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HOUSE COMMITTEE REPORT

(9)

Date Referred: March 16, 1994

FURTHER REFERRALS:

State Affairs
Finance

Date of Committee Action: 3/22/94

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: HB 533

HOUSE BILL NO. 533 ALLOWABLE LOCAL EFFORT FOR SCHOOL FUNDING

"An Act increasing the amount of local contributions that may be made to a city or borough school district under the foundation formula; and providing for an effective date."

- RECOMMENDATIONS: the same title
 be replaced with _____ 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 Education zero fiscal note(s) _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>		X	
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓	<i>[Signature]</i>		✓	
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				

[Signature]
CHAIRMAN'S SIGNATURE

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB533

Revision Date: _____

Department Affected: Education

Title: An act increasing the amount of local contribution that may be made to a city or borough school district under the foundation formula; and providing for an effective date.

BRU: K-12

Component: Foundation Program

Sponsor: House Health, Education and Social Services Committee

Requester: HESS Committee

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

REVENUE FUND SOURCE:						
-----------------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ -0-

ANALYSIS: HB533 does not have a fiscal impact on the State. HB533 will amend AS 14.17.025(b)(2) which will increase the additional local revenue cities and boroughs are allowed to contribute for school operations, from 23% to 25% of that district's basic need. Actual local contributions are not known until the audit is complete and the year is closed out. Passage of the proposed legislation may require retroactive return of excess local dollars after the year has ended, if a district exceeds the 25% cap. Districts contributing in excess of the cap may not receive state aid.

Prepared by: Duane F. Guiley Phone: 465-2891
Division: School Finance Date: March 21, 1994

Approved by Commissioner: Jerry Covey
Agency: Education Date: March 21, 1994

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Alaska State Legislature

House of Representatives
 COMMITTEE ON HEALTH, EDUCATION
 AND SOCIAL SERVICES

DATE: 3/22/94

PLACE: Capitol Room 106

SUBJECT OF MEETING:
 * HB 533: ALLOWABLE EXPENDITURE FOR SCHOOL FUNDING
 * HB 521: JUDICIAL REVIEW: TEACHER TENURE DECISIONS
 * HB 514: SUPPORT MEDICAL SAVINGS ACCOUNT LEGISLATION
 - BILLS HELD OVER -
 HB 412: COMMUNITY CARE FACILITIES
 * INDICATES FIRST PUBLIC HEARING

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/WHICH BILL?
PAT O'BRIEN	N/SS				465-2145	(Y) N	HB 412 Answer Question 1
DUNCAN GUILLEY	DOE	801 WEST 10th ST. STE 201	99501		465-2897	Y N	HB 533 AVAILABLE TO ANSWER QUESTIONS
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



Alaska State Legislature
 House of Representatives
 COMMITTEE ON HEALTH, EDUCATION
 AND SOCIAL SERVICES

SUBJECT OF MEETING:

DATE:

PLACE: Capitol Room 106

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
CLAUDIA DOUGLAS	NEA-ALASKA	114 3rd Ave Juneau	99801		586-3890	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 521
PAUL ROSE	AASB	316 W 11th Juneau	99801		61083	<input checked="" type="radio"/> Y <input type="radio"/> N	HB 521
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
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						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	

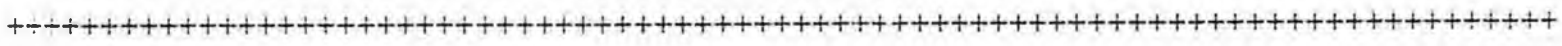
H/HESS ROLL CALL FORM

BILL HB 533 DATE 3/22/94

TAPE 94-59, A NUMBER 558

SUBJECT OF VOTE TO PASS HB 533 OUT OF COMMITTEE
WITH INDIVIDUAL RECOMMENDATIONS AND ACCOMPANYING FISCAL NOTE

MEMBER	YEA	NAY	ABS
Rep. Cynthia Toohey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Con Bunde	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gary Davis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Al Vezey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Pete Kott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Harley Olberg	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rep. Bettye Davis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Irene Nicholia	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Tom Brice	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL	<u>7</u>	<u>1</u>	<u> </u>



BILL _____ DATE _____

TAPE 94- _____ NUMBER _____

SUBJECT OF VOTE _____

MEMBER	YEA	NAY	ABS
Rep. Con Bunde	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Gary Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Al Vezey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Pete Kott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Harley Olberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Bettye Davis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Irene Nicholia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Tom Brice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rep. Cynthia Toohey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTAL	<u> </u>	<u> </u>	<u> </u>



ALASKA COUNCIL OF SCHOOL ADMINISTRATORS

326 Fourth St., Suite 404 Juneau, AK 99801-1101 • (907) 586-9702 • (800) 478-9702 • FAX: (907) 586-5879

POSITION STATEMENT

HB 533

"An Act increasing the amount of local contributions that may be made to a city or borough school district under the foundation formula; and providing for an effective date."

The Alaska Council of School Administrators is supportive of HB 533.

Although we do not believe this will solve the financial crisis school districts are feeling, it will provide some relief which would otherwise not be permitted on the local level.

Over the past seven years, the local contribution level needed to be increased in order for the districts to keep up with inflation and growing costs of providing education. We know many districts have now reached the maximum level allowed under the current statute.

In an effort to provide the opportunity for an increase in local contributions to offset revenue shortages, raising the level of district's basic need will be of some assistance.

Respectfully submitted

Stephen T. McPhetres
Executive Director

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



SPONSOR STATEMENT

HB 533 An Act increasing the amount of local contributions that may be made to a city or borough school district under the foundation formula.

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

Alaska law establishes a maximum local contribution of 23% of the instructional unit value in AS 14.17.056. HB 533 raises the cap on voluntary local contributions to 25% of the instructional unit value; there is no change to the minimum requirement.

The intent of this bill is consonant with Alaska's policy of local control of education. Increasing the amount which a municipality MAY contribute to the funding of its school district allows local communities a greater opportunity to create the type of educational programs they desire. This bill thus encourages the concept of local control and responsibility as well as offering a practical remedy for those districts who wish to offset the negative effects of inflation on school funding.

I urge your favorable consideration of this legislation.

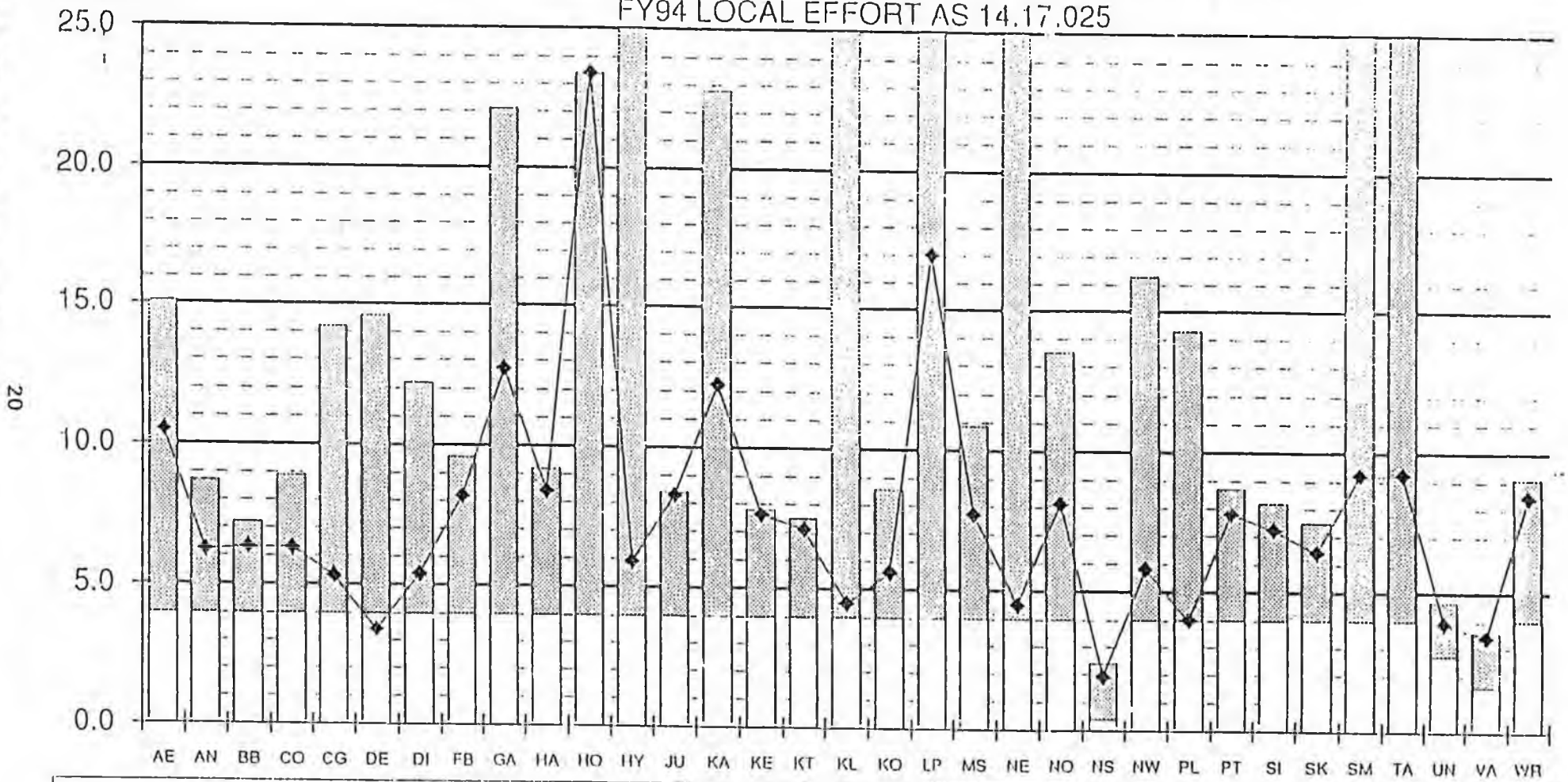
SPONSOR STATEMENT

MILL EQUIVALENT OF TAX EFFORT

FY94 LOCAL EFFORT AS 14.17.025

CHART OF LOCAL CONTRIBUTIONS

MILL EQUIVALENT



MINIMUM required local effort
 ALLOWABLE EXCESS 23% of Basic Need
 ◆ LOCAL CONTRIBUTION FY94 Budgeted Revenue AS 14.17.250(7)

THIS CHART HAS BEEN LIMITED TO 25 MILLS.

ALASKA DEPARTMENT OF EDUCATION
 FY94 FOUNDATION PROGRAM AS 14.17.025

Abbreviations for chart on page 1.

			(1992 Value)	ALLOWABLE	AS 14.17.250(7)	1992 FULL VALUE	FY94	TOTAL	AS 14.17.250(7)	
			REQUIRED	EXCESS	BUDGETED	DETERMINATION	REQUIRED	ALLOWABLE	ALLOWABLE	BUDGETED
			MILL EQUIV.	MILL EQUIV.	MILL EQUIV.	BY C&RA	LOCAL	LOCAL	LOCAL	
ALEUTIANS EAST	=	AE	4.0	11.1	10.5	\$86,859,000	\$347,436	\$961,476	\$1,308,912	\$914,731
ANCHORAGE	=	AN	4.0	4.7	6.2	11,256,384,640	45,025,539	52,859,428	97,884,967	69,545,000
BRISTOL BAY	=	BB	4.0	3.2	6.3	173,673,500	694,694	562,804	1,257,578	1,093,726
CORDOVA	=	CO	4.0	4.9	6.3	151,877,040	607,508	739,521	1,347,029	964,000
CRAIG	=	CG	4.0	10.2	5.3	50,954,200	203,817	520,373	723,549	271,618
DENALI	=	DE	4.0	10.6	3.4	72,572,400	290,290	770,513	1,060,818	249,756
DILLINGHAM	=	DI	4.0	8.2	5.4	121,235,100	484,940	992,763	1,477,703	655,500
FAIRBANKS	=	FB	4.0	5.6	8.2	3,256,294,590	13,025,178	18,311,956	31,337,134	26,745,000
GALENA	=	GA	4.0	18.1	12.7	19,965,100	79,860	360,711	440,571	253,573
HAINES	=	HA	4.0	5.2	8.4	122,749,700	490,999	636,962	1,127,961	1,033,000
HOONAH	=	HO	4.0	19.4	23.4	22,813,100	91,252	443,208	534,460	534,460
HYDABURG	=	HY	4.0	21.0	5.9	5,736,300	22,945	251,277	274,222	34,000
JUNEAU	=	JU	4.0	4.4	8.3	1,566,985,160	6,267,941	6,916,790	13,184,731	13,046,000
KAKE	=	KA	4.0	18.8	12.2	16,951,200	67,805	318,902	386,707	207,453
KENAI	=	KE	4.0	3.8	7.6	3,465,369,120	13,861,476	13,108,369	26,969,845	26,395,416
KETCHIKAN	=	KT	4.0	3.5	7.1	933,887,400	3,735,550	3,259,731	6,995,280	6,669,993
KLAWOCK	=	KL	4.0	21.0	4.5	14,793,800	59,175	357,344	416,519	67,000
KODIAK	=	KO	4.0	4.6	5.6	879,302,700	3,317,211	3,133,136	7,150,347	4,647,120
LAKE AND PENINSULA	=	LP	4.0	21.0	17.0	68,423,800	273,695	1,526,464	1,800,159	1,166,195
MAT-SU	=	MS	4.0	6.9	7.7	2,020,623,780	8,082,495	13,844,383	21,926,878	15,652,925
NEMANA	=	NE	4.0	21.0	4.5	15,112,200	60,449	382,458	442,907	67,449
NOME	=	NO	4.0	9.5	8.1	126,631,300	506,525	1,205,598	1,712,123	1,025,149
NORTH SLOPE /2	=	NS	0.4	2.0	1.9	12,537,472,080	4,883,599	25,074,944	29,958,543	21,458,705
NORTHWEST ARCTIC	=	NW	4.0	12.3	5.8	326,931,100	1,307,724	4,028,995	5,336,719	1,904,920
PELICAN	=	PL	4.0	10.3	4.0	13,922,600	55,690	143,948	199,638	55,690
PETERSBURG	=	PT	4.0	4.7	7.8	186,577,700	746,311	871,123	1,617,434	1,449,406
SITKA	=	SI	4.0	4.2	7.2	517,476,500	2,069,906	2,166,793	4,236,699	3,729,524
SKAGWAY	=	SK	4.0	3.5	6.4	76,393,200	305,573	266,710	572,283	491,073
ST. MARY'S	=	SM	4.0	21.0	9.2	4,459,300	17,837	337,422	355,259	40,837
TANANA	=	TA	4.0	21.0	9.2	11,245,600	44,982	304,591	349,573	103,000
UNALASKA /2	=	UN	2.7	2.0	3.9	331,802,860	881,542	663,606	1,545,148	1,309,746
VALDEZ /2	=	VA	1.6	2.0	3.4	1,146,257,830	1,799,592	2,292,516	4,092,108	3,845,970
WRANGELL	=	WR	4.0	5.1	8.4	132,997,300	531,989	674,703	1,206,692	1,120,168
YAKUTAT	=	YA	4.0	14.5	12.1	19,957,200	79,829	288,597	368,426	241,484
TOTALS				Average contribution in mills >	7.8	\$39,704,688,400	\$110,321,354	\$159,278,209	\$269,598,922	\$208,989,587

/1 Can not exceed the total allowable local.

/2 Required local effort is limited to 35% of Basic Need of the preceding year. Allowable excess is 2 mills

PRINT OUT OF CONTRIBUTION

ALASKA DEPARTMENT OF EDUCATION
FY94 FOUNDATION PROGRAM

	1% of Basic Need	2% of Basic Need
ALEUTIANS EAST	40,425	80,850
ANCHORAGE	2,290,764	4,581,528
BRISTOL BAY	24,254	48,508
CORDOVA	32,147	64,294
CRAIG	23,491	46,982
DENALI	33,373	66,746
DILLINGHAM	38,564	77,128
FAIRBANKS	799,631	1,599,262
GALENA	14,756	29,512
HAINES	25,827	51,654
HOONAH	21,350	42,700
HYDABURG	10,114	20,228
JUNEAU	289,957	579,914
KAKE	13,804	27,608
KENAI	567,880	1,135,760
KETCHIKAN	133,791	267,582
KLAWOCK	16,074	32,148
KODIAK	172,545	345,090
LAKE AND PENN.	72,401	144,802
MATSU	608,280	1,216,560
NENANA	16,061	32,122
NOME	53,338	106,676
NORTHWEST ARCTIC	182,250	364,500
PELICAN	6,015	12,030
PETERSBURG	37,881	75,762
SITKA	93,861	187,722
SKAGWAY	11,535	23,070
ST. MARY'S	11,682	23,364
TANANA	12,316	24,632
WRANGELL	30,884	61,768
YAKUTAT	13,408	26,816
TOTALS	\$5,698,659	\$11,397,318

Potential increase of local contributions due to increased cap from 23% of basic need to 24% or 25%.

OTHER ISSUES:

ALASKA'S PUBLIC SCHOOL FOUNDATION PROGRAM, AS 14.17 enables the state to meet fiscal equalization criteria outlined in the federal PL 81-874 law, commonly known as the "disparity test." Alaska must meet the guidelines in order to utilize approximately \$44 million in PL 81-874 funds within the state foundation plan as general revenues.

PL 81-874 DISPARITY TEST - The federal PL 81-874 disparity test measures the disparity in local school district revenues. The test takes into consideration designated state and local revenues. Under guidelines of the disparity test, the range of revenues may not vary more than 25 percent between the school district that raises the lowest amount of revenue per instructional unit and the school district that raises the greatest amount. Since federal regulations allow states to eliminate five percent of the weighted instructional units at the top of the scale and five percent at the bottom, Alaska eliminates both of its oil rich school districts, Valdez and North Slope Borough, which contribute considerably more than 25 percent beyond the lowest amount. Since REAAs are not authorized to raise local taxes, five percent of the units at the bottom of the scale can be from any REAA. The disparity test uses \$61,000 per instructional unit as the base.

CENTRALIZED CORRESPONDENCE SCHOOL - The law provides a formula for computing funds for the state Centralized Correspondence School. Instructional units are computed under the same formula used by elementary schools with more than 200 students and multiplied by 0.65.

DECLINING ENROLLMENT - The law contains language that protects districts from losing more than 10 percent of the prior year's K-12 instructional units by phasing in the reduction over four years.

DISTRIBUTION PROCEDURES - The Department of Education will make payment of foundation aid through monthly payments to school districts. The payments for the first nine months of each fiscal year will be based on actual instructional units for the prior school year. Payments for the last three months will be adjusted by current year instructional units. Any overpayments or underpayments made during the first nine months will be adjusted in the final three payments of the fiscal year. The first counting period will be during a 20-day period ending on the fourth Friday in each October. An optional 20-day count period ending the second Friday of February may be used to calculate foundation funding, if the February counting period yields more instructional units.

FUND BALANCE LIMITATION - The law prohibits districts from accumulating an unreserved fund balance of more than 10 percent of their operating expenditures and other uses for the year. The Department of Education must deduct the amount exceeding 10 percent from a school district's succeeding year's foundation entitlement.

FULL AND TRUE VALUE - The Department of Community and Regional Affairs will determine the full value of the taxable real and personal property in each city and borough school district for the purpose of calculating a school district's required local effort.

GATHERING/REPORTING STUDENT DATA - The statute requires districts to report to the Department of Education by October 15 of each school year an estimate of its student population for the next school year. The Department of Education will use the estimates to determine the amount of state foundation aid to seek from the Legislature for the following school year.



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Respectfully submitted

A handwritten signature in cursive script, appearing to read "Stephen T. McPhetres".

Stephen T. McPhetres
Executive Director