461	\$322,769
TANAKA	\$46,048	\$197,677	\$980,124	\$874,075	\$106,049
UNALASKA	\$288,275	\$72,465	\$1,342,052	\$1,177,480	\$164,572
VALDEZ	\$1,331,810	\$10,166	\$2,780,450	\$2,548,224	\$232,226
WILKINSON	\$117,379	\$2,620	\$2,612,953	\$2,418,601	\$194,352
WALSTAT	\$78,168	\$125,039	\$1,133,318	\$1,020,333	\$112,985
TOTAL	\$11,431,783	\$7,671,161	\$64,748,831	\$60,044,876	\$4,703,955

DEPARTMENT OF EDUCATION

LEGAL

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

GOLDBELY PLACE
801 WEST 10TH STREET
P.O. BOX F
JUNEAU, ALASKA 99811-0500

March 23, 1989

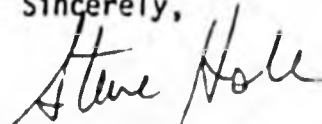
The Honorable Richard Eliason
Alaska State Senator
Post Office Box Y
Juneau, Alaska 99811

Dear Senator Eliason:

You have asked why the Department of Education cannot, on its own motion, expend funds from the \$3.5 million appropriated by sec. 264(b), ch 173, SLA 1988. The appropriation is limited to "...implementing changes in the public school foundation program (AS 14.17)..." That language expressly means that the legislature must enact legislation to authorize the Department to spend the money.

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

Sincerely,



Steve Hole
Deputy Commissioner

cc: Senator John Binkley

STATE OF ALASKA
THE LEGISLATURE

HOUSE OF REPRESENTATIVES
JUNEAU ALASKA 99801
907 465 1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 29, 1989

SUBJECT: Appropriation for changes in the school
foundation program (SCS HB 543(Fin))

TO: Senator Dick Eliason

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

You have supplied me with information relevant to an appropriation enacted by the legislature last year in SCS HB 543 (Fin), sec. 264. It provides:

The sum of \$3,500,000 is appropriated from the general fund to the Department of Education for the fiscal year ending June 30, 1989, for the purpose of implementing changes in the public school foundation program (AS 14.17) as identified by the governor or by the McDowell area cost differential report prepared for the Legislative Budget and Audit Committee during fiscal year 1989.

Steve Hole, Deputy Commissioner of Education, has informed you by letter that the department cannot expend those funds without legislation authorizing the expenditure. In HB 154, sec. 13, introduced by the governor the appropriation is amended to provide that the money simply go into the foundation program. You have asked whether I am in agreement with Mr. Hole regarding the need for legislation to authorize expenditure of the funds. I do agree with Mr. Hole.

The language of the appropriation itself is probably too imprecise to be implemented. On the one hand, it refers to changes in the foundation program, suggesting that the statute itself is to be modified, and on the other hand, it refers to changes identified by the governor or by the McDowell report. Neither the governor nor the McDowell report have the power to change the statutorily established foundation program, so it is unclear what role they are to

Senator Dick Eliason
Page 2
March 29, 1989

play with respect to this appropriation. The legislature cannot delegate its "power of the purse" to the governor or anyone else without establishing pretty clear guidelines for expenditures, nor may it accomplish a delegation in an appropriation act.

Aside from the uncertainty of the language used in the appropriation, the section appears to violate the confinement requirement. When the legislature appropriates money to an agency to conduct a particular function, the agency must have the power to perform that function under other law, since an appropriation act itself cannot contain substantive law. (Article II, Section 13, Constitution of the State of Alaska) The Department of Education does not have general authority to pass out money to school districts, except under the foundation formula. It cannot deviate from that statutorily established formula unless authorized to do so by law. (See Legislature v. Hammond, 1JU-80-1163 Civil (Alaska Superior Court, May 25, 1983); Kelly v. Hammond, C.A. 77-4 (Alaska Superior Court, April 12, 1987 reporter's transcript of record)

The letters of intent adopted by the House and Senate do not have the force of law and cannot serve to grant to the Department of Education authority to spend an appropriation of the department otherwise lacks that authority. In this case, the House and Senate letters are not identical, so they do not provide the department with a clear indication of how the legislature as a whole expects this money to be distributed. If the legislature wants to make extra money available to small municipal school districts and REAA school districts to make up for perceived underfunding in the past, the legislature will need to make specific appropriations to each recipient or the legislature will need to establish in substantive law a special grant program and authorize the Department of Education to make grants based upon criteria set out in the law.

TBC:kb
wkk3/049

REVIEW OF DEPARTMENT OF EDUCATION'S POSITION

The Department of Education's review of the consortium of single/dual site school districts recommended change to the foundation program (Tom Ryan to Steve Hole February 17, 1989) recommends that the State Board of Education oppose the legislation.

The Department's opposition is that single/dual site districts do not have a common problem, only a common complaint-not enough revenue. Furthermore, the DOE attributes these complaints as not being a foundation formula problem, but that these districts having difficulty maintaining a level of program offerings acceptable to their community.

Weaknesses in the Department's fiscal analysis is that they examined foundation revenues only and did not pay any attention to total revenues available to the district. They did not examine how much effort above 4 mills single/dual site districts had to make to provide for district operations. This additional local effort is indicative that "basic need" for single/dual site districts is inadequate.

The Department did not examine patterns of expenditure for districts but dismissed expenditure patterns as "people tend to spend what they have;" moreover, that breadth of program could not be achieved because small size means inefficiency. No analysis was made of how efficient single/dual sites are compared to multiple site districts (Consortium study shows single/dual sites are very efficient with the funds available).

The Department claims to have used a statistical measure called the "coefficient of variation" to examine the relative changes within three groups of districts. No evidence is presented between groups using this measure only variations within groups. However, the reasons for these variations is not explained. The DOE concedes that the single/dual site districts had the least variation in terms of dollars per ADM between 1983, 1986 and 1988.

Response to DOE by ¹⁶South East Reg Resource Center

POSITION STATEMENTS FROM SCHOOL DISTRICTS

GALENA CITY SCHOOL DISTRICT

GALENA, ALASKA 99741

PHONE (907) 658-1205

SUPERINTENDENT'S
OFFICE



February 6, 1989

Representative F. Kay Wallis
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Representative Wallis:

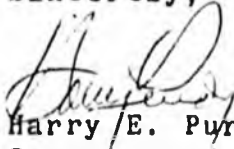
For the past year, the Galena City School District has been cooperating with a number of other Alaska school districts in evaluating the effects of the current school foundation formula. A financial consortium which represents the interests of these 28 school districts has been formed. This consortium has conducted an exhaustive analysis of funding patterns which clearly demonstrates that single site and dual site school districts have been negatively impacted by application of the current funding scheme. Galena City School District agrees with the findings of the analysis and is supportive of the Consortium's efforts to obtain additional funding.

The problems associated with the current funding formula have been recognized by the Legislature since the date of implementation. In 1987, the Legislature appropriated 2.0 million dollars to offset the adverse impacts of the formula; an appropriation of 3.5 million dollars was made in 1988 for the same purpose. This year, the Single and Dual Site District Consortium is attempting to introduce legislation which would result in an appropriation of 4.6 million to be distributed among 28 member school district. This amount was determined through the analysis recently completed and submitted to you in the report Single Site/Dual Site District Consortium Financial Study Report, December, 1989.

Representatives of the Consortium will be working with all groups in the educational community to obtain the desired funding. Additionally, a number of districts have also secured the services of Mr. Nels Anderson, former member of the Legislature. He will assist the Consortium in their efforts and will be visiting your office in the near future to acquaint you with the goals of the Single/Dual Site Consortium. He will also be requesting your support on the consortium's behalf.

We urge you to give the Consortium request your serious consideration. If you need additional information regarding the specific impacts on Galena City School District, Please contact me.

Sincerely,



Harry E. Purdy
Superintendent

GALENA CITY SCHOOL DISTRICT

GALENA, ALASKA 99741
PHONE (907) 856-1205

SUPERINTENDENT'S
OFFICE



March 31, 1989

Representative Kay Wallis
P.O. Box V
Juneau, Alaska 99811

Dear Senator Fischer:

The Department of Education at the request of the Senate Health, Education and Social Services Committee, provided and presented a finding program which would modify the current education finance formula. This proposal was prompted by SB-179 which effects single/dual site funding.

The Department of Education proposal presents a number of concerns, not the least of which is the fact that this Proposal was developed in the absence of a research or data gathering effort.

There are a number of questions that the Department of Education should be asked about this proposal and are as follows:

1. What evidence exists to limit the funding proposal to single funding sites and to eliminate dual site from any financial enhancement?
2. The Department of Education has been aware of certain inequities that exist in single and dual site districts. No effort has been to address either the programmatic deficiencies or the funding deficiencies. Why did the Department elected to ignore these problem?
3. The Department of Education formula proposal eliminates one-third of the assessed value of the State of Alaska in determining assessed value per pupil. What is the rationale for this determination?
4. What rationale supports the Department of Education's determination to adopt the Kake/Dillingham temporary solution suggested more one than one year ago?
5. Why has the Department waited until this late date to develop a funding proposal when audited financial data and programmatic inequities in the Single/Dual school districts were known nearly one year ago.
6. Why has the Department of Education changed its position regarding the recognition of the deficiencies? Why does the Department of Education currently support a proposed Foundation Formula change when less than one month ago the Department claimed that no

problems existed in the funding single and dual site school districts?

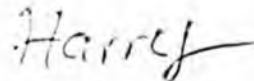
7. Why has the Department of Education declined to provide the Single/Dual Site Consortium information related to the rationale for their financial proposal.

8. Mr. Huxol, instrumental in drafting the Foundation Formula, indicates that the existing formula includes front-end loading which is advantageous to multiple site school districts. The disparity between multiple and single/dual site school districts is excessive and the Single/Dual Site Consortium Study supports and demonstrates this excess. Why hasn't the Department of Education addressed this issue.

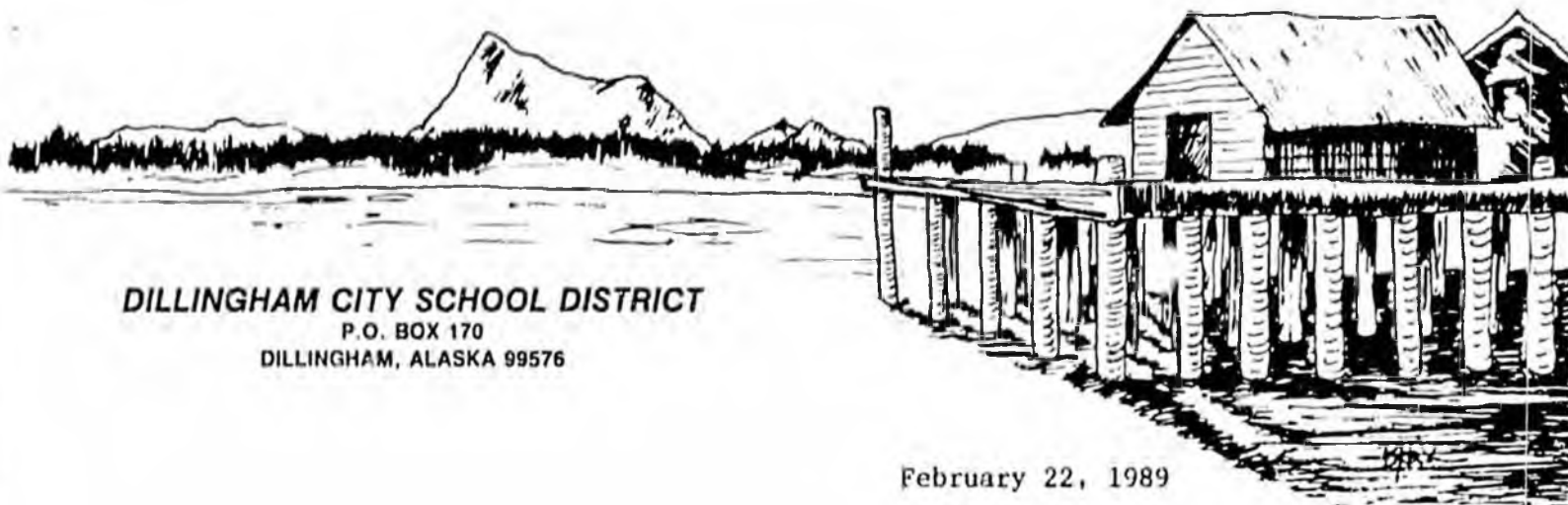
As stated above, it is my opinion that the Department of Education should be required to respond to these important concerns. Legislators, if they are to reach a reasonable conclusions regarding the structure of the funding formula, need this information as well. Should the Department of Education be able to adequately defend their funding proposal with statistical and programmatic, the Single/Dual Site Consortium would probably accept their findings. However, in the absence of an empirical analysis, it is quite difficult for the school districts which are disparately affected to accept the proposed formula change which is not based on analysis or study.

Your interest in this communication is genuinely appreciated.

Sincerely,



Harry Purdy, Superintendent
Galena City Schools



DILLINGHAM CITY SCHOOL DISTRICT
P.O. BOX 170
DILLINGHAM, ALASKA 99576

February 22, 1989

F. Kay Wallis
House of Representatives
P. O. Box V
Juneau, AK 99811

Dear Representative Wallis:

When the new foundation funding formula for schools was adopted in 1986, it was recognized by the Legislature and the Department of Education that some inequities may exist.

Single site school districts have taken reductions in state revenues much higher than in other school districts. Dillingham City School District has lost 34% of its state revenues, has 20 fewer employees, receives City support and still faces the need to reduce our FY 90 proposed budget. An amount of approximately \$350,000 must be reduced from a budget which is already at the minimum necessary to maintain an adequate educational program. To make this reduction will have a severe impact on the education of our children.

In 1988 single and dual site school districts met and organized a research effort which supports minor changes in the foundation formula for 28 school districts. While the foundation formula is an excellent method to distribute school funds, SB 179 and HB 185 would correct inequities, strengthen the formula and allow single site districts to continue serving a student population which is largely rural and Native Alaskan. In addition, full funding of the education unit at \$60,000 will also be needed by all Alaskan school districts if we are to maintain positive school programs for children.

Your positive support for SB 179 and HB 185 is needed.

Sincerely,

Henry Kilmer
Superintendent

Sincerely,

H. Sally Smith
School Board President

HSS:HK:dh

22

March 7, 1989

Honorable Kay Wallis
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811

HB 185
SB 179

Dear Representative Wallis:

I appreciated the opportunity last week of meeting with Pat Williams of your staff relative to several concerns of the St. Mary's School District.

First of all, we should again like to thank you for your sponsorship of HB185 regarding single and dual funding community school districts. I was able to meet with several other legislators while in Juneau to solicit support for the bill. Most seem to recognize that the proposed legislation does address an inequity in the foundation program. However, they expressed concern about the \$4.7 million price tag, and they felt that there were several "well off" districts that would benefit which did not have a pressing need for the additional funds.

Nonetheless, the St. Mary's School District views this as a serious equity question. The current foundation program was promoted and enacted upon the presumption that it provided an equitable distribution of state funds to school districts by taking into account the several critical variables that affect the cost of operating a district. It is clear that there are different cost variables at play in the operation of small single or dual funding community districts vis a vis larger districts and those with more funding communities. Thus if the legislature is to accomplish what it set out to do, some adjustment is necessary along the lines of your bill.

The same equity issue can be raised relative to necessary adjustments to the area differential factor. The area differentials were originally based upon the results of a study that was conducted for a purpose other than determining the geographic cost variables associated with the operation of school districts. Now that a more appropriate study has been completed, it is clear that a number of changes in area differentials are necessary if the legislature is to approach the level of funding equity to which it was striving when the current foundation program was adopted. Thus we urge you to support HB119 dealing with area cost differentials. Passage of this bill would have a significant positive impact on the St. Mary's School District which has suffered more than any other district under the current foundation program.

Tied closely to the need for the aforementioned technical corrections in the foundation program is the importance of full funding for the \$60,000 foundation unit. We recognize that state revenues are down and that there is great competition for the dollars that are available. However, we believe that the future success of our state will largely be determined by the efficacy of our public school system.

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Therefore, every effort should be made to ensure that state financial support is not diminished.

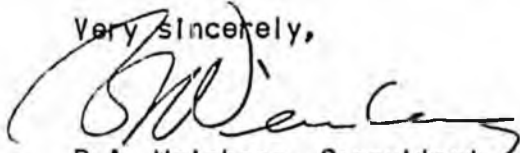
The other school district funding measure which we should like to address at this time is HB37 dealing primarily with school construction funding through debt retirement and Department of Education grants. Although this appears to be an attempt to achieve equity in the way school districts acquire capital funds from the state, we are not convinced that the bill will accomplish that goal. We believe that this proposed legislation deserves much more review, especially as regards the allocation schedule in Section 19.

There are of course other issues before the legislature in which the St. Mary's School District has a keen interest, but we will address these in more detail later. For now, suffice it to say that we are against any legislation that would create mandatory boroughs or that would involuntarily consolidate school districts, as these are unwarranted intrusions into the area of local self-determination.

We also vigorously oppose binding interest arbitration in school district collective bargaining. Such legislation would seriously undermine public control of public education by improperly delegating critical economic and policy decisions to third parties who are not accountable to the electorate for the results of those decisions.

The St. Mary's School District is very appreciative of the interest, concern, and support you have shown us. If there is any way that we can be of assistance to you relative to the above mentioned matters or other education issues, please feel free to contact Jim Zuelow or myself.

Very sincerely,



B.A. Weinberg, Consultant
ST. MARY'S SCHOOL DISTRICT
(Educational Management Associates, Inc.)

BAW/gt

cc: Senator John Binkley
Jim Zuelow

March 10, 1989

The Honorable F. Kay Wallis
House Finance Committee
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Wallis:

The current public school foundation program was designed, promoted, and adopted on the basis that it provided a much more equitable framework for the distribution of state funds for education than its predecessor. For the most part, this goal was accomplished, a fact lauded by most people in the education community. This was a notable accomplishment for which the Governor, the Legislature, and the Department of Education should be proud.

Nonetheless, it was recognized at the time of its passage that the legislation still had a few flaws that produced adverse consequences to certain districts. These were related to the area cost differentials, some of which were obviously inappropriate, and the "penalty" to districts which do not have multiple funding communities.

These adverse consequences were recognized at the outset, and the Legislature was far-sighted enough to make appropriations to address these problems -- \$2 million in FY'88 and \$3.5 million in FY'89. At the same time, a study was commissioned to better determine actual area cost differentials as they relate to the operation of school districts. That study shows that the necessary adjustments to area differentials will have no cost impact on the state.

Thus the remaining problem is with smaller single and dual funding community districts. In order to compensate for the cost of operating schools in multiple funding communities, the formula is "front-end loaded" to provide a funding base for each site. Whether the formula has overcompensated for multiple funding community districts or undercompensated for smaller single dual funding community districts is academic. The fact is that entirely too great a disparity has been generated.

An actual comparison of two districts graphically illustrates the problem. It happens that the St. Mary's School District has an FY'89 ADM of 110.9. The Aleutian Region School District has an ADM of 111. St. Mary's has one funding community, and Aleutian Region has six. The dramatic disparity resulting from single versus multiple funding communities is outlined below.

2/21/89
copy to
Wallis

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	<u>K-12 Units</u>	<u>Total Value</u>	<u>Value Per ADM</u>
Aleutian Region	21.70	\$1,302,000	\$11,730
St. Mary's	13.24	\$ 794,400	\$ 7,163
Difference	8.46	\$ 507,600	\$ 4,569

Thus, without regard to the other components of the foundation formula, St. Mary's basic funding for K-12 is 36% less than Aleutian Region simply as a function of the front-end load applied to each funding community. Such a disparity cannot be justified on the basis of the operational cost differences between a one-site and a six-site district. This disparity has a lesser impact upon large single/dual-site districts and a lesser impact on dual-site districts than single-site districts.

Although the adverse consequences to individual districts is substantial relative to inappropriate area cost differentials and the single/dual site penalty, the impact upon the state is negligible. As has been indicated, there is no state cost to fix the area differentials under HB119. The cost to address the single/dual site problem under HB185 is less than \$4.7 million, or approximately 1% of the foundation program. To be within 1% of equity for such a massive program is notable; thus it would be all the more a pity if these two problems are not addressed so that the program may fulfill its avowed purpose.


As you know, these two issues have been before the Legislature ever since the current foundation program was adopted, because the adverse impacts to the affected districts are in the most cases too substantial to be ignored. If the problems are not solved this year, they will continue to be brought before the Legislature until they are solved. In the meantime, the quality of education is bound to suffer in many of the affected districts.

Critics of the proposed single/dual-site solution sometimes say that school consolidation is the answer. We do not deny that the issue of consolidation is one that must be addressed. However, because of its inherent complexity and the political and other ramifications, consolidation is really a future issue. The single/dual-site problem is an immediate issue that speaks to a basic inequity in the foundation program as it now exists.

Others say that certain "well-off" districts would benefit from the adjustment and do not really need the additional funds. It is true that because of extraordinary assessed valuations or PL874 revenues, some districts are more fortunate than others. This was the case in the past and will likely continue into the future. However, it is irrelevant in consideration of the fact that an inherent inequity exists in the allocation of the cornerstone of the foundation formula -- the basic K-12 unit. This inequity should be resolved. Then, if there is a way to address windfalls, that should be done later. However, care must be taken with regard to the latter to ensure that the disparity applicart is not upset so as to jeopardize the state's eligibility under PL874.

In conclusion, we urge you to support HB119 and HB185 to address these blemishes on an otherwise outstanding foundation program. If you have any questions, please do not hesitate to contact Jim Zuelow, Superintendent of the St. Mary's School District, or myself.

Very sincerely,



B.A. Weinberg, Consultant
ST. MARY'S SCHOOL DISTRICT
(Educational Management Associates, Inc.)

BAW/gt

TANANA CITY SCHOOL DISTRICT

P.O. Box 89
Tanana, Alaska 99777
(907) 366-7203

Dr. Vince Barry
Superintendent/Principal
Mr. Joe R. Young
Administrative Assistant

January 26, 1989

Senator John Binkley and
Representative Kay F. Wallis
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

Dear Senator Binkley and Representative Wallis:

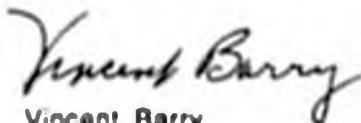
For the past year, the Tanana City School District has been cooperating with a number of other Alaska school districts in evaluating the effects of the current school foundation formula. A financial consortium which represents the interests of these 28 school districts has been formed. This consortium has conducted an exhaustive analysis of funding patterns which clearly demonstrates that single site and dual site school districts have been negatively impacted by application of the current funding scheme. Tanana City School District agrees with the findings of the analysis and is supportive of the Consortium's efforts to obtain additional funding.

The problems associated with the current funding formula have been recognized by the Legislature since the date of implementation. In 1987, the Legislature appropriated 2.0 million dollars to offset the adverse impacts of the formula; an appropriation of 3.5 million dollars was made in 1988 for the same purpose. This year, the Single and Dual Site District Consortium is attempting to introduce legislation which would result in an appropriation of \$4.6 million to be distributed among the 28 member school districts. This amount was determined through the analysis recently completed and submitted to you in the report Single Site/Dual Site District Consortium Financial Study Report, December, 1988.

Representatives of the Consortium will be working with all groups in the educational community to obtain the desired funding. Additionally, a number of the districts have also secured the services of Mr. Neil Anderson, former member of the Legislature. He will assist the Consortium in their efforts and will be visiting your office in the near future to acquaint you with the goals of the Single/Dual Site Consortium. He will also be requesting your support on the consortium's behalf.

We urge you to give the Consortium request your serious consideration. If you need additional information regarding the specific impacts on Tanana City School District, please contact me.

Sincerely yours,



Vincent Barry
Superintendent

VB/lac

The Purpose of the Tanana school is:

To help all children succeed in obtaining the necessary knowledge, skills and attitudes to live a happy, productive life as a contributing member of society.

JAN 30 1989

SKAGWAY CITY SCHOOL

P.O. Box 497 • Skagway, Alaska 99840 • (907) 983-2960

March 31, 1989

To Whom It May Concern:

The Skagway City School District is recognized as one of the most underfunded districts in the state and unless the city government approves a 58% INCREASE in local contributions, many existing programs will be lost.

The following EXISTING programs will be eliminated unless legislation supporting the small and dual site consortium is supported:

One full-time elementary teaching position which will result in combining multi-grades in one class

Elimination of all community education activities

Elimination of satellite education courses (The district added Advanced Senior English, Japanese, and Spanish through satellite television this year.)

Deferring substantial building and maintenance projects

Reduction of instructional materials

Reduction of extra-curricular activities


Filling existing vacancies with first year teachers only - no prior experience or advanced degrees

Reduction of classified staff

These reductions may seem insignificant but Skagway City School District only has 144 students, 12 certified staff, 6 classified staff and an operating budget of \$1,081,000 - THESE REDUCTIONS WOULD HAVE A SIGNIFICANT IMPACT ON THE QUALITY AND EDUCATIONAL OPPORTUNITY AVAILABLE TO OUR CHILDREN.

Your support would be greatly appreciated.

Sincerely,



Ralph Tronrud, President
Board of Education

POSITION PAPER BY S.E.R.R.C.

POSITION PAPER

House Bill 185: An Act relating to the Public School Foundation program

PURPOSE

The purpose of this bill is to provide equity in the public school foundation program by adding a percentage factor to schedules (a) and (b) in AS 14.17.041 to correct a funding problem where a school district consists of two or less funding communities.

BACKGROUND

A funding community is the determinant by which districts generate instructional units to determine basic need. The funding community schedules front end load instructional units. That is, it takes fewer students to make an instructional unit. This method is used to financially assist small schools. However, when a funding community is also a district, the schedule is not adequate to cover the costs of district as well as school operations. These districts have two choices: (1) reduce educational program expenditures to accommodate district operational costs, or (2) seek additional local funds from the municipal government. This is only possible if the local tax base can generate revenue in real dollar terms.

On the other hand, a district which has many funding communities can repeat the schedule many times. They receive a "bonus" which provides

adequately for the district and school costs.

ALTERNATIVES

Do Nothing: This is unacceptable. If this Legislature reduces the appropriation required to fully fund the foundation program by 5 percent, the impact on single/dual site districts is devastating.

Consolidate Smaller Districts: Consolidation of Districts may be viable where they are connected by road. Program and administrative efficiencies may be realized. However, this approach is very questionable when communities are physically isolated from each other. No program efficiencies can be realized, for children cannot be brought together to increase class size and program offerings. Clearly, it costs more to operate a multiple site district than a single site district, so administrative efficiencies are not realized.

ADDITIONAL COMMENTS

It was the intent of the Legislature in enacting this foundation program to assure an equitable level of educational opportunity for those in attendance in the public schools of the state (AS 14.17.220) The proposed change provided in this bill will help assure that intent is met.

MEMORANDUM

State of Alaska

Department of Education

TO: Steve Hole
Deputy Commissioner

DATE: February 17, 1989

FILE NO: FAC 1742

TELEPHONE NO: 465-2865

FROM: Tom Ryan
Acting Director
EFSS

SUBJECT: Single/Dual Site Consortium
Proposed Foundation Program
Amendment

A Consortium of Single/Dual Site school districts is proposing a change to the foundation program (attached) which provides an extra percentage calculation for twenty eight school districts. The Consortium claims that this extra funding is needed to counteract negative effects of the current formula.

We have reviewed the analysis done for the Consortium by the South East Regional Resource Center (SERRC). While that analysis does show a reduction in average expenditures for Consortium school districts, it does not show a pattern of reductions common to the group as a whole. The current formula was designed partly for the purpose of reducing funding for districts with ADM under 1000 which had been favored by the previous formula.

The Consortium analysis uses surveys of superintendents in single/dual site districts to conclude that there were "disproportionate/disparate program curtailments," yet there is no similar survey data shown for multi-site district programs. The survey comments are particularly subjective and are not corroborated by test scores or grass roots pressure which would help identify program inadequacies. That single/dual site district schools may not offer all of the program options available in larger districts is a manifestation of the efficiency of scale achievable in larger districts, and does not by itself indicate a foundation formula problem.

There are certainly some districts in the Consortium who are having difficulty maintaining a level of program offerings acceptable to their community. Yet we do not believe this is true for all or even the majority of Consortium school districts. Our analysis of the SERRC data shows a greater variance in effects of funding formula changes on Consortium districts than upon multi-site districts. We can find no common denominator which identifies the Single/Dual Site Consortium school districts as a group with a common problem requiring a common solution.

We recommend that the State Board oppose the extra percentage bill if it is submitted in the legislature, because it provides a solution to a common complaint and not to a clearly identified common problem. At the February Board meeting we will provide department analyses of the data illustrating the variation in Consortium experiences through various foundation program changes.

DOE response to SB 179 ³³

ALASKA PUBLIC SCHOOL FOUNDATION FUNDING PROGRAM

PREPARED 11/22/89

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BASED ON

4

FFY86 APPL. McDowell STUDY

5

6	PL874 254	FY90	SUM TOTAL	SINGLE/DUAL	ESTIMATED
7 SCHOOL	(NOMINAL LAND	FOUNDATION	COLUMNS	CONSORTIUM	NET EFFECT
8 DISTRICT	ADD-ON	ADJUSTMENT	2 PLUS 3	SOLUTION (A)	
10					
11 ADAK	0	164,800	164,800	1195,653	1260,253
12 ALASKA GATEWAY	189,692	(1196,200)	(1106,508)		(1106,508)
13 ALUTIAN REGION	163,935	130,600	194,535		194,535
14 ANCHORAGE	1951	0	1951		1951
15 ANNETTE ISLAND	1292,167	1121,200	2413,367	1171,408	1584,775
16 BERING STRAIT	1954,423	1115,800	11,070,223		11,070,223
17 BRISTOL BAY	140,853	1108,600	1169,453	1166,304	1295,757
18 CHATHAM	1165,177	1207,000	1372,177		1372,177
19 CHUGACH	134,633	175,600	1110,233		1110,233
20 COPPER RIVER	156,613	(144,400)	114,213		114,213
21 CORDOVA	0	1219,000	1219,000	1186,349	1403,349
22 CRAIG	12,091	170,800	172,891	1169,511	1222,694
23 DELTA CREEKY	0	(192,400)	(192,400)	1284,511	1192,111
24 DILLINGHAM	189,692	152,200	1161,892	1232,136	1374,028
25 FAIRBANKS	0	(1633,000)	(1633,000)		(1633,000)
26 GALENA	1115,449	133,600	1169,049	1163,489	1292,538
27 HAINES	0	(145,000)	(145,000)	143,563	138,563
28 HOODAH	129,302	130,000	159,302	1167,962	1227,264
29 HYDABURG	14,643	147,400	151,043	197,595	1169,638
30 IOTIARD	1164,288	0	1164,288		1164,288
31 JUNEAU	1381	0	1381		1381
32 KATZ	166,173	194,200	1160,373	1128,008	1264,373
33 KASHMIRIUT	1117,216	153,400	1170,616	1165,282	1335,898
34 KENAI	119,967	0	119,967		119,967
35 KETCHIKAN	0	0	0	1315,614	1315,614
36 KIGLIK COME	144,839	144,800	1113,639		1113,639
37 KILBUCK	144,823	949,000	1133,823	1129,558	1263,381
38 KODIAK	115,783	(1127,200)	(1111,417)		(1111,417)
39 KULUK	1163,862	0	1163,862		1163,862
40 LAKE & PENINSULA	1210,441	143,400	1300,081		1300,081
41 LOWER Kuskokwim	11,308,958	(1453,000)	1456,958		1456,958
42 LOWER YUKON	1942,208	1201,000	11,143,203		11,143,203
43 NAT-SU	0	0	0		0
44 NEENAH	1198	(184,000)	(183,110)	1167,011	143,201
45 NEPE	0	181,008	181,008	1267,973	1368,973
46 NORTH SLOPE	1560,580	1328,808	1479,388		1479,388
47 NORTHWEST ARCTIC	1749,039	(1228,000)	1541,039		1541,039
48 PELICAN	0	110,200	110,200	140,264	170,464
49 PETERSBURG	0	0	0	1172,188	1172,188
50 PRIDLOF	1100,345	1164,400	1246,745	1129,230	1375,975
51 RAILBELT	0	(1497,400)	(1497,400)		(1497,400)
52 SAND POINT	0	146,008	146,008		146,008
53 SITKA	13,042	0	13,042	1271,176	1274,218
54 SKAGWAY	0	0	0	1113,600	1113,600
55 SOUTHEAST ISLAND	1100,345	1207,400	1307,945		1307,945
56 SOUTHWEST REGION	1344,515	199,000	1443,515		1443,515
57 ST. PARY'S	134,633	173,200	1107,833	1127,109	1234,942
58 TARRAH	115,522	125,808	141,322	1104,591	1165,873
59 UNALASKA	11,332	125,800	127,132	1152,630	1179,562
60 VALDEZ	0	(1175,200)	(1175,200)	1209,151	133,951
61 WENDELL	0	0	0	1189,264	1189,264
62 WASKIYAT	118,449	1133,600	1154,249	1114,152	1268,401
63 YUKON PLATS	1235,331	(1356,400)	(1121,069)		(1121,069)
64 YUKON-COYUKUK	1315,251	(144,000)	1267,251		1267,251
65 YUPIIT	1225,537	(130,000)	1195,537		1195,537
66					
67					
68					
69					
70 TOTALS	17,804,926	(168,400)	17,736,526	14,672,776	112,409,252
71					
72					

SINGLE / DUAL SITE CONSORTIUM FINANCIAL STUDY

REVIEW AND ANALYSIS

Study and Proposal.

The Consortium study examined the revenues and expenditures per pupil in ADM from FY1986 to FY1989 for thirty school districts characterized as single/dual site districts. The findings are that revenues per ADM to these school districts have been declining, as have expenditures, over the fiscal years studied. Additional state funding by formula adjustments to instructional units for these districts is recommended by the study.

Review and Analysis.

Department analysis was directed at examination of the state aid pattern to three groups of school districts: single/dual site districts, large metropolitan school districts, and dispersed rural school districts. State aid revenue patterns were the primary focus for analysis because that is what the Consortium Study proposes changing. Area differentials were removed from the state aid data so the funds measured represent the instructional support aspect of the formula. State aid per ADM was then recomputed using the adjusted aid amounts. A statistical measure called the "coefficient of variation" was applied to examine the relative differences within the three identified groups. It then became possible to examine the effects of changes in state funding at three fiscal periods and determine the extent to which the state funding formula may have contributed to variations within a group, as well as between groups.

Audited state aid revenues were examined for fiscal years 1983, 1986 and 1988. The foundation program formula in FY83 was based upon ADM counts converted to instructional units with the state equalizing local contributions with state funds by a formula element called "supplemental equalization aid". From FY84 through FY86 appropriations were made on a statutory amount per ADM derived from the FY83 formula, with variations in appropriations levels each year. FY87 was not examined because changes to ADM funding were asystematic and resulted in problems with the federal P.L. 874 Impact Aid program requiring a special appropriation in FY88 to re-equalize state aid. FY88 was the first year of the current foundation program formula which was adopted to better equalize funding of districts.

The foundation formula recognizes district size and dispersion of schools as significant cost factors and adjusts for them. Geographic cost factors were recently studied in detail for the Legislature, and were not analyzed in this review. Neither were expenditures examined since they represent budgetary actions and decisions of school boards and their administrators, and expenditure differences would necessarily parallel revenue fluctuations.

SINGLE/DUAL SITE CONSORTIUM FINANCIAL STUDY

REVIEW AND ANALYSIS -Page 2-

Findings

The horizontal bar graph shows the three school district groupings for three fiscal years. The single/dual site group of districts is the most disparate measured on an aid per ADM basis. Districts in this group vary from 48 to over 2,500 pupils in size. Conversion of ADM counts to instructional units causes extreme variations in state aid within this diverse group. When presented as amounts per ADM of revenue, these within-group differences are amplified. However, for the three fiscal years examined, this group had the least variation in terms of dollars per ADM provided from the state.

Districts over 2,500 students in size are less diverse as a group compared to the single/dual site group on the \$/ADM basis of comparison. This is due in part to local contribution requirements in the current formula, and changes in the adjustment of P.L.874 Impact Aid funds, both of which decrease state aid. Variances within this group from converting ADM to instructional units and dollars are small, and result in a lower amount per ADM when averaged. This grouping shows the greatest decline in state aid in FY88.

Within dispersed rural districts as a group, conversion of ADM to instructional units commonly causes wider variations in state aid. Small changes in ADM cause major changes in units and dollars paid. This group of districts also derives substantial revenues from the P.L.874 Impact Aid program, and the decreased state aid per ADM in FY88 is largely due to the equalization adjustments of the latest formula.

Conclusions.

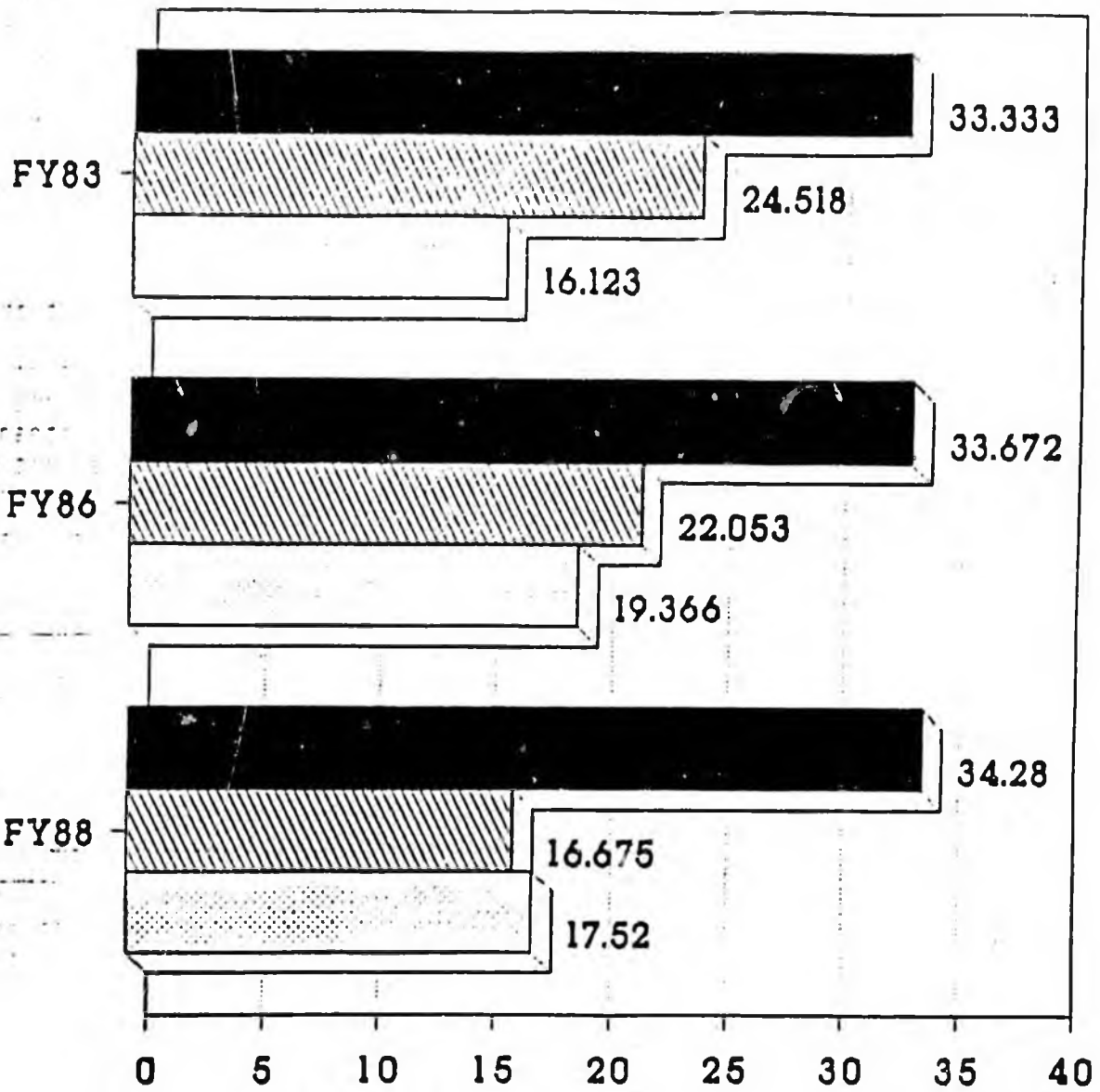
The foundation program formula implemented in FY88 appears to have had the least effect on state aid to the single/dual site districts as a group. This is a widely varied group, which logically precludes generalizations about problems or solutions to problems affecting them.

The Single Site / Dual Site District Consortium Financial Study Report of December, 1988 proposes foundation formula adjustments which would provide more state aid to the school districts within the group. Assuming no reductions in state appropriations for school support in FY90, the study is a reasonable political proposal. If state appropriations for school support decrease, the proposed changes would be accommodated at the expense of other school districts.

The current foundation formula did pass the federal P.L.874 Impact Aid equity check known as the "disparity test" on the basis of FY88 audited school district revenues. The proposed changes will probably increase the disparity between districts, but such changes should not cause the state to flunk the test so far as existing data indicates.

SINGLE/DUAL SITE DISTRICTS

VARIATIONS FY83/FY86/FY88



SINGLE/DUAL, LARGE, DISPERSED RURAL

Series 1 Series 2 Series 3

Foundallon Program Analysis

ALASKA DEPARTMENT OF EDUCATION
 SCHOOL OPERATING FUND REVENUES
 COMPARISONS OF CHANGE: FY83 TO FY88, FY86 TO FY88 & FY88 TO FY86
 IN:COMP88 (02/15/88)

SCHOOL DISTRICT	FY83 AID MIGRS AREA DIFF.	FY83 FINAL AID 1982-83, PER AID	FY86 STATE AID MIGRS FY83 AREA DIFF.	FY86 FY 1986 ADJUSTED ADJ PER AID	FY88 STATE AID MIGRS FY88 AREA DIFF.	FY 1988 FOUNDATION FINAL AID PER AID	FY88 STATE AID ADJUSTED PER AID	\$ PER AID PERCENTAGE FY86 TO FY83	\$ PER AID PERCENTAGE FY88 TO FY83	\$ PER AID PERCENTAGE FY88 TO FY86		
* SINGLE/DUAL SITE DISTRICTS *												
ADAK	\$2,808,733	593	\$4,738	\$1,793,170	603	\$2,974	\$1,617,020	604	\$2,879	62.76%	56.51%	90.07%
ALUTIAN REGION	\$1,417,474	121	\$11,716	\$1,036,409	90	\$11,516	\$1,221,034	105	\$11,664	98.29%	99.56%	101.29%
ARCTIC ISLAND	\$1,644,511	341	\$4,024	\$1,452,531	395	\$3,677	\$1,132,279	415	\$2,732	76.16%	56.57%	74.20%
BISTOL BAY	\$1,320,574	212	\$6,329	\$1,410,944	217	\$6,510	\$1,394,573	245	\$5,603	104.83%	91.23%	87.03%
COFOVA	\$1,924,904	430	\$4,486	\$1,817,930	396	\$4,591	\$1,964,701	429	\$4,500	102.34%	102.10%	99.30%
COYC	\$1,455,197	146	\$7,227	\$1,319,656	144	\$7,019	\$1,290,321	213	\$6,050	97.12%	83.42%	86.30%
DELTA CREEK	\$4,494,765	940	\$4,706	\$4,241,596	994	\$4,290	\$1,854,134	930	\$4,350	89.44%	86.71%	96.73%
DILLINGHAM	\$2,166,512	175	\$5,777	\$2,496,503	419	\$5,819	\$2,401,743	443	\$5,185	100.71%	89.74%	89.09%
GALBRE	\$947,401	142	\$6,644	\$992,555	140	\$6,706	\$806,896	151	\$5,337	104.95%	80.33%	79.57%
HAINES	\$2,116,034	340	\$5,569	\$2,127,440	340	\$6,257	\$1,878,013	366	\$5,134	112.37%	92.30%	82.12%
HOONAH	\$1,374,042	237	\$5,696	\$1,311,930	227	\$5,779	\$1,272,537	260	\$5,311	101.66%	93.24%	91.90%
HYDROBORG	\$737,221	93	\$7,927	\$855,935	97	\$8,024	\$897,150	109	\$8,201	111.32%	103.45%	92.91%
KREE	\$1,369,720	191	\$7,067	\$1,464,909	214	\$6,845	\$1,046,176	188	\$5,812	96.87%	82.25%	86.91%
KASROBROOK	\$0			\$1,006,000	152	\$6,619	\$1,013,975	169	\$6,000			90.65%
KETCHIKAN	\$1,975,903	2,364	\$3,174	\$9,535,027	2,435	\$3,916	\$8,812,987	2,531	\$3,482	116.07%	103.20%	84.91%
KING COVE	\$753,798	103	\$7,334	\$819,088	126	\$6,501	\$790,186	135	\$5,868	88.81%	80.18%	90.27%
BLAROCK	\$1,029,134	139	\$7,404	\$1,121,387	157	\$7,143	\$944,169	170	\$5,787	96.47%	78.16%	81.02%
KORONA	\$1,040,489	125	\$8,324	\$1,019,053	112	\$9,106	\$1,396,623	201	\$6,940	109.39%	87.37%	76.21%
KORR	\$1,454,192	711	\$4,725	\$3,923,117	816	\$4,000	\$3,297,427	725	\$4,549	101.74%	96.27%	94.62%
PALICAN	\$569,314	40	\$11,051	\$994,825	48	\$12,392	\$525,040	49	\$10,670	104.48%	89.61%	85.72%
PETERSBURG	\$2,243,750	572	\$1,923	\$2,317,054	562	\$4,275	\$2,905,744	630	\$4,812	108.98%	117.54%	107.00%
PRIDLOF	\$1,315,007	167	\$7,874	\$929,303	167	\$5,565	\$996,604	152	\$6,564	78.47%	83.35%	117.95%
SAND POINT	\$669,617	124	\$5,440	\$654,664	111	\$5,498	\$902,203	140	\$6,468	109.22%	117.71%	109.67%
SITKA	\$5,697,073	1,503	\$1,599	\$6,334,713	1,596	\$3,969	\$8,140,325	1,617	\$3,803	110.29%	105.11%	95.01%
SEASIDE	\$950,400	169	\$5,624	\$846,120	125	\$6,769	\$820,269	142	\$5,797	128.37%	103.00%	85.64%
ST. MARY'S	\$1,064,719	107	\$9,951	\$1,313,151	111	\$10,028	\$1,054,797	112	\$9,184	100.78%	94.31%	93.50%
TALIDA	\$827,412	97	\$8,510	\$683,535	71	\$9,627	\$732,495	85	\$8,610	112.86%	101.03%	89.51%
UNALASKA	\$976,441	171	\$5,711	\$862,416	137	\$6,149	\$767,428	153	\$5,009	107.64%	87.71%	81.47%
VALDEZ	\$1,544,284	482	\$4,205	\$3,334,754	771	\$4,324	\$2,440,360	693	\$3,520	102.93%	83.72%	81.33%
WASCELL	\$2,172,587	480	\$4,526	\$2,150,313	455	\$4,726	\$2,344,103	507	\$4,623	104.62%	102.15%	97.83%
WATKINS	\$1,014,521	155	\$6,571	\$1,007,010	159	\$6,716	\$757,431	134	\$5,663	102.20%	86.18%	84.32%

AVERAGE \$/ADM >>			\$5,307.01			\$6,645.42			\$5,994.74			

STANDARD DEVIATION \$/ADM >>			\$2,128.81			\$2,237.67			\$2,056.99			

COEFF OF VARIATION % >>			39.91%			33.67%			34.31%			

ANCHORAGE DISTRICTS OF EDUCATION
 SCHOOL OPERATING FUND REVENUES
 COMPARISONS OF CHANGE: FY83 TO FY84, FY84 TO FY85 & FY85 TO FY86
 (a) COMPILED 10/21/85

SCHOOL DISTRICT	FY83 AID		FY83 STATE AID PER ADR	FY84 STATE AID REV. ADJ.			FY84 STATE AID PER ADR	FY 1985 FOUNDATION PER ADR	FY85 STATE AID PER ADR	\$ PER ADR PERCENTAGE FY86 TO FY83	\$ PER ADR PERCENTAGE FY86 TO FY84	\$ PER ADR PERCENTAGE FY86 TO FY85
	BIKOS AREA DIFF.	FUND. ADJ. 1002 81		BIKOS FY84	FY 1986 ADJ.	ADJUSTED PER ADR						
* LARGE DISTRICTS OVER 2,500 STUDENTS *												
ANCHORAGE	\$125,115,004	14,607	\$3,616	\$139,766,000	60,026	\$3,692	\$171,000,936	38,730	\$3,167	96.56%	87.01%	90.11%
FAIRBANKS	\$70,004,277	9,375	\$3,295	\$87,000,076	13,053	\$3,662	\$45,196,095	13,195	\$3,025	111.16%	101.97%	91.51%
JUNEAU	\$15,007,254	4,312	\$3,575	\$17,600,050	4,620	\$3,820	\$15,007,000	4,693	\$3,619	107.07%	97.04%	96.60%
PRIME	\$24,619,096	6,704	\$3,651	\$32,002,555	0,132	\$4,019	\$10,004,003	0,003	\$1,600	110.63%	94.72%	69.20%
TODDLE	\$9,995,026	2,120	\$8,693	\$10,001,191	2,250	\$4,921	\$10,903,613	2,205	\$4,752	100.76%	101.60%	96.90%
WAY SS	\$19,003,810	5,672	\$3,350	\$31,110,070	0,790	\$3,510	\$10,173,331	0,606	\$1,506	105.60%	104.65%	99.10%
WORTH SLOPE	\$5,901,002	1,020	\$5,819	\$6,702,210	1,092	\$6,170	\$5,599,000	1,252	\$4,670	106.10%	76.30%	77.06%
WORTHWEST ARCTIC	\$1,917,274	1,006	\$6,000	\$4,002,000	1,001	\$5,670	\$7,692,930	1,500	\$4,956	94.27%	82.61%	87.02%
AVERAGE \$/ADR **												
			\$4,256.35			\$4,610.63			\$3,922.56			
STANDARD DEVIATION \$/ADR **												
			\$1,003.59			\$970.65			\$650.26			
COEFF. OF VARIATION \$/ADR **												
			24.51002			22.05273			16.67536			

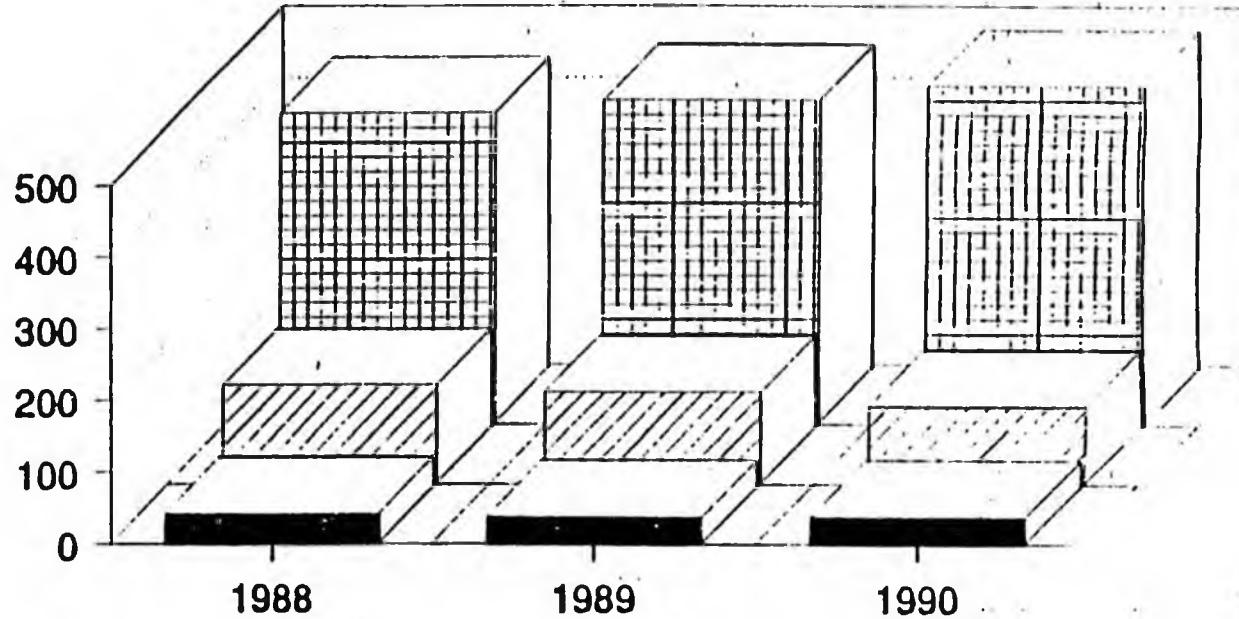
* MULTIPLE-STEP DISTRICTS *

SCHOOL DISTRICT	FY83 AID		FY83 STATE AID PER ADR	FY84 STATE AID REV. ADJ.			FY84 STATE AID PER ADR	FY 1985 FOUNDATION PER ADR	FY85 STATE AID PER ADR	% \$ PER ADR FY86 TO FY83	% \$ PER ADR FY86 TO FY84	% \$ PER ADR FY86 TO FY85
	BIKOS AREA DIFF.	FUND. ADJ. FY 1983		BIKOS FY84	FY 1986 ADJ.	ADJUSTED PER ADR						
ALASKA CANYON	\$3,306,672	473	\$7,110	\$3,360,903	516	\$6,523	\$3,569,944	502	\$7,100	91.73%	99.03%	100.00%
BERING STRAIT	\$7,090,470	920	\$7,641	\$7,010,261	1,216	\$6,676	\$7,049,107	1,359	\$6,260	84.15%	81.99%	97.00%
COALTON	\$2,204,310	261	\$8,406	\$1,020,025	306	\$5,970	\$2,007,067	316	\$6,679	70.69%	76.72%	100.53%
CRAGICE	\$740,290	85	\$8,709	\$1,006,309	116	\$9,009	\$1,122,503	197	\$10,090	103.63%	120.45%	116.69%
COPPER RIVER	\$1,270,530	566	\$5,706	\$3,002,393	567	\$6,001	\$3,672,376	536	\$6,006	105.15%	110.33%	112.50%
FORTYFOUR	\$1,009,012	321	\$3,003	\$3,315,065	309	\$8,661	\$3,145,220	399	\$7,001	95.56%	87.65%	91.70%
HOSPUE	\$3,000,003	327	\$10,000	\$1,200,000	309	\$9,300	\$3,300,502	375	\$8,950	80.25%	84.02%	95.65%
LAKE & PENINSULA	\$1,000,952	340	\$10,503	\$1,711,922	377	\$8,573	\$3,239,935	307	\$9,305	81.31%	70.60%	109.01%
LOWER PENINSULA	\$17,132,293	2,001	\$7,106	\$19,213,003	2,579	\$6,093	\$17,919,010	2,606	\$6,071	85.75%	96.77%	102.05%
LOWER TROON	\$0,770,203	1,300	\$6,300	\$5,002,713	1,300	\$4,356	\$6,301,395	1,202	\$6,970	60.73%	76.53%	110.20%
NEARBY	\$2,500,000	325	\$7,000	\$2,002,000	350	\$8,000	\$2,610,000	360	\$7,100	100.30%	90.93%	80.00%
SOUTHEAST ISLAND	\$0,000,000	000	\$0,000	\$1,002,000	500	\$7,000	\$0,000,000	000	\$0,000	85.00%	90.00%	115.15%
SOUTHWEST BECTON	\$0,100,000	521	\$8,003	\$3,100,000	476	\$6,509	\$3,501,000	400	\$7,070	81.02%	92.00%	107.00%
TROON PLAYS	\$2,000,525	312	\$9,201	\$3,002,335	319	\$9,302	\$3,350,350	361	\$9,292	101.00%	100.33%	90.00%
WORTH WORTH	\$0,200,000	557	\$7,001	\$0,001,200	572	\$7,110	\$0,001,930	505	\$7,101	92.67%	96.10%	105.70%
TOTAL	\$0	0		\$2,000,255	202	\$8,001	\$2,207,179	295	\$7,592			85.97%
AVERAGE \$/ADR **												
			\$8,260.61			\$7,615.70			\$7,000.35			
STANDARD DEVIATION \$/ADR **												
			\$1,000.00			\$1,000.00			\$1,000.00			

FOUNDATION PROGRAM

FISCAL YEARS 1988-1990

Millions of Dollars



	1988	1990	1990
STATE AID	431.608	449.532	469.644
LOCAL EFFORT	135.935	125.715	105.519
90% PL874	40.603	36.523	36.695

■ 90% PL874

▨ LOCAL EFFORT

▤ STATE AID

017



Delta/Greely School District

Delta/Greely School District
REAA #15
P.O. Box 327
Delta Junction, Alaska 99737 0527
9071 895 4658

Delta School
Pouch 1
Delta Junction
Alaska 99737
9071 895 4698

Ft. Greely School
P.O. Box 647
Delta Junction
Alaska 99737 0647
9071 869 3105

February 17, 1989

FEB 21 1989

Tom Ryan, Acting Director
Educational Finance & Support Services
Department of Education
P.O. Box F
Juneau, AK 99811

Dear Tom,

Pursuant to the request from you and Steve, I am writing to convey my thoughts regarding the proposal from the Single/Dual Site Consortium. First, let me say that the Delta/Greely schools could certainly use the additional monies generated by this proposal, or from any other source for that matter! However, although the additional monies would be welcomed, I do not agree with the manner in which the monies would be generated. I do not believe that the "small" districts have a unique set of problems different from other districts.

As you know, the proposal from the Single/Dual Site Consortium was based upon a study sanctioned and paid for by selected individual districts. I believe that a complete review of the school funding formula is in order for all 55 school districts. The foundation program review should be continuous with necessary changes proposed from year to year.

It is my belief that the problem that is being addressed by the consortium is not a formula problem at all, but a comparison problem with the previous school foundation program. Specifically, I believe that the comparison problem is primarily a result of the table placed in the prior foundation bill which calculated instructional units for city and borough school districts of less than 1,000 average daily membership. This particular table was unique to that bill and calculated a relatively large number of instructional units. When the current foundation program instructional units are compared to the units calculated from that table, the figures show a significant difference. The real question is whether the current foundation formula should be amended to increase instructional units for those districts, or whether the prior formula was artificially high? I believe that the hold harmless provisions built into the current foundation formula were designed to address the comparison problem and that the current formula provisions for calculating instructional units are acceptable. Certainly, under the current foundation program, all school districts of given characteristics are treated alike, whether they are city or borough districts, or REAA's.

Of the thirty "small" districts designated in the small schools funding study, twenty-five are city and borough school districts. Twenty-three of those districts are below 1,000 ADM and would have been impacted by the table in the previous foundation bill. Another significant change which impacts the data calculation in the small school funding study is that the average daily membership for pre-school children was added into the district ADM for the FY 87 student counts. The FY 87 budget

Tom Ryan, February 17, 1989.

year was also the year where there was a dramatic decrease in state funding for public schools. With the decreased funding and the increase in ADM, the revenue per student figures show, in most cases, a dramatic decrease from the FY 86 revenue per student figure to the FY 87 revenue per student figure. In fact, from the data in the small schools funding study, only three of the fifty-five school districts show an increase in the revenue per student from the FY 86 year to the FY 87 year.

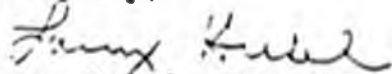
In FY 88, the first year of implementation for the new school funding formula, thirty-six districts showed an increase in the revenue per student. Nineteen of these thirty-six districts which showed an increase are in the "small" districts designated by the consortium. Obviously, there is no significant difference between the "small" districts and the "other" districts in this statistic. The projected figures for FY 89 further indicate that thirty-four of the school districts show an increase in the revenue per student figure. Twenty of these thirty-four districts are again included in the "small" districts.

In a separate comparison that I made looking at the revenue per student comparisons from the FY 87 year to projected FY 89, thirty-five districts show an increase. Of those thirty-five districts, seventeen of those are included in the "small" districts. Utilizing the data from the small school study, eleven districts show an increase in the revenue per student comparing FY 89 to FY 86. Five of those eleven districts are again within the "small" districts.

All of these comparisons indicate that there is no significant difference in the problems faced by the "small" districts than those faced by the remainder of Alaska school districts. There are approximately as many gainers and losers within the "small" districts as there are in the "other" districts. Certainly, there are some real revenue problems within Alaska school districts. However, I do not believe that the proposal to modify the formula put forth by the Single/Dual Site Financial Consortium is a positive response to those problems.

A copy of my notes from my presentation to the State Board of Education on November 8, 1988, are enclosed. As I stated there, I believe that the school foundation program needs continuous attention, study and modification to meet recognized needs. The experience of the last two years in conjunction with numerous PL 81-874 issues, necessitate a review of the premises upon which the formula was based. Based upon a study of the needs and concerns of all Alaska school districts, necessary proposals for change would be initiated.

Sincerely,


Larry Huxel, Superintendent

LH/tp
Enclosure

Alaska State Board of Education

Funding Issues - - November 8, 1988

- Single site districts have problems
 - Not all single site districts have similar problems
- All district have problems compared to 85-86
- Formula certainly needs continuous attention, study and modification
- First year (87-88) data just being compiled
- Remember - primary driving force behind new formula was PL874 disparity problems
- HB 604 failed in 86 legislature, bill which passed failed PL 874 disparity (SB408)
- New formula judged to pass PL 874 disparity test
- Age-old school finance question - -
 - money problem or formula problem?
 - how much vs distribution system
- Single site issue ----- money problem
 - too little money compared to prior receipts
- Were prior receipts too high or current receipts to low?
- Hold harmless based upon premise that some districts were too high
- Formula question - - are similar school districts treated comparably?
 - - are there reasons for varying dollar allocations?

- I believe you will find that the answers are "Yes" to both questions
- Formula is not the problem - the comparison is the problem
- There are reasons that some single site school district compare unfavorably - - specifically city and borough districts under 1000 ADM
- SB 408 contained a new table designed for these districts
I believe that this table is single largest problem in comparisons
- Junior high issue and special education factors of earlier years probably also play a part in unfavorable comparisons
- One notable problem in current formula is front-loading of units for each funding community - - single funding community districts receive "front-loading" only once
multiple funding community districts receive bonus
- Issue was not noted during formula development as a major problem - - issue was recognized as an incentive for new funding communities
- Front-loading more legitimate in small funding communities (less than 200 AD in K-6 or 7-12)
-- probably questionable in larger funding communities where economy of scale in staffing is not a major issue
- Formula problems are minimal - - Revenue problems are significant

SIMPLIFIED EXAMPLE OF FRONT-END LOADING ON SCHOOL FOUNDATION
FORMULA - AS 14.17.041

EACH DISTRICT HAS 20 STUDENTS

Formula = 2 Instructional Units for first 10 students
2 Instructional Units for 11 - 20 students per site

Multi-Site District - 20 students

o o o o o o o o o o o Total = 8 Inst.
o o o o o o o o o Units

At \$60,000 per Instructional unit, this multi-site district would receive \$480,000.

Single/dual site - 20 students

o o o o o o o o o o Total = 4 Inst.
o o o o o o o o o o Units

Single Site District - 20 Students

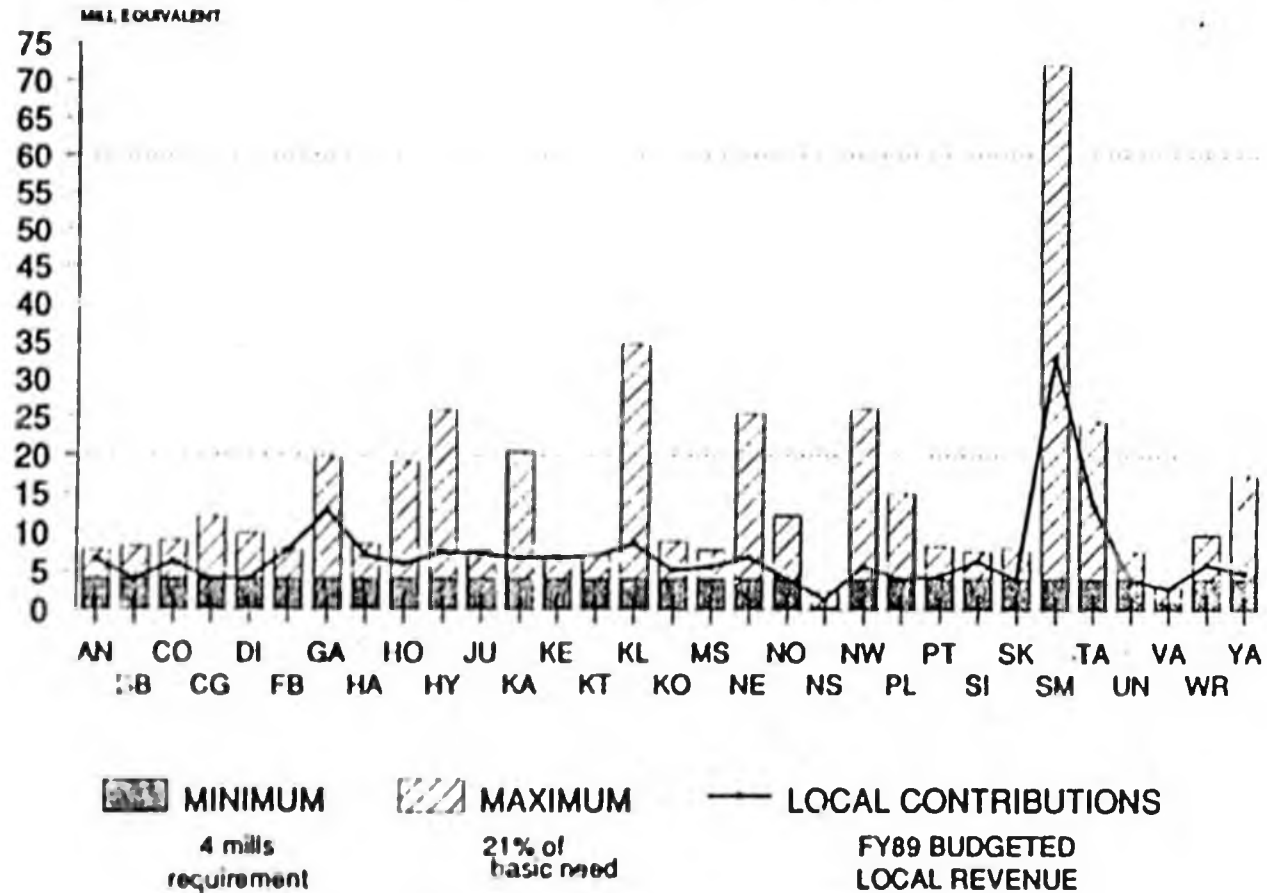
o o o o o o o o o o Total = 4 Inst.
o o o o o o o o o o

At \$60,000 per instructional unit, this dual-site district would receive \$240,000.

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
- Ketchikan - KE
- Klawock - KL
- Kodiak - KO
- Mat Su - MS
- Nenana - NE
- Nome - NO
- North Slope - NS
- Northwest Arctic - NW
- Palcaan - PL
- Petersburg - PT
- Sitka - SI
- Skagway - SK
- St. Mary's - SM
- ~~Unalaska - UN~~
- Unalaska - UN
- Valdez - VA
- Wrangell - WR
- Yakutat - YA





ANNETTE ISLANDS SCHOOL DISTRICT

PO Box 7 • Metlakatla, AK 99926

Accredited by Northwest Accreditation Association

High School Principals Office

(907) 836-6000

FAX (907) 836-6120

Superintendent's Office

(907) 836-6332

FAX (907) 836-6130

Elementary Principals Office

(907) 836-6121

March 30, 1989

Dear Representative Goll,

In the very recent past the Alaska Department of Education prepared and presented a funding proposal which would modify the education financing scheme. This proposal was produced in response to the Single/Dual Site funding formula findings and was presented to certain legislative bodies for consideration.

The Department of Education formula produces a number of concerns, not the least of which is the fact that this formula was developed in the absence of any organized research or data gathering effort.

The Department of Education should be required to respond to the following questions regarding their funding formula proposal:

1. What evidence exists to limit the funding proposal to single funding sites and to eliminate dual site from any financial enhancement.
2. The Department of Education has been aware of certain inequities that exist in single and dual site districts. No effort has been to address either the programmatic deficiencies or the funding deficiencies. Why has the Department elected to ignore these problems.
3. The Department of Education formula proposal eliminates one-third of the assessed value of the State of Alaska in determining assessed value per pupil. What is the rationale for this determination.
4. What rationale supports the Department of Education's determination to adopt the Kake/Dillingham temporary solution suggested more one year ago.
5. Why has the Department of Education waited until this late date to develop a funding proposal when audited financial data and programmatic inequities in the single/dual school districts were known nearly one year ago.

6. Why has the Department of Education changed its position regarding the recognition of the deficiencies? Why does the Department of Education currently support a proposed Foundation Formula change when less than one month ago the Department claimed that no problems existed in funding single and dual site school districts?
7. Why has the Department of Education declined to provide the Single/Dual Site Consortium information related to the rationale for their financial proposal.
8. Mr. Huxel, instrumental in drafting the Foundation Formula, indicates that the existing formula includes front-end loading which is advantageous to multiple site school districts. The disparity between multiple and single/dual site school districts is excessive and the Single/Dual Site Consortium Study supports and demonstrates this excess. Why hasn't the Department of Education addressed this issue.

As stated above, it is my opinion that the Department of Education should be required to respond to these important concerns. Legislators, if they are to reach a reasonable conclusion regarding the structure of the funding formula, need this information as well. Should the Department of Education be able to adequately defend their funding proposal with statistical and programmatic data, the Single/Dual Site Consortium would probably accept their findings. However, in the absence of an empirical analysis, it is quite difficult for the school districts which are disparately affected to accept a proposed formula change which is not based on analysis or study.

Your interest in this communication is genuinely appreciated.

Sincerely,



Walter E. Bromenschenkel, Ed.D.
Superintendent of Schools

\smschc

SITKA SCHOOL DISTRICT

ACCREDITED BY THE NORTHWEST ASSOCIATION OF SECONDARY SCHOOLS & COLLEGES



P. O. BOX 179 SITKA, ALASKA 99833

April 4, 1989

The Honorable Johnny Ellis
Chairman
House HESS Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Ellis:

RE: HB-185 AND SB-179

I would like to thank Representative Kay Wallis, Representative George Jacko, and Senator Dick Eliason for recognizing the tremendous inequity that our present State funding formula imposes on single site school districts. HB-185 and SB-179 will not eliminate the obvious inequities but they certainly will reduce the inequities to something more manageable.

There are many examples throughout the State that typify one district's wealth compared to another district's poverty. On the same day that I was working with a group of students and parents about cutting our student athletic program due to the lack of funds, I was asked how another district could send all of their graduating seniors to Hawaii at the district's expense. I couldn't answer that question and I doubt if the Alaska Department Of Education can answer that question either. Please look around, do some checking, and you will find example after example of the inequities that I am bringing to your attention.

Presently, half of the other forty-nine states are in some form of litigation over the inequity of their educational funding. I think it would be a darn shame if that's where Alaska ends up.

As I said earlier, HB-185 and SB-179 won't eliminate the problem but they will indicate that the Legislature recognizes the problem and is trying to do the right thing by all districts. That message is needed in a lot of districts and is needed soon.

Sincerely,

Art Woodhouse
Superintendent
SITKA SCHOOL DISTRICT

**WRANGELL****PUBLIC SCHOOLS
DISTRICT OFFICE**

P.O. BOX 2319

WRANGELL, ALASKA 99929

Telephone (907) 874-2347

MARY A. FRANCIS, Ph.D., Superintendent

GATEWAY TO THE STIKINE

4/4/89

8:30 - 10:00 A.M.

House HESS hearing on HB 185

Mary Francis, Superintendent
Wrangell City School District

Thank you for this opportunity to speak in favor of HB 185.

I am the superintendent of one of the affected school districts. You've already heard the many technical arguments in support of our claims and so, I won't repeat them.

But, what I would like to share with you is what Wrangell's adopted budget looks like for next year.

We have adopted and sent to the City Council a budget that is a reduction over this year's budget of \$187,000, or 5.1%. What that reduction represents is:

1. one teacher attrition not filled;
2. 6 instructional aides eliminated;
3. maintenance or reduction in all line items;
4. 25% reduction in travel, including student activities.

What it does not include is an underfunded instructional unit!

This budget forces us to request an additional appropriation from the City Council of \$142,000 -- and with the recent closure of Wrangell's mill, the picture is not pretty.

Now, these reductions are reductions to a budget that never did include:
elementary counseling or nursing;
elementary PE or art specialists;
secondary AP courses;
physics and chemistry offered in the same year;
upper level foreign language courses,
or even more than one language;
computer languages;
a variety of English electives;
on-site therapy services.

When one of my board members attended a recent State Board of Education meeting on the small district funding topic, it was suggested to him that consolidation of districts like ours may be the answer. I'd like to note that before the State Board puts pressure on small municipalities with a long history of municipal government, it ought to pressure for reducing the duplication of services that presently exist. For example, only a couple of years ago, there was a new REAA created right in the middle of an existing one and there are currently both municipal school districts and REAA's operating in the towns of Nenana, Ketchikan and Dillingham. These last three possibilities for consolidation would be far less controversial than combining long-standing municipalities.

It should be obvious that with a 5% reduction in the foundation program also being discussed, my only next recourse is to lay off non-tenured teachers (many of whom reflect our most recent program priorities).

I also fear that the ability to remain accredited will be at risk. My entire program (which is already pretty basic) is in grave jeopardy of further erosion.

I urge your support of HB 185 to address the program inequities we here in Wrangell face.

Thank you.

MF:lh

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.

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

