

HB

452

SMALL SINGLE SITE SCHOOL DISTRICTS

Who are they?

Districts with:

- enrollment of 800 or fewer average daily membership (ADM)
- funding limited to one funding community

How many districts?

- 39% of Alaska's 51 districts

What kind of districts?

- Geographically small
- Small city
- Rural
- REAA

Where are these districts?

Aleutian Region	Annette Islands
Cordova	Craig
Dillingham	Galena
Hoonah	Hydaburg
Kake	Kashunamiut
Klawock	Nenana
Nome	Pelican
Petersburg	Skagway
St. Mary's	Tanana
Unalaska	Wrangell
Yakutat	

Are all small schools in small single site school districts?

No. There are school districts covering large geographical areas that have several small schools within the area/district.

What makes small single site school districts different?

A small district, with only one (single) funding community according to the foundation formula, is funded at a substantially lower level per student than is a district of the same enrollment with multiple funding communities.

How many students are affected by this funding situation?

Approximately 6,000.

How can this situation be remedied?

The state law can be amended to add a supplemental funding formula for those small schools that are also a small district.

What would this amendment do for the overall cost of education?

- It would increase the foundation entitlement by approximately \$3.2 million.
- This increase is about .5% of the overall K-12 foundation appropriation.

How long has this situation existed?

Since the foundation formula was amended in 1987.

Has this difference of funding just been discovered?

No. Debate at the time the funding law was changed showed concern for these small school districts.

How have these schools operated since 1987?

Separate legislative appropriations have been made to provide additional district support.

Is there an agreed upon amendment to the foundation formula?

Yes. All 21 small single site school districts agree on a formula that will resolve this issue.

The formula has also received support from the State Board of Education, the Alaska Association of School Administrators, the Association of Alaska School Boards, and NEA-Alaska.

See reverse side for proposed legislative wording.

A:

See
Inside.



Proposed Formula-Legislative Wording

*Sec. __AS 14.17.041 is amended by adding a new subsection to read:

(e) In a district that consists of a single funding community with an average daily membership of 800 or fewer students, the elementary and secondary instructional units received under (a) or (b) of this section shall be multiplied by the factor determined under the following table:

District ADM	Factor
1-250	1.12
251-525	1.08
526-800	1.06

*Sec. __ This Act takes effect _____.

For more information on the single site funding issue, contact:

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Q:

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6,000
Students
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State of
Alaska?



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SINGLE SITE SCHOOL DISTRICT CONSORTIUM

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POSITION PAPER

The Single Site School District Consortium consists of twenty-one single-funding-community school districts with 800 or fewer students in average daily membership (ADM). The Consortium seeks an amendment to the Foundation Formula that adjusts for what we believe to be an inherent inequity.

When the current Foundation Formula was adopted in 1987, the Legislature recognized that certain unintended adverse impacts may result. Almost every year since that time, adjustments have been made to accommodate for these impacts. Most commonly, and almost exclusively for the past five years, these adjustments have taken the form of supplemental noncategorical funds in specific Legislative appropriations directed to single site districts. For the past three years, the following formula (proposed by the Consortium) has been used to generate these supplemental appropriations:

ADM	FACTOR
1 - 250	1.12
251 - 525	1.08
526 - 800	1.06.

Although this formula has been used to determine supplemental funding, it has not yet been enacted into law as an amendment to the Foundation Program. The Consortium supports such an amendment as has the State Board of Education, the Association of Alaska School Boards, the Alaska Association of School Administrators, and NEA-Alaska.

The problem with the present Foundation Formula, as it affects single site school districts, is what is referred to as the *front-end load*. Up to the first ten students in a funding community produce two K - 12 instructional units (\$122,000 exclusive of the area cost differential). As ADM increases, more and more students are required to produce a K - 12 instructional unit. Single site districts benefit from this *front-end load* only once, while multiple site districts take advantage of it for each funding community. Admittedly, there are incremental additional costs associated with the operation of multiple sites. However, the Consortium contends that the funding disparity between single and multiple site districts under the present Foundation Formula is unwarranted.

A graphic example of this disparity is seen in the table at right comparing two districts with similar FY '96 ADM— Alaska Gateway, a multiple site district on the highway system, and Wrangell, a single site district. Notably, the single site district, with 19 more students, accrues *substantially* less revenue from K - 12 instructional units than does the multiple site district. (The area cost differential is not included, as it is intended to equalize dollars across the state.) Even

Ak. Gateway	536 ADM	\$3,834,460
Wrangell	555 ADM	<u>2,624,220</u>
Difference		(\$1,210,240)
		(46.0%)

with the FY '96 single site supplemental of \$159,820, Wrangell still receives \$1,050,420 (37.7%) less than Alaska Gateway. The Consortium believes that this difference is more than ample to accommodate for Alaska Gateway's additional costs necessitated by multiple site operations.

In conclusion, it is clear that for several years the Legislature has recognized an inequity in the Foundation Formula impacting small single site school districts. To address this inequity, supplemental funds have been appropriated for these districts. Given the years of supplemental funding, these additional noncategorical revenues have become institutionalized in the budgets of small single site districts. If the supplements are discontinued, the adverse impacts on these districts' operations and programs will be severe. As can be noted in the example discussed above, Wrangell's FY '96 single site supplement amounts to approximately 6% of that district's noncategorical state aid. Obviously, a revenue reduction of 6% would have a very serious impact on any school district.

Signed:



B. A. Weinberg, Chairperson
SINGLE SITE SCHOOL DISTRICT CONSORTIUM
February 27, 1996

SB 244/HB 452

Sec. 4

Small Single Site School District Formula

HISTORY: How Did We Get Here?

The issue of funding for a group of small single site school districts has been with Alaska since the 1987 revision of the foundation formula. At the time Title 14 Chapter 17 was amended a special appropriation was made to mitigate the effect of the new formula on small single site school districts. Additional funding for small single site school districts has been appropriated every year thereafter.

In 1992, Dr. Nat Cole, the author of the current foundation formula, found that, as a group, small single site school districts with 800 or fewer ADM had been adversely impacted by the 1987 revisions. He recommended a formula that would remedy the inequities he found and maintain the integrity of the existing foundation formula.

STATUS: What Is The Situation?

The formula in SB 244/HB 452 is the adjustment recommended by Dr. Cole. Dr. Cole acknowledges an oversight in the legislative drafting that led to the present situation.

The group of 21 school districts known as small single site school districts has received grants annually. These grants have been appropriated by the legislature to the Department of Education. In recent years they have been classified in the budget as Additional District Support. Since 1992 these grant amounts have been based on the formula you find in SB 244/HB 452. These funds, although paid outside the foundation formula, have been institutionalized as state funding in the school districts' budgets. The funding, around \$3 million, represents approximately 6%-12% over foundation payments for these districts. Any district would be seriously harmed with a 6% - 12% budget reduction.

REMEDY: What Will Fix It?

Section 4 of SB 244/HB 452 places the recommended formula **INTO** the foundation formula. Enactment of Section 4 will eliminate the need to appropriate grants annually, outside the formula, for 39% of Alaska school districts.

No fiscal note accompanies Section 4 of SB 244/HB 452 as the appropriation is in SB 213/HB 412 the Operating Budget for 1997. The request is in the Department of Education budget at maintenance levels as it is not new funding.

This formula known as the "single site fix" is supported by the Alaska Association of School Administrators, the Association of Alaska School Boards, NEA-Alaska, The State Board of Education, and **ALL** 21 of the small single site school districts.

Respectfully, I request your consideration and passage of the recommended remedy as set forth in Section 4.

FISCAL NOTE

STATE OF ALASKA

BILL NO. SB 244/HB 452

1996 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: An act relating to state foundation aid and supplementary state aid for education

BRU: K-12

Sponsor: Rules Committee

Component: Foundation Program

Requester: Governor

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	223.8	223.8	223.8	223.8	223.8	223.8
MISCELLANEOUS						
TOTAL OPERATING	223.8	223.8	223.8	223.8	223.8	223.8

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	223.8	223.8	223.8	223.8	223.8	223.8
1005 GF/Program Receipts						
Other						
TOTAL	223.8	223.8	223.8	223.8	223.8	223.8

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)
 Refer to attached spreadsheet for fiscal impact of sections 1 and 2 of the legislation. Section 3 has no fiscal impact. Section 4 allocates funds to single-site school districts. An allocation equal to the cost to implement Section 4 is requested in DOE's FY97 budget and is identified as "additional district support."

Prepared by: Eddy Jeans
 Division: School Finance
 Approved by Commissioner: *Shirley Holloway*
 Agency: Education

Phone: 465-8685
 Date: January 19, 1996
Shirley Holloway, Ph. D.
 Date: January 19, 1996

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	A	B	C	D
1	ALASKA DEPARTMENT OF EDUCATION			
2	PROJECTED FY97 FOUNDATION PROGRAM			
3	Attachment to Governor's proposed education legislation.			
4	"An Act relating to state foundation aid and supplementary state aid for education; and providing for an effective date."			
5		Section 1	Section 2	
6				
7		5% Impact Aid	9500 per Adj. Unit	Column C less Column B
8				
9	ADAK	\$0	\$0	\$0
10	ALASKA GATEWAY	19,027	44,245	25,218
11	ALEUTIAN REGION	2,850	4,670	1,820
12	ALEUTIANS EAST	0	0	0
13	ANCHORAGE	0	0	0
14	ANNETTE ISLANDS	50,816	22,525	(28,291)
15	BERING STRAIT	172,756	164,585	(8,171)
16	BRISTOL BAY	0	0	0
17	CHATHAM	32,579	27,360	(5,219)
18	CHUGACH	6,260	15,100	8,840
19	COPPER RIVER	4,029	44,615	40,586
20	CORDOVA	0	0	0
21	CRAIG	0	0	0
22	DELTA/GREELY	44,809	44,085	(724)
23	DENALI	0	0	0
24	DILLINGHAM	0	0	0
25	FAIRBANKS	0	0	0
26	GALENA	0	0	0
27	HAINES	0	0	0
28	HOONAH	0	0	0
29	HYDABURG	0	0	0
30	IDITAROD	29,036	49,335	20,299
31	JUNEAU	0	0	0
32	KAKE	0	0	0
33	KASHUNAMIUT	13,578	18,235	4,657
34	KENAI	0	0	0
35	KETCHIKAN	0	0	0
36	KLA.WOCK	0	0	0
37	KODIAK	0	0	0
38	KUSPUK	27,784	48,580	20,796
39	LAKE AND PENN.	0	0	0
40	LOWER KUSKOKWIM	230,818	348,085	117,467
41	LOWER YUKON	163,867	137,715	(26,152)
42	MAT-SU	0	0	0
43	NENANA	0	0	0
44	NOME	0	0	0
45	NORTH SLOPE	0	0	0
46	NORTHWEST ARCTIC	0	0	0
47	PELICAN	0	0	0
48	PETERSBURG	0	0	0
49	PRIBILOF	18,621	19,235	614
50	SITKA	0	0	0
51	SKAGWAY	0	0	0
52	SOUTHEAST	23,047	34,035	10,988
53	SOUTHWEST	53,822	63,340	9,518
54	ST. MARY'S	0	0	0
55	TANANA	0	0	0
56	UNALASKA	0	0	0
57	VALDEZ	0	0	0
58	WRANGELL	0	0	0
59	YAKUTAT	0	0	0
60	YUKON FLATS	31,599	49,875	18,276
61	YUKON/KOYUKUK	50,001	65,200	15,199
62	YUPIIT	43,249	41,355	(1,894)
63				
64	TOTALS	\$1,018,348	\$1,242,175	\$223,827



NEA-ALASKA

Affiliate of NEA-NATIONAL Education Association

POSITION PAPER

HB 452

NEA-Alaska supports passage of HB 452. The bill provides for the calculation of state foundation aid and supplementary state aid for education. As originally introduced, the bill makes single site school districts a funding community within the formula and fixes the federal disparity problem, so that the state can continue to receive PL 81-874 funds.

PL-874 funding is provided to local school districts where the federal government owns property, thereby reducing local property tax revenues that could be used for public education. Military bases, Indian lands, national forests and wildlife preserves include slightly under 30,000 children that are federally connected through the impact program.

The bill creates a supplemental equalization program for REAAs to deal with the disparity problem and increases the deduct for federal impact aid for REAAs from 90% to 95%.

The bill is needed to ensure that Alaska continues to receive up to \$35 million in federal aid - if lost the impact would negatively prorate the instructional unit by approximately \$2,800

Passage of the bill will ensure that Alaska meets the new federal 20%, instead of 25%, disparity test for this year.

The bill provides a short term fix but provides time to continue to work on the problem.



NEA-ALASKA Position Paper

SCHOOL FUNDING

Facts you can use

Knowing how to sort truth from nonsense is tough when you hear politicians talk about state funding for public education. Armed with the facts in this publication, you can feel more confident judging what you hear.

THE SCHOOL FORMULA

There's been a lot of talk about changing the formula for funding Alaska's public schools. The Governor has set up a special committee to recommend changes. Here are facts about how the formula works now.

Alaska's system for funding K-12 public schools is called the **Public School Foundation Program (PSFP)**. The PSFP is designed to guarantee a certain level of funding to each school district. This guaranteed level is called the school district's **basic need**. Local governments may provide additional funds in support of their schools beyond the basic need but subject to certain statutory limits. Some of the district's basic

need as well as additional support is provided by federal funds.

Basic need

A school district's basic need is the amount of money minimally guaranteed to the district to provide a basic education to its students. The amount of a district's basic need is arbitrarily defined in the statute as being equal to the product of a district's number of instructional units times its regional differential times the value of one instructional unit.

The current value of an **instructional unit** is established in statute as \$61,000.

A district's basic need is determined by the number of students in a given community, their grade level, and their special programmatic needs, if any. These factors are translated into a certain **number of instructional units** by means of a variety of formulas.

$$\text{BASIC NEED} = \text{(Number of Instructional Units)} \times \text{(Regional Differential)} \times \text{(Value of Instructional Unit)}$$

Anchorage Regional Office * 1840 S. Bragaw Street, Suite 103 * Anchorage, Alaska 99508 * (907) 274-0536 * Fax: (907) 274-0551

Juneau Office * 114 Second Street * Juneau, Alaska 99801 * (907) 586-3090 * Fax: (907) 586-2744

Fairbanks Regional Office * 2118 Cushman Street * Fairbanks, Alaska 99701 * (907) 456-4435 * Fax: (907) 456-2159

www.ak.nea.org * info@ak.nea.org

In general, more instructional units are generated by secondary students (one per 13 students in a large secondary school) than elementary (one per 17 students in a large elementary school). Also, in general, more instructional units are generated by the same number of students in a small school than in a large school.

The amount of a district's basic need is adjusted by a **regional differential**. The regional differential is intended to reflect the additional cost of operating a school in a more expensive part of the state.

Local effort

In city and borough school districts the local government is required to minimally provide part of the basic need. That **minimal requirement** is equal to the lesser of

- 4 mills of the full and true assessed value within the city or borough or
- 35% of the basic need of the district.

The local governmental unit may contribute an **additional local amount**, beyond the basic need, up to an additional

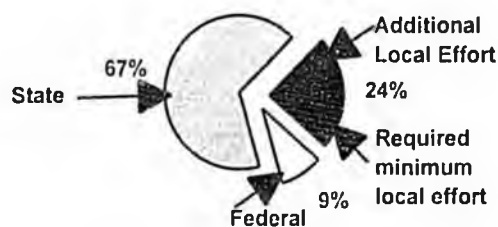
- 2 mills of the full and true assessed value within the city or borough or
- 23% of the school district's basic need,

whichever is greater.

Federal impact money

Depending on the number of students within a district whose parents work and/or live on federal property (including "Indian land," such as land claims corporation property), a district receives a certain amount of federal impact money. Ninety percent of the appropriate proportion of the federal impact money which a district receives must be used toward meeting a district's basic need.

State Averages BASIC NEED



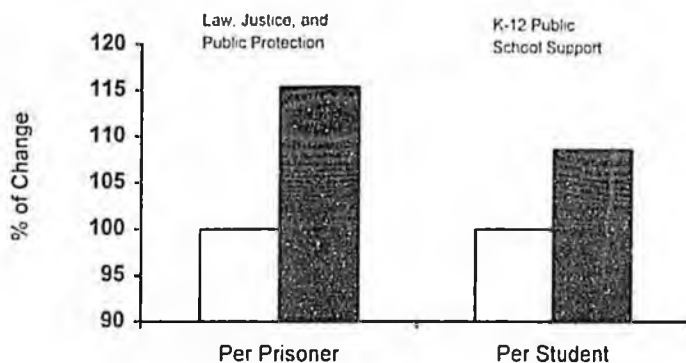
You know the needs better than anyone

While this publication gives you some facts to use in talking about school funding, you already know the best arguments in favor of more money for public education.

You know what services students are not receiving because there isn't enough money. You know what's not getting done that should be done to provide an excellent education for every Alaskan child. Speak with confidence about what Alaska's students deserve.

Prisoner increases outstrip student increases

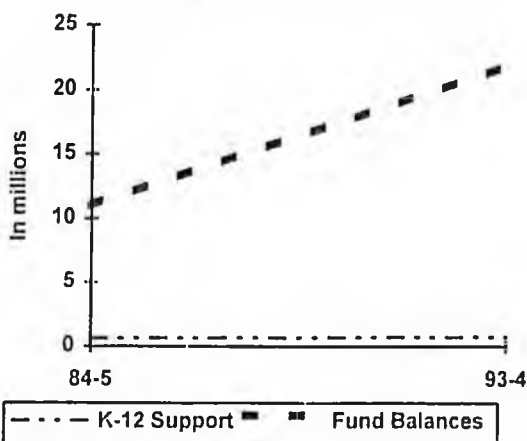
Changes in State Expenditures FY88 to FY94



Alaska has increased its expenditures on law, justice, and public protection, on a per prisoner basis, by almost twice as much as it has increased its funding for public schools on a per student basis since 1987-88. Per prisoner expenditures are up 15.4% during that time while per student spending is up only 8.6%.

Alaska has enough in the bank today to buy 33 years of public education

K-12 State Support as a Proportion of the State's Fund Balances

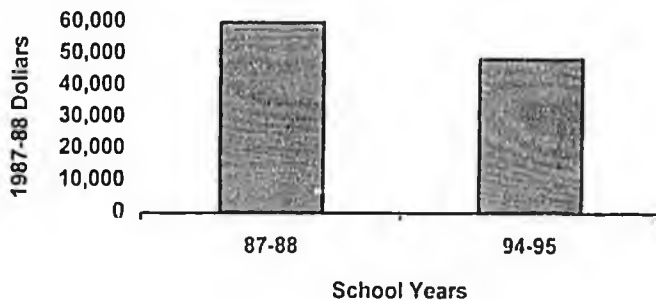


Alaska has in the bank today—in the Permanent Fund and other fund balances—enough money to fund public schools for 33 years at the current amount.

While inflation squeezed public education during the past decade, Alaska's savings accounts grew. Public school funding as a proportion of fund balances fell from 5% (20 years of public education) to only 3%.

Schools receive 24% less

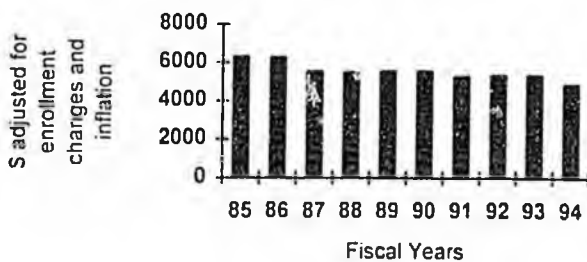
Value of Instructional Unit, Adjusted for Inflation



In 1994-95 the \$61,000 instructional unit was worth \$48,557 in 1987-88 dollars, a drop of 24% due to inflation. Schools have lost almost a quarter of their state funding to inflation in less than a decade. Today, the unit value should be \$74,400 to account for inflation.

Per student funding down \$1,448

Declining Level of State Support for K-12 Public Schools



During the last 10 years, the amount the state of Alaska spends on each public school student has dropped 23% when you take inflation and enrollment increases into account.

December 15, 1995, Governor's FY97 Budget Request
 ALASKA DEPARTMENT OF EDUCATION
 PROJECTED FY97 FOUNDATION PROGRAM

12/15/95 File: Single

	PROJ. FY97 ADM	K-12 UNITS	Single Site	AREA DIFF.	Adj. Single Site Units	FY97 Projected Single Site Allocation
ADAK	-	-	-	1.27	-	0
ALASKA GATEWAY	546.00	63.88	-	1.19	-	0
ALEUTIAN REGION	21.00	4.13	0.50	1.31	0.66	40,260
ALEUTIANS EAST	363.00	46.89	-	1.31	-	0
ANCHORAGE	46,601.00	3,121.56	-	1.00	-	0
ANNETTE ISLANDS	441.00	35.40	2.83	1.03	2.91	177,510
BERING STRAIT	1,786.00	202.29	-	1.39	-	0
BRISTOL BAY	294.00	27.73	-	1.27	-	0
CHATHAM	345.00	46.48	-	1.03	-	0
CHUGACH	137.00	23.03	-	1.14	-	0
COPPER RIVER	635.00	68.43	-	1.14	-	0
CORDOVA	536.00	41.42	2.49	1.11	2.76	168,360
CRAIG	424.00	34.27	2.74	1.03	2.82	172,020
DELTA/GREELY	852.00	63.97	-	1.16	-	0
DENALI	383.00	40.50	-	1.23	-	0
DILLINGHAM	598.00	45.87	2.75	1.27	3.49	212,890
FAIRBANKS	16,091.00	1,100.46	-	1.04	-	0
GALENA	160.00	16.67	2.00	1.30	2.60	158,600
HAINES	443.00	36.87	-	1.05	-	0
HOONAH	270.00	24.00	1.92	1.08	2.07	126,270
HYDABURG	107.50	12.96	1.56	1.03	1.61	98,210
IDITAROD	443.00	64.10	-	1.33	-	0
JUNEAU	5,552.00	376.82	-	1.00	-	0
KAKE	182.00	18.13	2.18	1.03	2.25	137,250
KASHUNAMIUT	252.00	22.80	1.82	1.33	2.42	147,620
KENAI	10,401.00	816.98	-	1.00	-	0
KETCHIKAN	2,850.00	197.46	-	1.00	-	0
KLAWOCK	230.00	21.33	2.56	1.03	2.64	161,040
KODIAK	2,897.21	230.35	-	1.09	-	0
KUSPUK	498.00	65.52	-	1.33	-	0
LAKE AND PENN.	506.00	83.00	-	1.31	-	0
LOWER KUSKOKWIM	3,537.50	354.76	-	1.42	-	0
LOWER YUKON	1,761.39	181.37	-	1.35	-	0
MAT-SU	12,115.00	905.02	-	1.00	-	0
NENANA	170.00	17.33	2.08	1.20	2.50	152,500
NOME	701.75	52.45	3.15	1.34	4.22	257,420
NORTH SLOPE	1,889.68	167.99	-	1.45	-	0
NORTHWEST ARCTIC	1,998.00	193.16	-	1.45	-	0
PELICAN	40.00	6.50	0.78	1.08	0.84	51,240
PETERSBURG	774.00	57.43	3.45	1.00	3.45	210,450
PRIBILOF	207.00	24.22	-	1.30	-	0
SITKA	1,803.00	128.33	-	1.00	-	0
SKAGWAY	140.00	15.67	1.88	1.05	1.97	120,170
SOUTHEAST	364.00	58.44	-	1.04	-	0
SOUTHWEST	689.00	79.91	-	1.31	-	0
ST. MARYS	140.00	15.33	1.84	1.30	2.39	145,790
TANANA	100.00	12.33	1.48	1.30	1.92	117,120
UNALASKA	360.00	30.00	2.40	1.27	3.05	186,050
VALDEZ	910.00	66.26	-	1.11	-	0
WRANGELL	565.00	43.58	2.61	1.00	2.61	159,210
YAKUTAT	173.00	18.91	2.27	1.08	2.45	149,450
YUKON FLATS	402.00	60.45	-	1.46	-	0
YUKON/KOYUKUK	624.00	83.49	-	1.34	-	0
YUPIIT	383.00	43.35	-	1.41	-	0
STATE CCS	1,624.86	98.82	-	1.00	-	0
Mt. EDGE CUMBE	275.00	23.76	-	1.00	-	0
TOTALS	126,591.89	9,692.16	45.29		51.63	\$3,149,430

Department of Education
Briefing Paper
PL81-874 Impact Aid: Disparity Requirement
January 30, 1996

Summary of Issue

Alaska's total receipt of federal Impact Aid is in excess of \$70,000,000 annually. The Alaska Public School Foundation Formula reduces the amount of state aid and limits local aid which a district can receive in accordance with a federally certified system of equalized support. The recognition of federal aid in the foundation formula reduced the FY95 state general fund requirement by over \$43,000,000. The estimated FY96 reduction in general fund obligation as result of recognition of Impact Aid received by districts is \$35,000,000.

Statement of Why the Issue is Timely or Important

The Impact Aid Program was reauthorized by Congress in 1994. The new statutes require calculation of current year disparity utilizing revenue data from two years prior. Because Alaska uses an instructional unit as the method of determining districts' foundation entitlements, disparity is a measure of relative value of each adjusted unit, ignoring the top and bottom 5%. In FY98 the maximum disparity allowed will be reduced from 25% to 20% and will rely on FY96 data. The Department's preliminary disparity test calculation for FY96 is over the maximum 20% allowed by federal law. Unless the federal statutorily required disparity test is met in FY98, it will take a general fund increment of about \$35,000,000 to replace the eligible Impact Aid recognized currently in the school foundation formula.

Alternative Ways of Addressing Issue

1. Seek Congressional relief from the FY98 disparity standard.
2. Prorate the instructional unit value in FY98 by \$2,850 under the existing statute due to state's failure to meet disparity test for FY96.
3. Devise method of increasing unit value of REAA districts to reduce disparity. The method recommended by the State Board of Education Task Force on School Funding and approved by the State Board is the proposed supplemental aid of \$500 per instructional unit to the REAAs for FY96 and the legislation proposed by Governor Knowles for subsequent fiscal years that changes the foundation formula by: (a) raising the Impact Aid deduct from present 90% to 95% for REAAs and (b) ensuring the state meets federal disparity requirements in the future by giving the Department of Education statutory authority to increase the amount of supplementary aid to these same districts *through the foundation formula*, an important federal criterion.

FISCAL NOTE

STATE OF ALASKA

BILL NO. SB 244/HB 452

1996 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: An act relating to state foundation aid and supplementary state aid for education

BRU: K-12

Sponsor: Rules Committee

Component: Foundation Program

Requester: Governor

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	223.8	223.8	223.8	223.8	223.8	223.8
MISCELLANEOUS						
TOTAL OPERATING	223.8	223.8	223.8	223.8	223.8	223.8

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF March						
1004 GF	223.8	223.8	223.8	223.8	223.8	223.8
1005 GF/Program Receipts						
Other						
TOTAL	223.8	223.8	223.8	223.8	223.8	223.8

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY96) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

Refer to attached spreadsheet for fiscal impact of sections 1 and 2 of the legislation. Section 3 has no fiscal impact. Section 4 allocates funds to single-site school districts. An allocation equal to the cost to implement Section 4 is requested in DOE's FY97 budget and is identified as "additional district support."

Prepared by: Eddy Jeans

Phone: 465-8685

Division: School Finance

Date: January 19, 1996

Approved by Commissioner: 

Shirley Holloway, Ph. D.

Agency: Education

Date: January 19, 1996

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	A	B	C	D
1	ALASKA DEPARTMENT OF EDUCATION			
2	PROJECTED FY97 FOUNDATION PROGRAM			
3	Attachment to Governor's proposed education legislation.			
4	"An Act relating to state foundation aid and supplementary state aid for education; and providing for an effective date."			
5		Section 1	Section 2	
6			\$500 per	Column C less
7		3% Impact Aid	Adj. Unit	Column B
8				
9	ADAK	\$0	\$0	\$0
10	ALASKA GATEWAY	19,027	44,245	25,218
11	ALEUTIAN REGION	2,850	4,670	1,820
12	ALEUTIANS EAST	0	0	0
13	ANCHORAGE	0	0	0
14	ANNETTE ISLANDS	50,816	22,525	(28,291)
15	BERING STRAIT	172,756	164,585	(8,171)
16	BRISTOL BAY	0	0	0
17	CHATHAM	32,579	27,360	(5,219)
18	CHUGACH	6,260	15,100	8,840
19	COPPER RIVER	4,029	42,615	40,586
20	CORDOVA	0	0	0
21	CRAIG	0	0	0
22	DELTA/GREELY	44,809	44,085	(724)
23	DENALI	0	0	0
24	DILLINGHAM	0	0	0
25	FAIRBANKS	0	0	0
26	GALENA	0	0	0
27	HAINES	0	0	0
28	HOONAH	0	0	0
29	HYDABURG	0	0	0
30	IDITAROD	29,036	49,335	20,299
31	JUNEAU	0	0	0
32	KAKE	0	0	0
33	KASHUNAMIUT	13,578	18,235	4,657
34	KENAI	0	0	0
35	KETCHIKAN	0	0	0
36	KLAWOCK	0	0	0
37	KODIAK	0	0	0
38	KUSPUK	27,784	48,580	20,796
39	LAKE AND PENN.	0	0	0
40	LOWER KUSKOKWIM	230,618	348,085	117,467
41	LOWER YUKON	163,867	137,715	(26,152)
42	MAT-SU	0	0	0
43	NENANA	0	0	0
44	NOME	0	0	0
45	NORTH SLOPE	0	0	0
46	NORTHWEST ARCTIC	0	0	0
47	PELICAN	0	0	0
48	PETERSBURG	0	0	0
49	PRIBILOF	18,621	19,235	614
50	SITKA	0	0	0
51	SKAGWAY	0	0	0
52	SOUTHEAST	23,047	34,035	10,988
53	SOUTHWEST	53,822	63,340	9,518
54	ST. MARY'S	0	0	0
55	TANANA	0	0	0
56	UNALASKA	0	0	0
57	VALDEZ	0	0	0
58	WRANGELL	0	0	0
59	YAKUTAT	0	0	0
60	YUKON FLATS	31,599	49,875	18,276
61	YUKON/KOYUKUK	50,001	65,200	15,199
62	YUPIIT	43,249	41,355	(1,894)
63				
64	TOTALS	\$1,018,348	\$1,242,175	\$223,827

December 15, 1995, Governor's FY97 Budget Request
 ALASKA DEPARTMENT OF EDUCATION
 PROJECTED FY97 FOUNDATION PROGRAM

12/15/95 File: Single

	PROJ. FY97 ADM	K-12 UNITS	Single Site	AREA DIFF.	Adj. Single Site Units	FY97 Projected Single Site Allocation
ADAK	-	-	-	1.27	-	0
ALASKA GATEWAY	546.00	63.88	-	1.19	-	0
ALEUTIAN REGION	21.00	4.13	0.50	1.31	0.66	40,260
ALEUTIANS EAST	363.00	46.89	-	1.31	-	0
ANCHORAGE	46,601.00	3,121.56	-	1.00	-	0
ANNETTE ISLANDS	441.00	35.40	2.83	1.03	2.91	177,510
BERING STRAIT	1,786.00	202.29	-	1.39	-	0
BRISTOL BAY	294.00	27.73	-	1.27	-	0
CHATHAM	345.00	46.48	-	1.03	-	0
CHUGACH	137.00	23.03	-	1.14	-	0
COPPER RIVER	635.00	68.43	-	1.14	-	0
CORDOVA	536.00	41.42	2.49	1.11	2.76	168,360
CRAIG	424.00	34.27	2.74	1.03	2.82	172,020
DELTA/GREELY	852.00	63.97	-	1.16	-	0
DENALI	383.00	40.50	-	1.23	-	0
DILLINGHAM	598.00	45.87	2.75	1.27	3.49	212,890
FAIRBANKS	16,091.00	1,100.46	-	1.04	-	0
GALENA	160.00	16.67	2.00	1.30	2.60	158,600
HAINES	443.00	36.87	-	1.05	-	0
HOONAH	270.00	24.00	1.92	1.08	2.07	126,270
HYDABURG	107.50	12.96	1.56	1.03	1.61	98,210
IDITAROD	443.00	64.10	-	1.33	-	0
JUNEAU	5,552.00	376.82	-	1.00	-	0
KAKE	182.00	18.13	2.18	1.03	2.25	137,250
KASHUNAMIUT	252.00	22.80	1.82	1.33	2.42	147,620
KENAI	10,401.00	816.98	-	1.00	-	0
KETCHIKAN	2,850.00	197.46	-	1.00	-	0
KLAWOCK	230.00	21.33	2.56	1.03	2.64	161,040
KODIAK	2,897.21	230.35	-	1.09	-	0
KUSPUK	498.00	65.52	-	1.33	-	0
LAKE AND PENN.	506.00	83.00	-	1.31	-	0
LOWER KUSKOKWIM	3,537.50	354.76	-	1.42	-	0
LOWER YUKON	1,761.39	181.37	-	1.35	-	0
MAT-SU	12,115.00	905.02	-	1.00	-	0
NENANA	170.00	17.33	2.08	1.20	2.50	152,500
NOME	701.75	52.45	3.15	1.34	4.22	257,420
NORTH SLOPE	1,889.68	167.99	-	1.45	-	0
NORTHWEST ARCTIC	1,998.00	193.16	-	1.45	-	0
PELICAN	40.00	6.50	0.78	1.08	0.84	51,240
PETERSBURG	774.00	57.43	3.45	1.00	3.45	210,450
PRIBILOF	207.00	24.22	-	1.30	-	0
SITKA	1,803.00	128.33	-	1.00	-	0
SKAGWAY	140.00	15.67	1.88	1.05	1.97	120,170
SOUTHEAST	364.00	58.44	-	1.04	-	0
SOUTHWEST	689.00	79.91	-	1.31	-	0
ST. MARY'S	140.00	15.33	1.84	1.30	2.39	145,790
TANANA	100.00	12.33	1.48	1.30	1.92	117,120
UNALASKA	360.00	30.00	2.40	1.27	3.05	186,050
VALDEZ	910.00	66.26	-	1.11	-	0
WRANGELL	565.00	43.58	2.61	1.00	2.61	159,210
YAKUTAT	173.00	18.91	2.27	1.08	2.45	149,450
YUKON FLATS	402.00	60.45	-	1.46	-	0
YUKON/KOYUKUK	624.00	83.49	-	1.34	-	0
YUPIIT	383.00	43.35	-	1.41	-	0
STATE CCS	1,624.86	98.82	-	1.00	-	0
Mt. EDGE CUMBE	275.00	23.76	-	1.00	-	0
TOTALS	126,591.89	9,692.16	45.29		51.63	\$3,149,430

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1996

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of article III, sec. 18 of the Alaska Constitution, I am transmitting a bill relating to state aid for education. This bill ensures the continued receipt of approximately \$35 million in federal dollars for public schools and fixes the long-standing problem of funding for single site school districts.

I promised Alaskans I would build a school funding program that is better than what we have today. I envision a foundation program that is fair, equitable, and accountable. At the same time it must have funding levels that are affordable, both now and in the future, and it must protect the partnership between state, federal and local dollars. While we continue to make progress toward this goal, this bill takes a substantial first step in addressing the immediate funding issues.

This fiscal year, the state has allocated approximately \$640 million through the foundation program. Almost all of this is from the state general fund, with \$5 million from the Public School Trust Fund, and \$35 million from the federal impact aid program (the so-called P.L. 81-874 funds).

In order to consider the impact aid when calculating the state's portion of school funding, the federal government requires the state to pass a "disparity test" which measures the variation in revenues between our richest and poorest school districts. The federal government recently lowered the maximum allowable disparity in revenues between the districts from 25 percent to 20 percent. The program will also be based on two-year prior data. Thus, in order to consider impact aid dollars in the state's FY 1998 school funding, we must have no more than a 20 percent disparity in FY 1996. Under our current formula, the state cannot meet this new disparity test.

This bill will fix the disparity test problem beginning with fiscal year 1997 by providing supplemental state aid of \$500 per instructional unit value for regional educational attendance areas (REAs), the districts that receive the least revenue because of their inability to levy taxes for a local contribution to their schools. This essentially "raises the floor" of our school district funding levels -- bringing it closer to the ceiling of the wealthier districts.

This supplemental funding will not mean a substantial cost to the state because we will also consider more of the federal funding to REAs as an offset to state funding. Currently, only 90 percent of federal aid to REAs is considered in determining the amount of state aid. This bill increases that to 95 percent -- for REAs only. This will not affect the school districts that make larger local contributions.

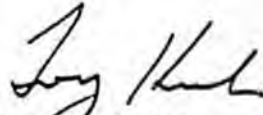
Unfortunately, this bill cannot help us achieve 20 percent disparity for FY 1996. To accomplish that, I will be requesting reallocating \$1.2 million in expected lapse money in this year's foundation formula program. That will provide additional funding to the REAs, mirroring what section 2 of this bill will accomplish through supplemental state aid in FY 1997. This bill, together with my reappropriation request, will ensure that Alaska meets the federal 20 percent disparity test this year and in future years, protecting the state's ability to consider federal impact aid when allocating state aid.

This bill also provides full funding for districts that have come to be known as "single site school districts." These districts have lobbied for years for a change in the foundation formula that would adequately fund their schools. While permanent funding changes have not been affected in statute, the legislature has annually included special grants in the budget for single site districts. It is time to fix this problem once and for all.

To that end, this bill increases the instructional units of a qualifying district by multiplying its units by a percentage between six and 12. The smaller the district, the higher the percentage multiplier. More instruction units translates into more state aid. This simple revision corrects a longstanding problem, and obviates the need for the annual battle for single site appropriations. It is time to let the single site districts go home and redirect their efforts to where they are needed most, to children in the classroom.

This bill is the result of many hours of work by the public, including those citizens who served on the Task Force on School Funding, and the State Board of Education. As my administration continues to explore better ways to fund our schools, this legislation represents a favorable step toward addressing two immediate concerns. I urge your prompt and favorable action on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles". The signature is written in a cursive style with a large initial "T" and "K".

Tony Knowles
Governor

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894

(907) 465-2800
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March 19, 1996

The Honorable Jeannette James, Chair
State Affairs Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

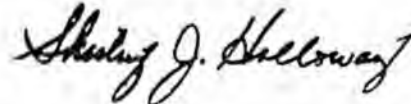
Dear Representative James:

I respectfully request that you schedule House Bill 452 for a hearing in the State Affairs Committee at your earliest possible convenience.

As you know, HB 452 is a measure relating to state aid for education. This bill protects the ability of the Legislature to use approximately \$35 million in federal Impact Aid as a source of funding for the operations of public schools through the public school foundation program. The Health, Education, & Social Services Committee Substitute for HB 452 removed the provision that fixed the long-standing problem of funding for single site school districts. A packet of back-up information is enclosed.

Thank you for your consideration.

Sincerely,



Shirley J. Holloway, Ph. D.
Commissioner

Enclosures

cc: Representative Scott Ogan, Vice-Chair
Representative Joe Green
Representative Ivan Ivan
Representative Brian Porter
Representative Caren Robinson
Representative Ed Willis

SB 244/HB 452: "An Act relating to state foundation aid and supplementary state aid for education; and providing for an effective date."

Sectional Analysis

Section 1. Section one of the bill would amend AS 14.17.021 by adding a new subsection applicable only to regional educational attendance areas (REAs). In calculating state foundation aid for REAs, 95% of eligible federal impact aid will be deducted from basic need. Calculation of foundation aid for city and borough school districts will remain unchanged, with only 90% of eligible impact aid deducted. The 95% deduction for REAs recognizes that no required local contribution is deducted from REAs' basic need. The savings to the state, which results from the increased impact aid deduction, will cover the majority of the cost to implement the supplementary aid to REAs set out in section 2 of this bill.

Section 2. Subsection (a) creates a new sections of statute to provide supplementary aid to REAs based on a flat rate per adjusted instructional unit. The flat rate is referred to as the unit allotment. Initially the unit allotment is set at \$500.00 per adjusted unit. This amount will increase the value of the adjusted units in REAs so that disparity of revenues between the 5% and 95% percentiles of districts will be 20%, the maximum allowable under the new federal impact aid statutes. Subsection (b) would allow the department to increase the unit allotment by regulation if necessary for the state to maintain a disparity of no more than 20%.

Section 3. This section amends AS 14.17.031(a)(1) by deleting the reference AS 14.17.041 (a) or (b) and restates the reference as AS 14.17.041. This change is necessary because the bill amends AS 14.17.041 to add a new subsection that provides additional instructional units for certain district.

Section 4. Section four amends AS 14.17.041 by creating a new subsection that would provide additional funding for single site school districts. The percentage increases in elementary and secondary units set out in the bill will generate approximately the same amounts that the various single site school districts have received in appropriation bills passed in recent fiscal years.

Section 5. Establishes a July 1, 1996 effective date.