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SENATE COMMITTEE REPORT

FURTHER

1/26/89

DATE TURNED INTO OFFICE 3/3/89

Mr. President:

FINANCE

Committee considered SB 10

deadlines for action on funding of public education; efd

and recommended

- replace with CS SB 10 (FIX)) same title
- or adopt _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

- FISCAL NOTE(S) zero fiscal impact appropriation no FN
- new CS (FIN) DOE updated previous
- same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul Fisher
Irue Pearce
Frank
Duncan

Paul (Do Pass) Wehling
 Chairman signature and recommendation

Committee Backup attached

John Binkley No Rec.
 Binkley

R/0 SFC 3-3-89

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 10 (Finance)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Deadlines For Action on Funding
of Public Education
Sponsor: Senate Finance
Requestor: Senate Finance

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						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 3/2/89
Approved by Commissioner: William G. Demmert Date: 3/2/89
Agency: Education

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

7/0 SEC 3-3-89

6-0069H

Word
2/22/89

Original sponsors: Coghill, Faiks,
Eliason, et al.

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 10 (Finance)

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 deadlines for action on funding
7 of public education; and providing for an effective
8 date."

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

10 * Section 1. AS 14.11.100(c) is amended to read:

11 (c) The school construction account is established. Funds to
12 carry out the provisions of this section may be appropriated annually
13 by the legislature to the account. Before April 7 the legislature
14 shall appropriate funds to school districts under this section for the
15 next fiscal year. If amounts in the account are insufficient for the
16 purpose of providing the share to which a borough or city is entitled
17 under this section, those funds that are available shall be distribut-
18 ed pro rata among the eligible local governments except that the
19 legislature may direct that additional debt service on refunding bonds
20 that exceeds the total debt service on the refunded bonds be disre-
21 garded in whole or in part.

22 * Sec. 2. AS 14.14.060(c) is amended to read:

23 (c) The borough school board shall submit the school budget for
24 the following school year to the borough assembly by April 20
25 [APRIL 1] for approval of the total amount. Within 30 days after
26 receipt of the budget the assembly shall determine the total amount of
27 money to be made available from local sources for school purposes and
28 shall furnish the school board with a statement of the sum to be made
29 available. If the assembly does not, within 30 days, furnish the

1 school board with a statement of the sum to be made available, the
2 amount requested in the budget is automatically approved. By May 31,
3 the assembly shall appropriate the amount to be made available from
4 local sources from money available for the purpose.

5 * Sec. 3. AS 14.17.225(b) is amended to read:

6 (b) Money to carry out the provisions of AS 14.17.010 - 14.17.-
7 190 may be appropriated annually by the legislature into the public
8 school foundation account. Before April 7 the legislature shall
9 appropriate funds for direct and indirect services and other funding
10 under this chapter for the next fiscal year. If amounts in the ac-
11 count are insufficient to meet the allocations authorized under AS 14.-
12 17.010 - 14.17.190 for a fiscal year, each district's basic need shall
13 be reduced pro rata as necessary to make the funds available suffi-
14 cient to meet the allocations for that fiscal year.

15 * Sec. 4. AS 37.07.030 is amended to read:

16 Sec. 37.07.030. RESPONSIBILITIES OF THE LEGISLATURE. The legis-
17 lature shall

- 18 (1) provide for a budget review function;
- 19 (2) analyze the comprehensive operating and capital im-
20 provements programs and financial plans recommended by the governor;
- 21 (3) adopt legislation to authorize implementation of the
22 governor's comprehensive operating and capital improvements programs
23 and financial plans or appropriate alternatives to those plans;
- 24 (4) provide for a post-audit function to cover financial
25 transactions, program accomplishment, and compliance with legislative
26 intent;
- 27 (5) adopt or revise the estimate or receipts required to
28 balance the succeeding fiscal year's budget in order that proposed
29 expenditures do not exceed estimated receipts for that fiscal year;

1 (6) adopt, revise, or initiate revenue measures in order to
2 balance the succeeding fiscal year's budget and the capital improve-
3 ments section of the budget for the succeeding six years;

4 (7) appropriate money for public school construction debt
5 retirement under AS 14.11.100, public school foundation program under
6 AS 14.17, pupil transportation, student lunch program, cigarette tax
7 distribution, tuition students, boarding home grants, youth in de-
8 tention, and schools for the handicapped no later than April 7 of each
9 year for the succeeding fiscal year.

10 * Sec. 5. This Act takes effect July 1, 1989.
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Alaska State Legislature

SENATE

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

2/24

SUMMARY OF AMENDMENTS APPEARING IN DRAFT CSSB 10 (FIN), An Act relating to deadlines for action on funding of public education; and providing for an effective date.

1. On page 1, line 13 of Draft CSSB 10 (FIN) - The deadline by which the Legislature shall appropriate funds to school districts has been amended to April 7th (was March 14th in HESS CS; March 16th in the original Bill).
2. On page 1, line 24 of Draft CSSB 10 (FIN) - The date for borough school boards to submit the following school year's budget to the borough assembly has been amended to April 20th (was April 15th in HESS CS and the original Bill).
3. On page 2, line 8 of Draft CSSB 10 (FIN) - The deadline by which the Legislature shall appropriate funds for direct and indirect services and other funding into the public school foundation account has been amended to April 7th (was March 14th in HESS CS; March 16th in the original Bill).
4. On page 3, line 8 of CSSB 10 (FIN) - The deadline for appropriation has been amended to April 7th (was March 14th in HESS CS; March 16th in the original Bill).

Senator Frank
3/1/89

SB 10 An Act relating to deadlines for action on funding of public education.

	Current law	SB 10	SB 10 CS (HESS)	SB 10 <u>CS (Fin)</u>	
Legislature appropriate funds		Mar 16	Mar 14	Apr 7	
Borough School Board submit budget for following year to Bor Assembly (AS 14.14.060(c))	Apr 1	Apr 15	Apr 15	Apr 20	Binkley 5/30
Borough Assembly 30 days to furnish School Board with statement of sum of local approp (AS 14.14.060(c))	* May 1	* May 15	* May 15	* May 20	6/30
must appropriate local source	May 31	->	->	->	6/30
determine rate of levy before	Jun 15	->	->	->	6/30
& mail tax statements (AS 29.45.240(b))	Jul 1	->	->	->	7/15

* 30th day after date of receipt of school board budget per existing statute.

ASSOCIATION OF ALASKA SCHOOL BOARDS

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

MARCH 1, 1989

The Honorable Rick Uehling
The Honorable John Binkley
Alaska State Legislature
Co-Chairmen
Senate Finance Committee
Members
Senator Jim Duncan
Senator Paul Fischer
Senator Steve Frank
Senator Drue Pearce
Senator Fred Zharoff
PO Box V
Juneau, Alaska 99811

RE: POSITION PAPER: DRAFT CSSB10(FIN) / EARLY FUNDING

Thank you for your inquiry regarding the draft form of CSSB10(FIN). The Association of Alaska School Boards supports and encourages passage of the amendments contained in the draft CSSB10(FIN), an early funding bill.

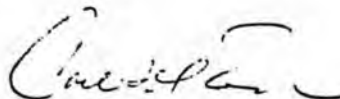
AASB encourages the legislature to determine the funding level for education for the following fiscal year prior to April 7 to allow school districts adequate time for planning and budget preparation before submission to the Department of Education.

AASB also supports modification of the due date for submission of a municipal school district budget to the municipal government to the April 20 deadline contained in the draft CSSB10(FIN).

Early planning of programs, staffing and procurement of supplies, equipment and maintenance are critical for providing students with quality education. The ability to plan wisely is largely dependent on knowing what the available financial resources will be early in the planning process.

We understand the legislature's wish to review first quarter revenue projections before appropriation, and support the compromise contained in this bill. Districts around the state applaud the early funding knowledge provided by the Legislature last year, and encourage passage of a bill to establish this as a standard practice.

Sincerely,




Carl F.N. Rose,
Executive Director

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325
FAX 463-5480

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

TO: Senator Rick Uehling, Co-Chair
Senator John Binkley, Co-Chair
Members of the Senate Finance Committee

FROM: Scott A. Burgess, Executive Director 

DATE: March 2, 1989

SUBJECT: SB 10 - Deadline for Education Funding

The AML supports full, forward, and early funding of education, in that order. Toward those ends, AML supports SB 10 which sets a deadline for informing municipalities and school districts of the level of state funding for education costs, including foundation, debt reimbursement and pupil transportation. The AML municipalities can accept the Finance Subcommittee's proposed changes of pushing back the dates until April 7, April 20 and May 20.

The AML supports full funding of education as a legislative priority. Early notification of the amount to be appropriated by the Legislature annually assists school districts and municipalities in planning and budget preparation. Education is a major portion of a municipality's budget. Early decisions on the level of state appropriation is important to the State in that education is a funding priority as well as a major portion of the state budget. Perhaps another benefit of the deadline may be to stimulate earlier decisions on the rest of the budget. It is important that the amount approved for appropriation under SB 10 is a "real" number; otherwise, the intent of the legislation is thwarted.

The proposed delay from the legislative deadline date in the legislation as introduced from March 14 until will provide more certainty and, thereby, comfort for legislators because the final financial data on which to base the budget - the March revenue forecast - will be available. Understand that the local process of information exchange and negotiation between the municipality and the school district is an important, sensitive and time consuming process; therefore, the process cannot be shortened too much. The approval of the local contribution to education takes place in the larger context of the overall municipal budget process and is also bound by the administrative deadlines of the tax rate setting and notification process.

Again, the AML supports full funding first and supports SB 10 to provide the school districts and municipalities early notification of funding levels and adequate time to plan and budget in the best interests of the children and the taxpayers. In the unfortunate circumstance that the State does not meet its constitutional responsibility for education and its statutory level of funding, early notification for school districts and municipalities is also important.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 2, 1989

SUBJECT: Education funding deadlines - CSSB 10(Finance)
TO: Senator Rick Uehling
Attn: Carol Horos
FROM: Michael F. Ford *M.F.*
Legislative Counsel

You have asked whether the use of the term "may" in the first sentence of sections 1 and 3, and the use of the term "shall" in the amended language of those sections results in a conflict in terms. The short answer is no. The first sentence in each section is permissive, concerning appropriations by the legislature. The inserted language using the term "shall" is intended to require the legislature to make appropriation. The inserted language is mandatory, but does not conflict with the permissive language in the first sentence.

Please contact me if you have further questions.

MFF:gc
WKG7/086

Alaska
MUNICIPAL
League

TELEPHONE
(907) 586-1325
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217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

MEMORANDUM

TO: Senator John Binkley, Co-Chair
Senator Rick Uehling, Co-Chair
Members of Senate Finance Committee

FROM: Scott A. Burgess, Executive Director

DATE: February 1, 1989

SUBJECT: SB 38 - Education Funding
SB 10 - Education Funding Deadline

The Alaska Municipal League supports early and adequate funding of the education program, including debt reimbursement, as a top priority.

I have attached support and background materials and regret that, due to the AML Board meeting, I will not be able to appear before you today.

SAB:ph1

Attachments

State Aid to Municipalities Funding Package

The Alaska Municipal League urges the Governor and the 16th Alaska State Legislature to provide full funding of the state-mandated Senior Citizens/Disabled Veterans Property Tax Exemption Program and to provide adequate funding of municipal entitlement programs to help municipalities continue to meet the basic service needs of Alaskans and mitigate the fiscal hardships of declining revenues.

Therefore, the Alaska Municipal League requests:

- A. Full funding of state-mandated Senior Citizens/Disabled Veterans Property Tax Exemption Program (AS 29.45.030) at an estimated cost of \$8.4 million, and**
- B. Adequate funding for FY 90 for municipal entitlement programs, to include appropriations for:**
 - the Municipal Assistance Program (AS 29.60.350) at not less than the FY 89 level of \$56,084,400**
 - the State Revenue Sharing Program (AS 29.60.010) at not less than the FY 89 level of \$40,773,400**
 - the School Construction Debt Reimbursement Program (AS 14.11.100) at not less than the FY 89 level of \$109,472,700 (the estimated annual cost for FY 89 and FY 90 is \$117 million)**
 - the Education Foundation Formula (AS 14.17.010) at not less than the estimated cost of \$480,000,000**
 - the Pupil Transportation Account (AS 14.09.010) at not less than the FY 89 level of \$25,121,700**

It should be noted that in FY 89 underfunding of mandatory and entitlement programs by the Legislature resulted in municipalities absorbing \$23 million, which included the following items:

- \$4,641,000 in underfunding for the state-mandated Senior Citizens/Disabled Veterans Property Tax Exemption Program
- \$7.3 million in underfunding of entitlements under the School Debt Reimbursement Program
- \$11,059,502 in underfunding of the Miscellaneous Municipal Services Account of the State Revenue Sharing

For FY 90, the League is requesting full funding only of the state-mandated Senior Citizens/Disabled Veterans Property Tax Exemption Program. However, if appropriation levels for municipal entitlement programs are not increased for FY 90, municipalities will once again be forced to absorb the shortfalls through increased taxes or decreased local services.

Background

State transfers of funds to Alaskan municipalities vary, ranging from school foundation funding to municipal assistance payments to reimbursement of state-collected taxes. A top legislative priority of the Alaska Municipal League for 1989 is full funding of state-mandated programs and adequate funding for the municipal entitlement programs for FY 90. The specific programs involved and their funding histories are discussed in more detail below.

SENIOR CITIZENS/DISABLED VETERANS PROPERTY TAX EXEMPTION PROGRAM

The League requests the Legislature to fully fund the state-mandated Senior Citizens/Disabled Veterans Property Tax Exemption Program for FY 90 at an estimated amount of \$8.4 million.

In 1973, the program to exempt senior citizens from local property taxes was enacted. The intent of AS 29.45.030(e), which exempts persons over 65 from such taxes, was to make it easier for senior citizens to remain in their own homes and, thus, remain in Alaska. A complementary program, which provides refunds directly to senior citizen renters to compensate for property tax included in their rent charges, was also enacted at this

Table 1. Senior Citizens/Disabled Veterans Property Tax Exemption Program Funding, FY 1985 - FY 1990

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipalities*	% ^b
1985	\$4,005,075	\$4,005,075	\$ 0	100.0
1986	4,977,451	4,008,600	968,851	79.5
1987	6,325,763	2,770,300	3,555,463	43.8
1988	6,753,663	2,622,969	4,130,694	38.8
1989	7,430,000	2,782,300	4,647,700	37.4
1990	8,400,000 (est.)	8,400,000 (req.)	0	100.0

*The actual cost to municipalities exceeds this figure by \$100,000 - \$160,000, depending on the underfunding of the renters program.

^bRatio of state appropriation (reimbursement to municipalities) to the total cost of the program.

Source: Department of Community and Regional Affairs

time. In 1985, the programs were extended to include disabled veterans with a disability of 50 percent or more and their widows who are at least 60 years of age. That was also the last year the State provided full funding for the homeowners program, the total cost of which grew from \$197,050 in 1973 to over \$7 million in 1989.

The *Policy Statement* of the Alaska Municipal League includes the following statement with reference to state-mandated tax exemption programs: "if the reimbursements for state-mandated exemptions are not fully funded, currently or in the future, the exemptions should be repealed" (1989 *Policy Statement*, I.C.2). The League's top legislative priority for the Sixteenth Legislature is to enact legislation making any new mandate legislation that increases costs for municipalities null and void if adequate funding is not provided by the State. This program provides an excellent example of the way unfunded or underfunded state mandates can harm municipalities.

As Table 1 shows, for FY 86, the legislative appropriation for the property tax exemption program was just under 80 percent of the total program cost. Partially in response to AML efforts on the issue, in that year the Legislature amended AS 29.45.030 to make those covered by the program eligible for an exemption from taxes only on the first \$150,000 of the value of their property. Locally granted exceptions to this are allowed. Even with this amendment, the number of those eligible for the exemption and the cost to local governments of this state-mandated program continue to grow.

In FY 89, the total cost of the program was \$7,430,000 and only \$2,782,300 was appropriated by the Legislature, leaving local governments responsible for \$4,647,700, or over 60 percent of the total cost of this state-mandated program. In comparison, another program to aid senior citizens, the Longevity Bonus Program, will cost the State \$52.9 million in FY 89. In July 1988, Governor Steve Cowper vetoed legislation (HCS SS SB 56(Fin)) that would have converted this program to an annuity program with contributions from potential participants. That legislation would have saved the State almost \$327 million over the next fifteen years. In vetoing the legislation, Governor Cowper said that the State had sufficient funds to help its senior citizens.

In effect the cost to municipalities is even greater than the funding shortfall noted in Table 1 because of the costs of administration and the underfunding of the renters program. The renters refund program, through which the State makes payments directly to individuals, has not been fully funded since 1986. Reflecting a policy that favors renters to the detriment of municipalities, funds from the appropriation for the homeowners program have been transferred to the renters program, with the effect of increasing the burden on municipalities. Approximately \$100,000 was transferred in this way in FY 86 and in FY 87; in FY 88, the amount transferred was \$160,000.

Full funding of this state-mandated program is a state responsibility.

MUNICIPAL ASSISTANCE PROGRAM

The Alaska Municipal League requests that no cuts be made in funding for the Municipal Assistance Program and that the FY 90 appropriation remain at the FY 89 level of \$56,084,400.

In 1979, the Gross Business Receipts Program, which had returned 20 percent of the tax collected by the State within a jurisdiction to that jurisdiction, was repealed by the Legislature. The Municipal Assistance Program (AS 29.60.350) was established to replace this revenue source for local governments. Distributions under the program use the FY 78 allocation of Gross Business Receipts to municipalities (\$10.6 million) as a base, with additional appropriations divided among all recipients on a per capita basis. The primary objective of the Municipal Assistance Program as originally enacted was to reduce property taxes. The statutory guideline utilized for funding the program is to appropriate an amount equal to or greater than [emphasis added] 30 percent of the annual receipts from the Corporate Income Tax for the previous fiscal year.

Funding for this program has decreased from \$81,306,000 in FY 85 to \$56,084,400 in FY 89, a 31 percent decrease.

Table 2. Municipal Assistance Program Funding, FY 1985 - FY 1990

Fiscal Year	Total Appropriation
1985	\$81,306,800
1986	81,306,800
1987	65,858,500
1988	56,084,400
1989	56,084,400
1990	56,084,400 (req.)

Source: Department of Community and Regional Affairs

STATE REVENUE SHARING PROGRAM

The Alaska Municipal League requests the Legislature to fund the State Revenue Sharing Program for FY 90 at the FY 89 level of \$40,773,400. The Legislature should be aware, however, that the Miscellaneous Municipal Services Account of the State Revenue Sharing Program was not fully funded in FY 89 and an appropriation of an additional amount estimated at \$11,059,052 would be necessary to provide full funding of the entitlement for this portion of the program for FY 89. An estimated \$12,077,300 would be required for FY 90 full funding of the Miscellaneous Services Account.

The Alaska State Revenue Sharing Program was created in 1969. The original intent of the revenue sharing legislation was to 1) help ease fiscal problems facing local governments, 2) stabilize or reduce local property tax rates, 3) encourage local governments to provide adequate levels of public services, 4) inject a measure of budget planning and stability into local governments, and 5) improve the allocation of state funds by sharing them with local governments. This last point was based on the premise that local governments are more in tune with the needs of the public and are better able to respond and provide public goods and services in accordance with taxpayer preferences (Report of the Governor's Task Force on State Shared Revenue, 1985).

The total appropriation for the program in FY 70 was \$2 million. The original categorical program distributed funds based upon public services offered in a number of categories. In 1980 (when \$26.9 million was appropriated for the

Table 3. State Revenue Sharing Program Funding, FY 1985 - FY 1990

Fiscal Year	Total Appropriation*
1985	\$60,350,000
1986	59,632,200
1987	47,879,100
1988	40,773,400
1989	40,773,400
1990	40,773,400 (req.)

*Including both the Tax Resources Equalization Account and the Miscellaneous Municipal Services Account.
Source: Department of Community and Regional Affairs

program), the program was changed and there are now two separate accounts, the Tax Resources Equalization Account and the Miscellaneous Municipal Services Account. Another program, the Hospital Construction Account was repealed in 1983 and is being phased out. Each of the two active accounts is distributed according to separate criteria (see below for more information on each part of the program).

As Table 3 shows, funding for the State Revenue Sharing Program, which reached a high of \$60,350,000 in 1985, has been cut drastically since then. The FY 89 appropriation is \$40.7 million, a 33.3 percent decrease in just four years. This precipitous decline has had a particularly strong impact on Alaska's municipalities because during the same period the assessed values of property throughout the State have dropped over \$3.2 billion, thus reducing revenues from local property taxes.

Tax Equalization Account

The central feature of the current State Revenue Sharing Program is the Tax Resource Equalization Account. Funds for this portion of the revenue sharing program account for over 65 percent of the total appropriation for revenue sharing in FY 89 and are a major source of revenue for local governments. The formula for this program takes into consideration the amount of local fiscal effort and the property tax base from which the municipality has to draw and rewards communities for their local taxing efforts. Decreases in local tax revenues because of devaluation of property may result in smaller grants under this program, thus doubling the negative impact of drops in assessed valuation.

Miscellaneous Municipal Services Account

The Miscellaneous Municipal Services Account of the State Revenue Sharing Program retains some of the categorical features of the original program. It provides aid for the following public services: local roads (\$2,500 per mile), ice road maintenance (\$1,500 per mile), hospital facilities (\$1,000 per bed provided for in construction design, with a minimum of \$50,000), health facilities (\$2,000 per bed actually used for patient care), and fire protection (\$10 per capita for population served). In addition, this account provides for a basic entitlement of \$25,000 for each unincorporated community with at least 25 permanent residents that is located in the unorganized borough.

Table 4. Miscellaneous Municipal Services Account Funding, FY 1985 - FY 1990

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipalities	%*
1985	\$20,898,641	\$20,000,000	\$ 898,641	95.7
1986	21,978,021	20,000,000	1,978,021	91.0
1987	23,703,918	16,332,000	7,371,918	68.9
1988	25,059,785	13,908,181	11,151,604	55.5
1989	24,969,804	13,908,181	11,059,052	55.7
1990	25,985,481 (est.)	13,908,181 (req.)	12,077,300	53.5

*Ratio of state appropriation (reimbursement to municipalities) to total cost of the program.
Source: Department of Community and Regional Affairs

As Table 4 shows, the Miscellaneous Municipal Services Account has not been fully funded for nine years, which has caused a prorated reduction in the payments to each municipality. The underfunding of this account has hit the smaller communities, those in the most need, particularly hard.

SCHOOL CONSTRUCTION DEBT REIMBURSEMENT PROGRAM

As part of its state aid to municipalities funding package, the Alaska Municipal League requests that the Legislature fund the School Construction Debt Reimbursement Account at not less than the FY 89 level of \$109,472,700. However, the Legislature should be aware that a supplemental

appropriation of \$7.3 million would be necessary to full fund the State's obligation for the School Construction Debt Reimbursement Account for FY 89 and full funding for the program for FY 90 is estimated to be \$117 million.

In 1970, the Legislature established a program of reimbursing municipalities for a portion of their school construction debt in recognition of the requirement of the Alaska Constitution that the State provide education for its children. Under this program (AS 14.11.100), municipalities issue bonds for the entire cost of a school construction project and then are reimbursed annually for a portion of the cost of their debt service.

Table 5. School Construction Debt Reimbursement Funding, FY 1985 - FY 1990

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipalities	%*
1986	\$109,707,963	\$106,315,600	\$3,392,363	96.9
1987	125,272,615	115,845,000	9,427,615	92.4
1988	118,701,313	109,472,700	9,228,613	92.2
1989	116,784,855 (est)	109,472,700	7,312,155	93.7
1990	117,000,000 (est)	109,472,700 (req.)	7,527,300	93.6

*Ratio of state appropriation (reimbursement to municipalities) to the districts' full entitlement.
Source: Department of Education

Over the years, the program has changed several times. At one time the percentage of debt reimbursed was as high as 100 percent, and at the present time municipalities are eligible for reimbursement of from 80 to 100 percent of their costs, depending on when their projects were originally approved. However, because of the continuing underfunding of the program, not only are they not reimbursed at their entitlement level, but they do not know what the reimbursement level will be until after the Legislature completes its annual appropriation process.

As Table 5 shows, in the last four years the reimbursement has ranged from 92.2 to 96.9 percent of the districts' statutory entitlement. Municipalities and their voters have made financial decisions based on the reimbursement rate in effect when they proposed bonding for school construction, and long-range budget decisions and financial plans have been based on this obligation and commitment of the State. Nevertheless, as state resources have shrunk in recent years and the Legislature has underfunded this entitlement program, those plans and decisions have been undermined by uncertainty. The funds available for the debt

reimbursement program have been prorated to eligible communities, and the municipal budget process has been upset because local governments have had to pay a larger share of the debt service than was anticipated and budgeted for. The unpredictability of reimbursement rates has been especially critical in the areas of the State with high growth during the early 1980s. It will continue to be a major problem during the lifetime of the bonds issued for construction in these areas if full funding of the entitlement is not guaranteed.

As Table 5 shows, in FY 88 the shortfall in funding to fully reimburse local governments for school construction debt service amounted to \$9,228,613; in FY 89, the shortfall is estimated at over \$7.3 million.

EDUCATION

Funding for education is the largest single item in the state budget, approximately 25 percent, and is the largest transfer of funds from the State to local governments. The Alaska Municipal League *Policy Statement* supports the "State's assuming full financial responsibility for basic education including funding of school construction" (1989 *Policy Statement*, II.A.1) because of the Alaska Constitution's mandate to establish and maintain a system of public education open to all children.

Education Foundation Formula

The Alaska Municipal League requests funding for the Education Foundation Formula for FY 90 of not less than the estimated cost of \$480,000,000 to make it possible for Alaska's municipalities to provide basic education for all children.

Table 6. Education Foundation Formula Funding, FY 1985 - FY 1990

Fiscal Year	Entitlement	State Appropriation	% ^a
1986	\$491,159,214	\$491,159,214	100.0
1987	451,529,200	414,729,423	91.9
1988	437,438,385	437,438,385	100.0
1989	480,000,000 (est.)	447,500,900	100.0
1990	480,000,000 (est.)	480,000,000 (req.)	100.0

^aRatio of state appropriation (reimbursement to municipalities) to entitlement.
Source: Department of Education

The main component of the state government's support of education for all Alaskan children is the Foundation Formula. This formula distributes funds to the local school districts based on the instructional unit concept. Minimum state aid to city and borough districts is now defined as 65 percent of basic need (with local governments required to contribute 35 percent of basic need or a 4-mill equivalency, whichever is less). Rural Education Attendance Areas are funded at 100 percent of basic need. On a statewide basis, approximately 72 percent of the cost of education is funded by the State, 22 percent by local governments, and 6 percent by the federal government with PL 874 grants for federally impacted school districts. Table 6 shows the historical trend in funding of the Foundation Formula.

Pupil Transportation

The Alaska Municipal League requests funding of the Pupil Transportation Account for FY 90 at not less than the FY 89 level of \$25,121,700.

Alaska has provided funding for pupil transportation since 1924-25, when the Territory of Alaska set up the first school transportation fund. As Table 7 shows, the Pupil Transportation Account has been underfunded for many years, which has placed a burden on the local governments that must provide transportation but bear the burden imposed by underfunding. In FY 89, the Pupil Transportation Account was fully funded.

Table 7. Pupil Transportation Account Funding, FY 1985 - FY 1990

Fiscal Year	Entitlement	State Appropriation	%*
1985	na	\$24,648,300	na
1986	\$24,497,832	23,131,176	94.4
1987	23,713,035	21,343,816	89.9
1988	21,268,600	21,171,000	87.8
1989	25,121,700	25,121,700	100.0
1990	25,121,700 (est.)	25,121,700 (req.)	100.0

*Ratio of state appropriation (reimbursement to municipalities) to entitlement.
Source: Department of Education

Resolution of the Alaska Municipal League

Resolution No. 89-14

**A RESOLUTION REQUESTING FORWARD AND EARLY
FUNDING FOR EDUCATION**

WHEREAS, until 1988 the Alaska State Legislature acted on funding for education during the last few days of the Legislative Session, and

WHEREAS, in most municipalities, the largest segment of the overall budget is the education budget, and

WHEREAS, in 1988 the Alaska State Legislature acted on education funding during the early part of the 1988 legislative session, enabling municipalities to project funding sources and to complete their budget in a timely manner, and

WHEREAS, early funding allows municipalities to know the amount of funds available from the State at an early date, and

WHEREAS, forward funding would allow a municipality to know a year in advance the amount of funds which will be available for education;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges Governor Steve Cowper to include both forward funding and early funding in his budget and to support both programs.

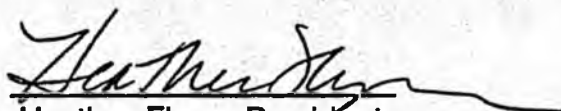
BE IT FURTHER RESOLVED by the Alaska Municipal League that the Alaska State Legislature is requested to enact legislation that will allow forward funding for education and to appropriate the necessary funds for forward funding.

BE IT FURTHER RESOLVED that in the event forward funding for education is not enacted by the Legislature, the Alaska Municipal League respectfully requests the Alaska State Legislature to pass early education funding during the first half of the legislative session.

BE IT FURTHER RESOLVED that the Governor is requested to approve legislation pertaining to educational funding enacted by the legislature, whether that funding is forward funding or early funding.

BE IT FURTHER RESOLVED that the Alaska Municipal League's strong and unwavering support for education is not meant to diminish the importance to many communities of adequate funding for the municipal assistance and revenue sharing programs.

Adopted this 18th day of November 1988 in Fairbanks, Alaska.


Heather Flynn, President

ATTEST:


Scott A. Burgess, Executive Director

Resolution of the Alaska Municipal League

Resolution No. 89-3

**A RESOLUTION REQUESTING ADEQUATE FUNDING
OF MUNICIPAL ENTITLEMENT PROGRAMS**

WHEREAS, declining oil revenues have resulted in a 10 percent decrease in spending in the State budget while State aid to municipalities has been reduced by over 30 percent, and

WHEREAS, by statute the State has established several entitlement programs that share state revenues with municipalities to assist them in the provision of basic services for Alaskans at the local level, and

WHEREAS, the State Senior Citizens/Disabled Veterans Tax Exemption Program and the companion Renters Equivalency Program have cost Alaskan municipalities over \$13,000,000 since 1986 because of underfunding by the Legislature, and

WHEREAS, inequities and inconsistencies in State funding of school construction have cost municipalities over \$29,000,000 in unreimbursed school debt since 1986, and

WHEREAS, the State Revenue Sharing Program, created by the Alaska State Legislature in 1969 to encourage local governments to provide adequate levels of public services and to inject a measure of stability into the municipal budgeting procedure, has been reduced by fully one third since 1986, and

WHEREAS, the Miscellaneous Municipal Services Account of the Revenue Sharing Program, which provides specific funds for local roads, ice roads, hospital and health facilities, fire departments and unincorporated communities, has not been fully funded for nine years, and

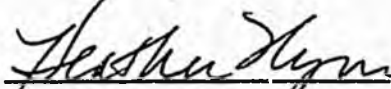
WHEREAS, the Municipal Assistance Program has also been reduced by over 30 percent since 1986, and

WHEREAS, basic education for Alaska's children is a constitutionally mandated function of the State, and the Education Foundation Formula is the single most important component in the state system for funding this need, and


WHEREAS, the Alaska Municipal League wishes to indicate its fiscal responsibility and recognizes that the price of oil may not allow increases in the entitlement programs;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Governor and the 16th Alaska State Legislature to provide funding for municipal entitlement programs in an amount not less than was appropriated in FY 89.

Adopted this 18th day of November 1988 in Fairbanks, Alaska.


Heather Flynn, President

ATTEST:


Scott A. Burgess, Executive Director

Senator John B. (Jack) Coghill
Alaska State Legislature

Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862



MEMORANDUM

To: Senator Rick Uehling
Co-Chairman Senate Finance

From: Senator Jack Coghill

Re: SB 10

Date: January 25, 1989

Today, SB 10, "an Act relating to the deadlines for action on funding of public education; and providing for an effective date" has passed out of the Senate HESS Committee and will be read across the Senate Floor tomorrow and transmitted to Senate Finance.

SB 10 sets a deadline of March 14 by which the Legislature shall appropriate funds to school districts for the next fiscal year. It would also change the date from April 1 to April 15 by which borough school boards have to submit the following school year's budget to the borough assembly.

I would appreciate if you would schedule SB 10 for a Senate Finance Committee hearing as soon as possible. Enclosed is backup material on the bill.



ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

• ALASKA COUNCIL OF SCHOOL ADMINISTRATORS •
326 Fourth St., Suite 408 Juneau, Alaska 99801 586-9702

POSITION STATEMENT
ON

SB 38 APPROPRIATIONS TO THE DEPARTMENT OF EDUCATION FOR K-12
SUPPORT; AND PROVIDING FOR AN EFFECTIVE DATE

THE ALASKA COUNCIL OF SCHOOL ADMINISTRATORS SUPPORTS SB 38 BECAUSE IT REPRESENTS FULL AND EARLY FUNDING FOR THE FOUNDATION PROGRAM AS WELL AS FOR THE OTHER FLOW THROUGH FUNDS FOR THE GENERAL OPERATION OF THE K-12 SCHOOL SYSTEM.

WHILE WE WOULD RECOMMEND TO AMEND THE BILL TO INCLUDE DEBT RETIREMENT PAYMENTS, THE BENEFITS OF FULL AND EARLY FUNDING HAVE BEEN REALIZED THIS YEAR IN THE FOLLOWING WAYS;

1. EARLY AND FULL NOTIFICATION OF FUNDING ALLOWED FOR A SMOOTH END OF THE YEAR LAST YEAR.
2. MUNICIPALITIES WERE ABLE TO APPROVE SCHOOL BUDGETS EARLIER THAN IN PAST YEARS.
3. EARLY FUNDING HELPED TO BRING ABOUT A SMOOTHER OPENING AND HIRING OF STAFF FOR THE CURRENT SCHOOL YEAR.
4. IT HAS HELPED TO STABILIZE EDUCATIONAL FUNDING AND PROGRAMS IN SCHOOL DISTRICTS ACROSS ALASKA.

WE ENCOURAGE THE SENATE FINANCE COMMITTEE TO PASS THIS IMPORTANT LEGISLATION AND URGE IT'S IMMEDIATE PASSAGE BY THE SENATE.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Deadlines For Action on Funding
of Public Education...
Sponsor: Coghill, Faiks, et al
Requestor: Senator Coghill

Agency Affected: Education
BRU: K-12 Support, School Debt
Reimbursement
Components: Foundation, Pupil Transportation
Tuition, et al: Debt Retirement

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Mary Hakala Phone: 465-2800
Division: Commissioner's Office Date: 1/13/89
Approved by Commissioner: William G. Demmert Date: 1/13/89
Agency: Education

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