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TABLE OF CONTENTS

- * HB 25 An Act relating to the instructional unit value
 in the public school foundation formula.

- 1. Bill
- 2. Fiscal Note
- 3. NEA Paper in support of HB 25
- 4. Explanation of HB 25 - Caroline Lombard
- 5. Proposed Committee Substitute (CSHB 25 (HES))
- 6. ASCA Position Paper

HOUSE COMMITTEE REPORT

(7)
 Date Referred: January 21, 1991 FURTHER REFERRALS: Finance

Date of Committee Action: 2/14/91

The HEALTH, EDUCATION AND SOCIAL SERVICE Committee considered: HB 25

HOUSE BILL NO. 25 INCREASE UNIT VALUE OF STATE SCHOOL AID

"An Act relating to the instructional unit value in the public school foundation formula."

RECOMMENDATIONS: the same title
 be replaced with CSHB 25 (HES) a new title
 have attached amendments(s)
 do pass
 do not pass
 no recommendations
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)
 fiscal impact _____ fiscal note(s) _____
 zero fiscal note _____ zero fiscal note(s) _____

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

	<i>Check appropriate column:</i>	<i>Do Not Pass</i>	<i>No Rec</i>	<i>Amend</i>
<i>Cheri Davis</i>				
<i>Bettye Davis</i>	<i>Mark Randles</i>			X
	<i>Mary Miller</i>			X
	<i>John C. Smyke</i>			X

[Signature]
 Chairman's Signature

CS FOR HOUSE BILL NO. 25 (HES)**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE**

Offered:

Referred:

Sponsor(s): REPRESENTATIVES CARNEY, Ellis, B.Davis

A BILL**FOR AN ACT ENTITLED****1 "An Act relating to the instructional unit value in the public school foundation formula."****2 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:****3 * Section 1. AS 14.17.056 is amended to read:****4 Sec. 14.17.056. INSTRUCTIONAL UNIT VALUE. The instructional unit value is**
5 \$65,300 except as adjusted under (b) of this section [\$60,000].**6 * Sec. 2. AS 14.17.056 is amended by adding new subsections to read:****7 (b) The commissioner shall annually adjust the instructional unit value to reflect changes**
8 in the Consumer Price Index for all urban consumers (CPI-U) for all items for the Anchorage
9 metropolitan area for the second half of the preceding calendar year compiled by the Bureau of
10 Labor Statistics, United States Department of Labor. The Consumer Price Index for all urban
11 consumers (CPI-U) for all items for the Anchorage metropolitan area semi-annual index for the
12 second half of 1990 is the reference base index.**13 (c) The revised instructional unit value shall be made available to the board by**
14 February 28th of each year. The state board shall adopt a regulation announcing on or before

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES



P.O. BOX V, JUNEAU 99811
(907) 465-3759

February 11, 1991

MEMORANDUM

TO: Members of the House HESS Committee

FROM: Caroline Lombard, House HESS Committee Staff *Caroline*

RE: Explanation of HB 25

The proposed CS for HB 25 increases the instructional unit value (IUV) from \$60,000 to \$65,300, which is proportional to the cost of inflation from the end of 1986 through mid-year 1990. It also establishes a mechanism, driven by the Anchorage Consumer Price Index (CPI), which will automatically adjust the instructional unit value to keep pace with inflation.

The \$65,300 amount was determined as follows. Section 9, Chapter 91, SLA 1987, established the IUV at \$60,000. (HB 126 was the enacting legislation for this law and was introduced and passed in 1987.) It is reasonable to assume that the \$60,000 amount took into account the cost of living through 1986. It is also reasonable to assume that the \$60,000 amount was intended to apply to the 1987 - 88 school year (FY 1988). Thus, for the purposes of calculating inflation since that time, \$60,000 is the base IUV amount, 1987 - 88 is the initial school year, and 1988 is the initial fiscal year.

The Consumer Price Index for urban consumers (CPI-U) for the Anchorage metropolitan area, is the mechanism used to calculate the rate of inflation. The standard reference base period used by the Bureau of Labor Statistics to calculate the CPI-U is 1982 - 84 = 100. The CPI-U annualized reference base for 1986 is 107.4. The calculation for each year since 1986 follows:

Year that CPI index applies	school year	fiscal year	index base	instructional unit value
1986	87-88	1988	107.4	\$60,000
1987	88-89	1989	108.1	60,391
1989	90-91	1991	112.5	62,849
1990	91-92	1992	116.9	65,307

The proposed CS for HB 25 assumes the index of 116.9 and the IUV of \$65,300 as bases for the calculation of future changes in the IUV as prescribed in the bill.

Even though the instructional unit value would be increased annually under this bill, future legislatures retain the constitutional authority to set the overall funding level for the foundation program in the relevant fiscal year.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CS HB25

Revision Date: _____ Department Affected: Education
 Title: The Instructional Unit value BRU: K-12 Support
in the public school foundation Component: Foundation
 Sponsor: Carney
 Requestor: House HESS COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	95,674.6	160,022.8	230,037.6	306,211.8	389,094.0	479,266.6
MISCELLANEOUS						
TOTAL OPERATING	95,674.6	160,022.8	230,037.6	306,211.8	389,094.0	479,266.6
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	95,674.6	160,022.8	230,037.6	306,211.8	389,094.0	479,266.6
FEDERAL FUNDS						
OTHEP						
TOTAL	95,674.6	160,022.8	230,037.6	306,211.8	389,094.0	479,266.6

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

UNIT VALUE Estimate of current year impact:

65,300	71,046	77,298	84,100	91,501	99,553
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 None

ANALYSIS: (Attach a separate page if necessary.) This fiscal analysis assumes a unit value increase of 8.8% annually. No accommodation is made for anticipated enrollment increases.

Prepared By: Mary Hakala Phone: 465-2800
 Division: Commissioner's Office Date: 2/13/91
 Approved by Commissioner: Steve Hite, Acting Commissioner
 Agency: Education Date: 2/13/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ALASKA DEPARTMENT OF EDUCATION
 PROJECTED FY92 FOUNDATION PROGRAM ENTITLEMENT
 PREPARED 2/13/91

BASED ON HB25
 UNIT VALUE OF \$65,300

PROJECTED FY92
 FOUNDATION
 ENTITLEMENT

ADAK	\$2,566,390
ALASKA GATEWAY	\$4,775,806
ALEUTIAN REGION	\$748,149
ALEUTIANS EAST	\$3,256,510
ANCHORAGE	\$179,931,018
ANNETTE ISLANDS	\$1,530,076
BERING STRAIT	\$14,202,145
BRISTOL BAY	\$1,879,282
CHATHAM	\$2,865,489
CHUGACH	\$1,563,180
COPPE 1 RIVER	\$5,557,181
CORDOVA	\$2,513,659
CRAIG	\$2,346,525
DELTA/GREELY	\$4,705,849
DILLINGHAM	\$3,242,557
FAIRBANKS	\$66,676,299
GALENA	\$1,334,749
HAINES	\$2,498,508
HOONAH	\$1,547,176
HYDABURG	\$1,071,952
IDITAROD	\$4,841,921
JUNEAU	\$22,934,026
KAKE	\$1,149,582
KASHUNAMIUT	\$1,553,783
KENAI	\$44,046,489
KETCHIKAN	\$11,593,538
KLAWOCK	\$1,418,009
KODIAK	\$13,280,940
KUSPUK	\$5,142,945
LAKE AND PENINSULA	\$6,031,163
LOWER KUSKOKWIM	\$30,708,228
LOWER YUKON	\$11,131,940
MAT-SU	\$47,413,178
NENANA	\$1,642,561
NOME	\$5,398,804
NORTH SLOPE	\$9,219,695
NORTHWEST ARCTIC	\$12,918,876
PELICAN	\$615,719
PETERSBURG	\$3,381,771
PRIBILOF	\$1,581,526
RAILBELT	\$3,283,477
SITKA	\$7,037,194
SKAGWAY	\$916,403
SOUTHEAST	\$5,616,814
SOUTHWEST	\$5,591,248
ST. MARY'S	\$1,425,146
TANANA	\$1,281,636
UNALASKA	\$1,870,873
VALDEZ	\$3,067,202
WRANGELL	\$2,872,809
YAKUTAT	\$1,269,572
YUKON FLATS	\$5,259,418
YUKON/KOYUKUK	\$6,011,439
YUPIIT	\$3,897,804
STATE CORR. STUDY	\$5,836,188
MT. EDGE CUMBE SCHOOL	\$1,652,573
VALDEZ CONTRACT	\$600,000
4 MILL PHASE-IN (SUBSIDY)	\$15,545
PL81-874 PASS THRU	\$1,277,192
ESTIMATED PRIOR YEAR ADJUSTMENTS	\$1,500,000

ESTIMATED ENTITLEMENT AS OF 2/13/91

\$601,099,727



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

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2118 CUSHMAN STREET
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(907) 456-4435

February 11, 1991

To: **Representatives Carney and Lincoln, Co-Chairs
Members, House HESS Committee**

Re: **HB 25; "An Act relating to the instructional
unit value in the public school foundation
formula."**

NEA-Alaska strongly supports the concept of increasing the Instructional Unit value in the funding formula and encourages the expeditious attention of the Committee to HB 25.

Over the past five years the state level of funding has been cut, it has been under-funded, the former state contribution to TRS of approximately \$25-30 million has been "passed along" to local districts, funding has been vetoed, and inflation has clearly had an adverse impact. It is time to increase the Instructional Unit value substantially.

The Instructional Unit value was set at \$60,000 in 1987-88 and has not since been changed. In "1987-88 dollars" it is now worth only \$52,361 as a result of inflation. If it were to keep pace with the US-Urban Consumer Price Index for 1991-92, the Instructional Unit value should be set at \$74,550.

During this same five-year period we have seen the reduction and elimination of many critical programs and services for students. Employees have subsidized public education with salary and benefit cuts and freezes and increased workloads. Critical maintenance goes undone and many school buildings are below basic safety codes. Student enrollment is at an all time high and is projected to increase again next year. Specific data which has been provided to the Committee by the Alaska Association of School Administrators emphasizes these critical needs.

We are also asking public education to take on even more responsibility in terms of finding solutions to our increasing societal problems. We cannot do more with less.

We commend the sponsor for the provisions in Sec. 2 of the bill which provide for annual "inflation proofing" of the Instructional Unit value and encourage favorable consideration by the Committee. If we can "inflation proof" the Permanent Fund, we can do no less for public education.

Thank you for your consideration of our position.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: **Representative Carney**



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, AK 99801-1101 (907) 586-9702 FAX (907) 586-5879

POSITION PAPER

HOUSE BILL 25

"AN ACT RELATING TO THE INSTRUCTIONAL UNIT VALUE IN THE PUBLIC SCHOOL FOUNDATION FORMULA."

The Alaska Council of School Administrators has gone on record supporting an increase in the foundation instructional unit for reasons addressed in previous testimony. House Bill 25 speaks to the increase and a continual increase for years to come through the adjustment according to the Consumer Price Index.

It also addresses the concept of early funding with an automatic instructional unit funding increase.

Because of these two important elements found in the bill, The Alaska Council of School Administrators expresses their appreciation to the sponsor for recognizing the need for increased funding and further, we support HB 25.

ASSOCIATION OF ALASKA SCHOOL BOARDS

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DIRECTOR
Carl F.N. Rose

February 14, 1991

The Honorable Pat Carney
The Honorable Georgianna Lincoln
Co-chairs, House HESS Committee
House of Representatives
Alaska State Legislature
Juneau, Alaska 99811

**Re: In support of CS HB 25—An Act relating to the instructional unit value
in the public school foundation formula.**

Dear Reps. Carney and Lincoln:

The Association of Alaska School Boards enthusiastically supports CS HB 25 with its increase in the instructional unit value which includes an annual cost of living adjustment.

The legislature has not increased the instructional unit value for five years, the result of which has been five years of serious cost-cutting measures by school districts.

The educational expectation that has been created by the governor, political and business leaders fails to recognize the lack of financial commitment required to reach the national goals set by the National Governors' Association, the educational outcomes adopted by the Alaska's State Board of Education, and the legislative recommendations of the Joint Committee on School Performance.

Schools across the state are experiencing serious difficulty dealing with program cuts as a result of the inflationary loss of buying power of the educational dollar coupled with former Governor Cowper's cuts to the FY 91 budgets. Schools have critical needs that will not be addressed if adequate levels of funding are not established for FY 92 and beyond.

The Association of Alaska School Boards has gone on record as supporting a number of legislative proposals to increase foundation funding, including HB 53 which also has as one of its components an increase in the instructional unit value. AASB believes that CS HB 25 addresses a critical issue facing education. We encourage your active support of this bill on behalf of Alaska's children.

Respectfully submitted

Carl F.N. Rose,
Executive Director