

HB

148

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: April 4, 1997

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/19/98

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

SSHB 148

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148 PUBLIC SCHOOL FUNDING/CHILD CARE GRANTS

"An Act relating to the public school funding program; relating to the definition of a school district, to the transportation of students, to school district layoff plans, to the special education service agency, to the child care grant program, and to compulsory attendance in public schools; and providing for an effective date."

recommends it be replaced with the following committee substitute CS SSB 148 (HES) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) DOE

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Fred Dan</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>				✓
<i>[Signature]</i>				✓

CHAIR'S SIGNATURE *Car Be...*

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CS SS HB 148(HES)

Revision Date: 2/19/98

Department Affected: Education

Title: An act relating to the public school funding program;
repealing the public school foundation program; relating

BRU: K-12 Support

Component: Schools for the Handicapped

Sponsor: House HESS

Requester: House HESS

COMPONENT SERIAL NO. 151

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1
MISCELLANEOUS						
TOTAL OPERATING	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1

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	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Section 17 amends AS 14.30.650 which determines the state aid allocation to the Special Education Service Agency (SESA).

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 2/27/98

Approved by Commissioner: Shirley J. Holloway, Ph.D., Commissioner

Date: 2/27/98

Agency: Education

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FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SS HB 148(HES)

1998 LEGISLATIVE SESSION

Revision Date: 2-19-98

Department Affected: Education

Title: An act relating to the public school funding program;

BRU: K-12 Support

repealing the public school foundation program; relating

Component: Foundation Program

Sponsor: Representative Bunde

Requester: House HESS

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7
MISCELLANEOUS						
TOTAL OPERATING	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7

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

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

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7
1005 GF/Program Receipts						
1006 GF/MHTLA						
Other						
TOTAL	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

See attached schedule for fiscal note and sectional analysis.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 2/27/98

Approved by Commissioner: Shirley Holloway, Ph. D., Commissioner

Date: 2/27/98

Agency: Education

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Fiscal Note Analysis

GRANTS: The following table lists the assumptions used to prepare the fiscal note.

Bill Reference	Sec. 29	Sec. 14.17.410(2)	Sec. 27 Transition
Fiscal Year	Student Allocation	Required Local	Hold Harmless
FY99	\$3,840	3.00 mills	100%
FY00	\$4,010	3.25 mills	80%
FY01	\$4,060	3.50 mills	60%
FY02	\$4,105	3.75 mills	40%
FY03	\$4,150	4.00 mills	20%
FY04	\$4,150	4.00 mills	0%

Sectional Analysis

Section 1- Defines the purpose of the proposed public school funding program.

Section 2 - Amends Alaska statute 14.17. Listed under Section 2 are sections 14.17.300 through 14.17.990 that outline the proposed Public School Funding Program. Following is a list of the proposed sections and their titles.

- Sec. 14.17.300. Public school account.
- Sec. 14.17.400. State funding for districts.
- Sec. 14.17.410. Equalization funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for correspondence programs.
- Sec. 14.17.435. State funding for state boarding school.
- Sec. 14.17.440. Local contribution.
- Sec. 14.17.450. Funding communities.
- Sec. 14.17.460. Funding community size factor.
- Sec. 14.17.470. Area cost and transportation factors.
- Sec. 14.17.475. Base student allocation.
- Sec. 14.17.500. Student count estimate.
- Sec. 14.17.505. Fund balance in school operating fund.
- Sec. 14.17.510. Determination of full and true value by Department of Community and Regional Affairs
- Sec. 14.17.600. Student counting periods.
- Sec. 14.17.610. Distribution of public school funding.
- Sec. 14.17.900. Construction and implementation of chapter.
- Sec. 14.17.910. Restrictions governing receipt and expenditure of district money.
- Sec. 14.17.920. Regulations.
- Sec. 14.17.990. Definitions.

CS SS HB 148(HES) - Public School Funding Program – 2-19-98

Section 3 - amends AS 14.03.120(g), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 4 - amends AS 14.03.125(e), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 5 - amends AS 14.03.150(c), new reference of public school funding from State Foundation Aid.

Section 6 - amends AS 14.03.160(f)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 7 - amends AS 14.03.260(c), new reference of restrictions governing receipt and expenditure of district money from AS 14.17.190 to AS.14.17.910.

Section 8 - repeals and reenacts AS 14.09.010, Transportation of students. Eliminates state reimbursement program for pupil transportation. Allow districts to receive an adjustment in the public school funding program for transportation cost.

Section 9 - amends AS 14.11.008(b), new reference of full and true property value from AS 14.17.025(a)(1) to AS 14.19.310 and district average daily membership from AS.14.17.25J to AS 14.19.990.

Section 10 - amends AS 14.14.115(c)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 11 - amends AS 14.16.050(a)(2), new reference of public school funding from state financial assistance for education. Corrects reference of student count estimates from AS 14.17.080 to AS 14.17.500, school operating fund balance from AS 14.17.082 to AS 14.17.505 and public school funding from AS 14.17.160 - 14.17.220 to AS 14.15.300 - 14.17.910.

Section 12 - amends AS 14.16.080(a), new reference of public school funding from AS 14.17.024 to AS 14.17.235.

Section 13 - amends AS 14.20.177(a), changes reference of basic need to level I need from AS 14.17.021(b) to AS 14.17.410(b)(1). Adds a new sub-section 3 addressing tenure layoff if the districts equalization funding decreased by 3% or more due to proration.

Section 14 - amends AS 14.30.305, new reference of funding from Foundation.

Section 15 - amends AS 14.30.315(a), new reference of funding from Foundation.

Section 16 - amends AS 14.30.347, clarifies the districts responsibility to provide transportation services for exceptional children. The district is responsible for cost associated with the transportation of exceptional children.

Section 17 - repeals and reenacts AS 14.30.650, changes the funding mechanism for the Special Education Service Agency (SLSA). The allocation will be based on 18% of the statewide ADM multiplied by \$85. Currently the allocation is based on 2% of the total foundation special education allocation or \$85 per special education child whichever is greater.

Section 18 - amends AS 14.36.030(a), new reference of funding from Foundation support.

Section 19 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

CS SS HB 148(HES) - Public School Funding Program – 2-19-98

Section 20 - amends AS 29.60.030(d), new reference of state aid from AS 14.17.140 to AS 14.17.510.

Section 21 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 22 - amends AS 36.10.125(c), new reference of funding from foundation money.

Section 23 - amends AS 44.47.305(c), for the purpose of day care assistance program, change reference of instructional unit allotments to funding communities from AS 14.17.051 to AS 14.17.470. (area cost differentials)

Section 24 - repeals AS 09.020; AS 14.17.010, AS 14.17.021, AS 14.17.022, AS 14.17.024, AS 14.17.025, AS 14.17.026, AS 14.17.031, AS 14.17.041, AS 14.17.043, AS 14.17.045, AS 14.17.047, AS 14.17.051, AS 14.17.056, AS 14.17.080, AS 14.17.082, AS 14.17.140, AS 14.17.160, AS 14.17.170, AS 14.17.190, AS 14.17.200, AS 14.17.210, AS 14.17.220, AS 14.17.225, AS 14.17.250; and AS 14.30.010(b)(7).

Section 25 - Transition: Area Cost Factors, establishes the area cost factors by funding community for a two year period. By the end of the two year period the department shall establish in regulation the area cost factors based on the results of the cost factor study.

Section 26 - Transition: Student Transportation, establishes the transportation factors by district for a two year period. By the end of the two year period the department shall establish in regulation the transportation factors based on the results of the cost factor study.

Section 27 - Transition: Hold Harmless, establishes the programs and entitlements to be included in the hold harmless base. Establishes the hold harmless percentage year and is eliminated in year 5.

Section 28 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 29 - Transition: Base student allocations, Establishes the student allocation amounts each year for 5 years.

Section 30 - Establishes July 1, 1998 as the effective date.

FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SS HB 143

1997 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: An act relating to the public school funding program;
repealing the public school foundation program; relating

BRU: K-12 Support

Sponsor: Representative Bunde

Component: Foundation Program

Requester: House HESS

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	498.6					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-36.5	585.3	470.4	461.0	-223.7	-298.7
MISCELLANEOUS						
TOTAL OPERATING	462.1	585.3	470.4	461.0	-223.7	-298.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	462.1	585.3	470.4	461.0	-223.7	-298.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	462.1	585.3	470.4	461.0	-223.7	-298.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

See attached schedule for fiscal note and sectional analysis.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 4-7-97

Approved by Commissioner: Shirley Holloway, Ph. D. Commissioner

Date: [Signature]

Agency: Education

Date: _____

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Fiscal Note Analysis

CONTRACTUAL: The department is requesting a one time appropriation of \$498,600 in FY98 to commission an educational cost study. The department believes it will take approximately 18 months to complete the study. Placeholder area cost and transportation factors have been placed in transition sections 25 and 26 of this bill. It is the intent of the department to commission the study and adopt the results in regulation. Elements to consider in an educational cost study may include but are not limited to, certified and classified salaries, benefits, geographic location, transportation, fuel, utilities and supplies.

GRANTS: The following table lists the assumptions used to prepare the fiscal note.

Bill Reference	Sec. 29	Sec. 14.17.410(2)	Sec. 27 Transition	
Fiscal Year	Student Allocation	Required Local	Hold Harmless	Enrollment Growth
FY98	\$3,400	3.00 mills	100%	FY98 Projections
FY99	\$3,925	3.25 mills	80%	1.5%
FY00	\$3,970	3.50 mills	60%	1.5%
FY01	\$4,010	3.75 mills	40%	1.5%
FY02	\$4,045	4.00 mills	20%	1.5%
FY03	\$4,045	4.00 mills	0%	1.5%

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- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for centralized correspondence study.
- Sec. 14.17.435. State funding for state boarding school.
- Sec. 14.17.440. Local contribution.
- Sec. 14.17.450. Funding communities.
- Sec. 14.17.460. Funding community size factor.
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- Sec. 14.17.600. Student counting periods.
- Sec. 14.17.610. Distribution of public school funding.
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- Sec. 14.17.910. Restrictions governing receipt and expenditure of district money.
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HB148 - Public School Funding Program - 4-7-97

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Section 19 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

HB148 - Public School Funding Program - 4-7-97

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Section 21 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 22 - amends AS 36.10.125(c), new reference of funding from foundation money.

Section 23 - amends AS 44.47.305(c), for the purpose of day care assistance program, change reference of instructional unit allotments to funding communities from AS 14.17.051 to AS 14.17.470. (area cost differentials)

Section 24 - repeals AS 09.020; AS 14.17.010, AS 14.17.021, AS 14.17.022, AS 14.17.024, AS 14.17.025, AS 14.17.026, AS 14.17.031, AS 14.17.041, AS 14.17.043, AS 14.17.045, AS 14.17.047, AS 14.17.051, AS 14.17.056, AS 14.17.080, AS 14.17.082, AS 14.17.140, AS 14.17.160, AS 14.17.170, AS 14.17.190, AS 14.17.200, AS 14.17.210, AS 14.17.220, AS 14.17.225, AS 14.17.250; and AS 14.30.010(b)(7).

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Section 28 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 29 - Transition: Base student allocations, Establishes the student allocation amounts each year for 5 years.

Section 30 - Establishes July 1, 1997 as the effective date.

Alaska School Operating Cost Study

(Draft Report)

Prepared for:

*Senator Randy Phillips, Chair
Legislative Budget and Audit Committee
State Capitol
Juneau, Alaska 99801*

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January 31, 1998

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Introduction to Study Methodology

Introduction

The *School Operating Cost Study* is the result of a professional services contract arising from Request for Proposals No. LBA972 by the Legislative Budget and Audit Committee. A number of parameters were specified in the contract that would guide the design, methodology and conduct of the study. The key provisions are listed here so readers can understand the specific nature of the task and the approach and methodology chosen by the study team.

The initial charge is stated in the purpose. "The study is to determine the differences in costs of school operation that arise from differences in school size (student population in a funding community) and geographic location, for the purpose of providing information necessary to make changes to the public school funding formula." In other words, the study will provide the means to restructure the existing funding mechanism but the actual formula restructuring is to be done by the legislature, not the consultants.

The central issues of the study are the impacts on school operating costs of school size and geographic location. Further, the study is confined to operational costs and is not a study of a number of other school costs - such as pupil transportation, special education and capital projects - that have special appropriations outside of the current public school funding formula for basic educational need.

The contract further states, "For the purposes of this study, the consultant may not consider the current administrative structure nor any of the current contractual arrangements held by a school district." This requirement means that recommended formula revisions must be broad enough to factor out the impacts of conscious choices made by individual districts that impact their own costs when compared to other districts.

The contract also requires that consideration be given to costs that are unique to large urban districts and small rural districts. This guideline recognizes that a single, simple formula may not be appropriate for all Alaska's school districts. The study design must respond to these unique differences.

The time frame for the study - from contract award November 15, 1997 to January 31, 1998, with a progress draft due January 15, 1998 - was another key factor in study design. To some extent the time frame dictated that most of the study would rely on existing data available from school districts, the Alaska Department of Education and other sources such as the Alaska Department of Labor.

Selection of Methodology

The study team recommended a major concept change at the beginning of the study. We recommended that the basic units of analysis be schools rather than existing funding communities. Schools are the basic and objective units of actual cost occurrence while funding communities were subjectively determined. Using funding communities to determine staffing requirements would negatively impact our ability to perform objective research.

The study team first assembled a team of four respected school operations experts. These experts represented both urban and rural viewpoints as well as a wide range of school expertise in business management, financial analysis, instruction, operations and administration. This group guided and advised the professional study team. Their first task was to determine levels of instructional staffing appropriate to all sizes of schools represented by Alaska's nearly 500 individual schools - regardless of existing levels of funding or geographic location. This model for instructional staffing became the basis for further research and analysis.

The study team amassed enormous databases on school operations. These data included instructional staffing for all schools, instructional salaries, instructional pay scales, district financial reports and statewide databases on non-school wages throughout Alaska. Other data including recent cost-of-living research was also collected.

The study team then developed the "statistical approach" that is the framework for presenting school cost analyses in this study. The statistical approach is new to school cost research and was designed to meet the terms of the contract and to overcome some difficulties with the current public school funding formula. It also allows for objective quantification of costs by school and by student as well as by district.

Problems inherent in the existing formula include:

- basing most of the area cost differential on the cost of operating residential households - not school districts;
- basing school (or rather, funding community) size factors only on professional opinion and not empirical evidence; and
- failing to consider factors other than commodity price differences that influence costs of operating schools.

The statistical approach has the advantage of establishing an empirical basis for the largest portion of school costs - instruction. Using various statistical techniques, staffing for all schools was segregated into groups and an efficiency curve was developed to determine typical staffing by school size, regardless of levels of funding by district. This was then correlated with the school size model developed by the school experts to produce an empirically based formula for instructional staffing that allows each school an appropriate level of instructional staffing regardless of location or district size.

Next, school operating costs in all districts were analyzed and grouped into three separate components – instruction, nonpersonnel services and administration. Statewide, these expenditures are, respectively, 79%, 16% and 5% of school operating costs. Analysis of these components showed that expenditures per student varied greatly among districts, even among districts of similar size and location. Because of these wide variations, non-personnel and administrative costs were forced into a narrower range than occurs in the raw data. The study team computed multipliers based on relationships of these adjusted expenditures. Three different analyses of non-personnel data were conducted. These involved all non-personnel costs, a selected market basket of non-personnel costs and operations and maintenance costs.

The statistical approach addresses per-student cost levels for both nonpersonal services and administrative costs in a way that combines the effects of both geographic location and school size. The study results provide detail for assigning separate cost factors for non-personnel and administration costs, as well as for instructional staffing levels.

Finally, substantial research effort was also given to the important issue of instructional compensation levels and the underlying personnel area cost differential that plays a large role in the existing funding formula. A number of methods were employed to address this issue.

The use of the statistical approach results in several improvements in the measurement and expression of school operating costs. These improvements are discussed in the Executive Summary.

Study Organization

Preceding is a brief discussion entitled *Introduction to Study Methodology*. This section describes the purpose of the study and defines the requirements that determined study methodology. Study methodology is briefly discussed.

An *Introduction to Study Issues* defines the critical range of issues that must be addressed when considering revisions to the public school funding formula. Awareness of these issues sets the context for understanding study results.

A brief *Study Team* section identifies the members of the school expert panel so important to the study effort. To them we give special thanks for their expertise, judgment and willingness to be part of a new approach to school funding.

An *Executive Summary* puts forth the six major findings and recommendations resulting from the statistical approach to public school operating cost funding allocation.

The *Summary of Results* presents quantitative impacts on each district of the recommended statistical approach.

Chapter I, *A Statistical Approach*, presents a summary discussion of the results and methodology of the method chosen for the study. The methodology described in this chapter is the heart of study effort. Included are the multipliers for each district for each of the three components of the funding formula. The following three chapters include detailed results of the three major school operating cost categories.

Chapter II, *Instructional Allocations*, addresses the size factor analysis in detail and is the basis for the size multipliers so critical to equitable funding allocation.

Chapter II, *Nonpersonal Services Allocations* describes the three special analyses performed to arrive at district-level multipliers for the nonpersonal services component of the funding formula.

Chapter IV, *Administrative Allocations*, discusses the method and findings of providing administrative adjustment factors for all districts.

Chapter V, *Additional Considerations*, describes alternate methods of applying results. Although Chapter V does not quantify the effects of alternate adjustment factors, it provides a discussion of area cost differential and cost-of-living issues that historically supported a personnel compensation differential. The chapter also includes a discussion of the impact of varying the amount allocated to each of the three components of the funding formula.

A *Statistical Appendix* is provided under separate cover. Its contents will be detailed tables and graphs supporting the many forms of analysis employed during the study period.

Introduction to Study Issues

Statement of the Situation

Traditionally, Alaskans have been supportive of education and willing to pay for it. The State of Alaska's single greatest investment is the nearly \$700 million it allocates annually to its 53 school districts for public education. Alaska, as a state with a relatively young population, continues to support education when the political trends elsewhere have been to reduce spending on education. In states with relatively older populations where fewer households have school age children, public education is of lower priority and has been cut substantially. For example, Arizona, an otherwise fairly well-to-do state, ranks near the bottom in their investment in public education. Even today, in the face of declining revenue, Alaska ranks near the top in terms of state dollars per student, exceeded only by those states with exceptional economic ability.

Yet in recent years, even Alaska has had to face the prospect of declining real resources devoted to education. Districts have had to reduce staffing, re-negotiate contracts and cut costs of all kinds while municipalities, students and parents try to compensate by raising their own money for everything from school supplies to travel, computers and building maintenance. While school enrollment has increased, the real value of appropriations to pay for it has not kept pace as Alaska's primary source of revenue - oil - continues a long-range production decline.

In this environment, the method to allocate funding among schools and districts is under intense scrutiny, and a variety of proposals aimed at revising the method of allocation are before the legislature.

The Need for Equity

As public resources decline, fairness and equity in the allocation of these much needed funds become increasingly important. As always, Alaska differs from other states when it comes to allocation of public resources. The extent of geographic dispersion (more than 1,000,000 students spread over 586,000 square miles) and dramatic differences in community sizes (and the resulting differences in scale and efficiency of school operations) create immense differences in school operating costs.

No simple formula can ensure equity for Anchorage with nearly 47,000 students, Pelican with 31 students and 51 other districts at all points in between. No research study can measure the full effects of multiple influences - such as climate, building quality, transportation costs, local economic conditions, labor supply, isolation, local school board policies, collective bargaining, and community demands - on the cost of education. Further, no politician, school expert, researcher or consultant is going to tell 53 districts and 484 schools how to run their business while local control remains an underlying principle of Alaska's public school system.

Nevertheless, there are good reasons for scrutiny of the method to allocate school aid and the current call for improvements in equity. The current method of allocating education aid results in a range of \$3,400 to \$21,000 per student. Although absolute equity may be impossible to achieve, significant improvements appear possible. This study makes major advances in the objective measurement of school costs and offers solutions that result in progress toward equity.

Historically, Alaska distributes public school funding using two means of compensating for differences in school operating costs. These criteria for compensation are *size* - adjusted for by an instructional unit computation that compensates for small school size - and *location* - adjusted for by the Area Cost Differential (ACD). The means of calculating these compensation measures have always been subject to debate and have been changed on a number of occasions since statehood for both empirical and political reasons.

Compensation for Size

Most observers would agree that the per student cost of providing basic education services to 30 students in a remote community is greater than in an urban community with 1,500 students under one roof. Although the *principle* of size compensation has been widely accepted in Alaska, the *means* of calculating the size factors has been under scrutiny since the origin of the Alaska Foundation Formula.

This weakness in the existing size adjustments is the first major issue addressed by the Request for Proposals that formed the conceptual basis for this study. In essence, the RFP requested an objective, quantifiable and defensible basis for school size adjustment. The McDowell Group study design accomplishes this. For the first time, size factors have an empirical, statistically defensible basis.

Compensation for Location

Size compensation is only part of the equity picture. The second factor is the Area Cost Differential, or ACD. The ACD compensates for cost differences due to geographic location. Compensation for these inherent geographic cost differences is also a widely accepted principle. However, as with the size adjustment, the *principle* of the adjustments for location is widely accepted but the *means* of calculating ACDs has been subject to continued revision and reexamination.

Currently, the location differential for each district is a single number based on price differences among locations. Prices of household market basket items (food, housing transportation, etc.) were a proxy for school personnel costs, and prices of a non-personnel school market basket (insurance, books, fuel, etc.) represented all non-personnel costs.

There are three major weaknesses of the current ACD.

- First, all district aid is subject to a single ACD. Personnel and nonpersonal services should not rely on the same differential.
- Second, ACDs are based on the household cost of living, not the actual cost of staffing a school with instructional, administrative and operations and maintenance personnel. The RFP requested alternatives to this method of allocation, moving away from what may or not be a relevant proxy for personnel costs.
- Third, the current ACD does not incorporate adjustments for the complex range of factors that affect non-personnel school costs – such as building quality and efficiency, climate, community use and local availability of goods and services.

A Solution to Instructional Staffing Needs

The McDowell Group study team – consisting of economists, business analysts, public policy analysts, wage and salary analysts, school management experts and school business experts – developed an objective statistical approach for providing equal basic instructional staffing to schools of all sizes.

Noninstructional Costs

Current ACDs apply to nonpersonal services costs as well as to salaries. The methodology used for the existing ACD was to price a fixed market basket of thirty-four school cost items – such as insurance, books and travel – in each of the districts and calculate a simple differential. Non-personnel costs account for about 10% to 40% of a district's total costs, depending on the district. Price differences for the full market basket varied from 1.00 in major urban areas to as high as 1.46 in the most remote regions.

The primary weakness of the existing approach is its failure to consider the many factors – other than shelf price – that affect non-personnel costs. The method developed by the study team places the true cost differential of smaller, remote districts where it belongs – in the nonpersonal services and administrative components of the education funding formula.

Summary

"Basic Educational Need" can be defined as an amount of money required to fund the operating costs of a school district. Adjustment for school district size and location are two of the three elements that determine "basic need" in Alaska's current formula for allocating education aid (AS 14.17.021(c)). The third factor is "unit value," which reflects total funding level and is not addressed in this study.

The objective of the research described in this study is to make the foundation formula more equitable by determining adjustment factors that compensate for differences in school - and school district - operating costs that arise from the number of students served and from geographic location.¹ This study is not intended to be a comprehensive review of all the philosophical and equity issues the legislature might address in considering revisions to the foundation formula.

In short, the purpose of this study was to develop new adjustment factors for size and location, not to develop a model to allocate education aid to school districts. Although this study develops allocation amounts and compares them to current law, the allocations described in this study do not consider all aspects of education funding. Comparisons with actual allocations should, therefore, be avoided until more comprehensive calculations are performed by, or in cooperation with, the Department of Education.

¹ "Foundation formula" is the common name for the formula that allocates state operating aid to the 53 school districts that provide primary and secondary education to Alaskans. Although the formula provides funds for educational services for special needs of children younger than school age, the focus of the formula is on education from kindergarten through 12th grade, commonly referred to as K-12.

Study Team

The McDowell Group study team includes a panel of Alaska education experts with a mix of urban and rural school district operations experience. These experts were a critical part of the study team and took an active role in developing the approach as well as reviewing the research and analysis. The panel includes the following individuals:

Tom Freeman has nearly 30 years of financial management experience in Alaska, Washington and Oregon schools, including 18 years with the Anchorage School District. He was Assistant Superintendent of Business Management for the Anchorage School District until 1988 and remains involved in school and community activities.

Jim Paul served 12 years as Superintendent of what is now the Denali Borough School District. He is also a former teacher, principal and superintendent of the Craig School District and participated in three prior efforts to revise the foundation funding formula.

Andy Warwick served four years in the Alaska State Legislature (1971-1974), all four years as a member of the House Finance Committee. He served two years as Commissioner of the Department of Administration (1975-1976). Mr. Warwick was elected to three terms on the Fairbanks School Board (1988-1996) serving as President of that body and as its Finance Chair. He was appointed to the Alaska State Board of Education in 1991, serving as Vice Chair until 1992. Mr. Warwick has been in private practice in Fairbanks as a Certified Public Accountant since 1978.

Bob Weinstein spent 20 years as a teacher and administrator with the Southeast Island School District, retiring as superintendent in 1994. He has considerable experience with small school operations. He is also very familiar with the existing foundation program and served as a member of the Foundation Formula Task Force in 1995.

Executive Summary

The basic question addressed in this report is "Do current adjustment factors provide accurate compensation for differences in school - and school district - operating costs that are due to size and location?" The short answer is that statistical analysis indicates current size and location adjustments relatively undercompensate some districts for differences in school operating costs.

The following executive summary introduces the six major findings and recommendations of this study. Results of the analysis are provided in the *Summary of Results* located prior to Chapter I in this study.

1. Definition of Recommended Funding Formula

The study team recommends that the education funding formula be divided into three components - instruction, nonpersonal services and administration. One component, instruction, is specifically related to schools. The other two components are district-level allocations. The components are separated because each has unique adjustment factors for size and location. The separation of components applies only to the *allocation of aid* and is not intended to imply *expenditure limits* in any component.

- **Instructional Allocations.** The instructional component includes all school-specific personnel required to operate schools, including teachers, building administrators, aides and administrative and building support staff.
- **Nonpersonal Services Allocations.** This component includes all non-personnel costs in school districts, including non-personnel costs associated with instruction and district administration.
- **Administration Allocations.** This component includes the personnel costs of certificated and classified administrative personnel engaged in district-wide functions that are not specifically related to educational services delivered in schools.

2. Definition of Funding Units

The study team recommends that schools, rather than funding communities, be the basic unit for education funding. The school is the fundamental cost center for delivering instructional services. The basic units of funding under current law are "funding communities" - which are defined inconsistently and which would not provide equitable treatment for all schools even if they were defined consistently. Adopting schools as the basis for funding would result in more equitable allocation of instructional resources by providing comparable levels of instructional staffing in all schools regardless of district size and location.

3. Adjustments for School Size

The study team recommends that statistically derived adjustment factors be used to compensate for the higher per-student cost of operating smaller schools. This study provides an objective, defensible and empirical basis for instructional staffing in all sizes of schools. The recommended size factors were developed by a study team of school management and business experts, blended with analysis of the instructional staffing patterns of Alaska's schools.

Study results indicate that school size has enormous influence on operating cost per student, with the efficiency curve rising rapidly from the smallest schools to a school size of 500 to 600 students. Beyond that, size instructional efficiencies increased slowly, with less perceptible gains beyond 1,500 students.

4. Adjustments for Location

A Instructional Component

The study team recommends that area cost differentials (ACDs) in the instructional component of the formula be eliminated, allowing market forces and individual district needs and choices to determine compensation levels. ACDs based on average instructional salaries would result in several rural districts (with high current ACDs) having lower ACDs than Anchorage.² This means that adoption of area cost differentials (based on average teacher salaries) for the instructional component would reduce aid to several rural school districts, a result counter to the equity criteria required for this study.

Analysis of instructional salaries shows little relationship between current ACDs and actual salaries paid. Categorizing districts by size, location and accessibility showed that the average instructional salary in Anchorage is only one percent lower than the average in the other 52 districts. Most districts (35 of 53), including many with significant ACDs, paid within five percent of the statewide instructional salary average, with several rural districts having salary schedules - and average salaries - lower than in Anchorage.³

² Other states that have area cost differentials typically use them to compensate for higher costs in urban schools.

³ The analysis of average salaries includes housing allowances as indicated in district financial reports. The analysis of salary schedules excludes housing allowances because we have insufficient information to allow us to allocate the allowance to individuals.

Reasons for this salary uniformity are many, but analysis shows that teacher longevity is the primary reason. Salary schedules in rural districts are somewhat higher than in Anchorage on average (although several districts with high ACDs have lower salary schedules than Anchorage). Even in those districts with higher salary schedules than Anchorage, few have teachers with average years of experience near the average for Anchorage. The result is that costs associated with higher salary schedules in rural areas are offset by costs associated with greater longevity in urban districts. Average salaries in all districts fall in a surprisingly narrow range.

Research on private sector salary practices confirms that salaries tend to be higher in Anchorage than in districts with high ACDs. Location differentials are rarely paid by private industry, and are nominal if paid. Among private and public sector policies researched for this study, the sole exception is the State of Alaska, which pays a location differential based on the estimated cost of a "market basket" intended to reflect household spending.

B. Nonpersonal Services and Administrative Components

The study team recommends that area cost differential "multipliers" be used to adjust for higher noninstructional costs due to district size and location. The key technical emphasis of the recommended separation of the formula into three components is that size and location have different impacts on each component. This has many implications, but the most important is that the cumulative effects of all factors affecting noninstructional costs - geography, climate, local economic conditions, cultural needs, design and condition of buildings, proximity of schools and similar factors, as well as the number of students and prices of goods and services purchased by districts - are incorporated in the noninstructional multipliers.

One critical finding of this study is that differences in per-student noninstructional costs far exceed differences in existing ACDs. While the current ACDs may over-compensate some districts for personnel costs, they under-compensate some districts for dramatically higher per-student noninstructional costs.

Of the three components of the funding formula, administrative costs have the widest variability from district to district. Though extremely wide variations of administrative cost per student can be demonstrated, statistical analysis cannot identify the reasons for the variance. What is known is that administrative cost efficiency improves rapidly as district size increases, but the largest districts are not necessarily the most cost efficient. It is clear that no uniform administrative staffing standards exist from district to district, even among districts of similar size.

5. Data Requirements

The study team recommends that existing reporting systems be strengthened and that databases to support school cost analyses be further developed. Databases needing attention include those containing instructional salary and staff records, district financial reports and records of student attendance and participation in special programs. The quality of the databases must be improved in order to allow continued progress toward equitable allocation of education funds.

Data improvements could come through management audits. The purposes of these management audits would be:

- To generate better information for future computation of multipliers for the nonpersonal services and administrative components of the funding formula.
- To explore options for reducing costs through cooperation, consolidation, centralized business functions and other management methods.

Once database improvements are made, statistical analysis similar to that which produced clear results for the instructional component could produce improved results for the two noninstructional components of education funding.

6. Transitional Implementation

The study team recommends that negative impacts of the revised size and location adjustments be mitigated. The proposed adjustment factors narrow the range of per-student education aid among districts. Nevertheless, any reallocation of a fixed amount of funds that produces "gainers" also produces "losers." A provision to prevent any district from receiving less than its current level of aid as a result of revised adjustment factors would allow "gainers" to benefit without the gains coming at the expense of other districts.

The recommended revisions to the funding formula generate a relatively small reallocation of funds (about 2.7 percent of the current level of Basic Need). While a transitional provision would provide less equity than full implementation of the recommended adjustment factors, it would offer improvement over the disparity in funding that now exists. This option would, of course, require appropriation of additional funds. The first-year cost of transitional implementation is estimated to be between \$16 million and \$20 million.

Summary of Results

Approach

The study team used statistical analysis to determine adjustment factors for differences in student population and location. We divided the education formula in three components – instruction, nonpersonal services and district administration – when it became apparent that each component required different adjustments for size and location.

The basic research methodology – referred to as “the statistical approach” in this study – is described in Chapter I. Each of the components is further described in a separate chapter. Alternate allocation issues are discussed in Chapter V. An overview of the results of the statistical approach is presented below.

The statistical approach uses data on staffing levels in schools, audited expenditure reports and student enrollment figures to determine size and location adjustment factors. The statistical approach is based on three premises. The premises and brief discussions of their impact follow:

Premise 1

Schools of similar size should have similar staffing levels for regular K-12 programs regardless of location of schools or size of district in which the schools are located.

The statistical approach separates school instructional costs from district administrative costs and from utilities, travel and other non-personnel costs, then uses existing instructional staffing patterns to derive factors to compensate for higher per-student instructional costs in smaller schools. In general, compensation factors for small schools under the statistical approach are similar to those under current law, but bringing “staff equity” at the school level results in significant adjustment of aid to schools that are not currently compensated for small size because they are part of a larger community or district.

Premise 2

School staffing levels should be determined independently of instructional costs; adjustments for differences in average instructional salaries should be made after school staffing levels are determined, and any adjustments should be based on statistical information showing clear differences in personnel costs.

Adjustments for personnel costs under the statistical approach are not based on differences in household cost-of-living in various areas, but on research covering a broad range of salaries that more directly relate to the cost of operating schools. Research on salaries outside the educational system found no statistical justification for higher salaries in rural areas. In fact, the data indicate compensation is generally higher in Anchorage than in rural areas, although teacher salary data showed a slight trend in the opposite direction. Based on this conflicting information, the statistical approach applies no area cost differential to instructional costs.

Premise 3

School district expenditures for nonpersonal services and administrative purposes are generally no higher than necessary (given current district structure); existing variation in per-student expenditures reflects differences in costs that are attributable to size and location.

Statistical analysis identified large variations in noninstructional expenditures per student. The range of differences caused the study team to question the premise and to limit per-student expenditures (for purposes of calculating multipliers) rather than develop multipliers that reflect current spending. The statistical approach compensates for differences in noninstructional costs by producing multipliers that are substantially higher than those in current law. However, the multipliers apply only to noninstructional expenditures, which average 20 percent (and range from 14 percent to 60 percent) of total district expenditures.

Interpreting Study Results

Several concepts are critical to interpreting the results of the study.

1. Before reviewing results of the analysis, it is important for readers to understand that the analysis addresses only the relative allocation of school operating aid; it does not address the following issues:
 - capital requirements of schools
 - school debt reimbursement
 - pupil transportation costs
 - special appropriations to school districts
 - the total amount of aid allocated by the formula
 - sources of funds, including local contributions and federal impact aid
 - district or school consolidation issues
 - vocational education, bilingual and other funding that is not classified as "regular education"
 - labor issues, organization of local government or other issues that are related to school funding but that are not directly accounted for by the size and location factors of the foundation formula.

2. Because the study addresses *allocation* of aid rather than the amount of aid to be allocated, it may appear that the statistical approach concludes that some districts are currently receiving too much education aid. Readers should understand that the results do not imply that a particular school district is over-funded (or under-funded) in and of itself, but rather that a district may be relatively over- (or under-) funded when compared to other districts. All comparisons in this study are based on relative adjustments; i.e., they are simply shares of an amount of aid that is determined by political forces.
3. Readers should also understand that dollar values in the tables and charts cannot be compared with actual aid received by districts because the total amount allocated in the tables (\$800 million) is an arbitrary amount that is not equal to the actual amount of state aid allocated in any year.⁴ While additional calculations would be required to determine actual changes to aid received by each district under the revised adjustment factors, it should be noted that proportions of Basic Need allocated to each district would not be affected by the total amount of money available. In addition,
 - State education aid is reduced by local tax contributions and by a portion of federal impact aid, and increased by special appropriations to Regional Education Attendance Areas (REAs) and to "single site" districts. These reductions and increases are not reflected in the analysis of aid under current law or under the statistical approach because the focus of this analysis is on developing adjustment factors for size and location.
 - The statistical approach does not specifically address funding for vocational education, bilingual and other special programs that are addressed by the current formula. This treatment is not a recommendation to eliminate funding for these special programs; it simply reflects a lack of detailed data required to include special programs in our analysis.⁵ In order to make meaningful comparisons between allocations under current law and the statistical approach, special program funding must be treated the same under both approaches. In this analysis, that means excluding them from both allocation systems.

⁴ The \$800 million figure is approximately equal to the FY09 budget for Basic Need. Basic Need is reduced by required local contributions and by a portion of federal impact aid. These reduce state aid to about \$635 million.

⁵ The statistical approach bases allocation of aid directly on student population in each school rather than on "instructional units" within each "funding community". (Both these terms are discussed later in this report.) Implementing this direct approach would require redetermination of funding policy for special programs. That policy decision can be made only by the legislature. Faced with a choice between analysis which 1) explores a more direct link between students in each school and funding levels or 2) retains the existing funding system for special programs, the Legislative Budget and Audit Committee chose to explore the more direct funding link (December 3, 1997 Progress Report). That decision was based on a desire to simplify the formula and does not indicate a decision to change the funding approach for special programs. Although conversion of the direct student count to the instructional unit approach is a simple mathematical exercise, special program funding could not be included in the statistical approach because school level information on special program participation is not available. Several states have developed cost multipliers for special program participants. These factors could be adapted to Alaska at the school level if the legislature chooses to replace the instructional unit concept with a direct count of students.

- The information in the student-school database does not sum to district totals reported by the Department of Education.⁶ Although this has a negligible effect on comparisons of current law and the statistical approach – because allocations under both systems are determined from the same data – it does mean that comparisons with actual aid are not valid.
4. For comparative purposes, the study team applied the current formula to the same student database used to determine funding levels under the statistical approach. Although this methodology means that data in the charts and tables is not comparable to aid currently received by districts, it isolates the effect of changes to the size and location adjustment factors. Assuming no changes are made to parts of the funding system other than the size and location adjustments, comparisons of information labeled “current law” and “statistical approach” are reasonably accurate indications of what would happen under a revised formula, since local contribution requirements and special funding would affect both allocation formulas in a similar manner.⁷

In short, the purpose of this study was to develop new adjustment factors for size and location, not to develop a model to allocate education aid to school districts. Although this study develops allocation amounts and compares them to current law, the allocations described in this study do not consider all aspects of education funding. Comparisons with actual allocations should, therefore, be avoided until more comprehensive calculations are performed by, or in cooperation with, the Department of Education.

Further, results obtained by applying the statistical approach and current adjustment factors to a database are approximations of allocations. When comparing the proposed formula with current law, the reader should focus on relative changes shown in the tables rather than on dollar comparisons with actual aid allocations. The actual amount of aid allocated to each district will change as both the number of students and the total amount of aid allocated change, and as special program funding, local contributions and other aspects of the full funding formula are considered.

Summary of Results

Figure 1 shows that implementing the adjustment factors generated by the statistical approach would allocate additional aid to more than 20 school districts. The implication of this result is that, relative to other districts, some districts appear to be underfunded under current law. Table 1 shows that the level of underfunding in all districts is about 2.7 percent of the amount of funding allocated (\$21 million of \$800 million allocated).

⁶ The student-school database is a blend of files obtained from the Department of Education (DOE). DOE provided files on student counts and number of staff in each school, which we combined. The actual student count and the database count differ by about 40 students statewide.

⁷ Gains or losses shown in the tables will not result in equivalent changes in the amount of funding that is actually received by some districts. For example, three districts are affected by a “35 percent of basic need” alternative minimum required local contribution. Gains (or losses) by these districts would be reduced by 35 percent, resulting in a small redistribution of aid. Districts that are affected by the 23 percent restriction on “excess local contributions” would be able to contribute an additional 23 percent of additional aid received. Similarly, their local contributions would be further restricted if the amount of state aid were reduced.

Figure 1—Percentage Increase in Funding for Education (Relative to Current Adjustment Factors) Under a Transitional Scenario

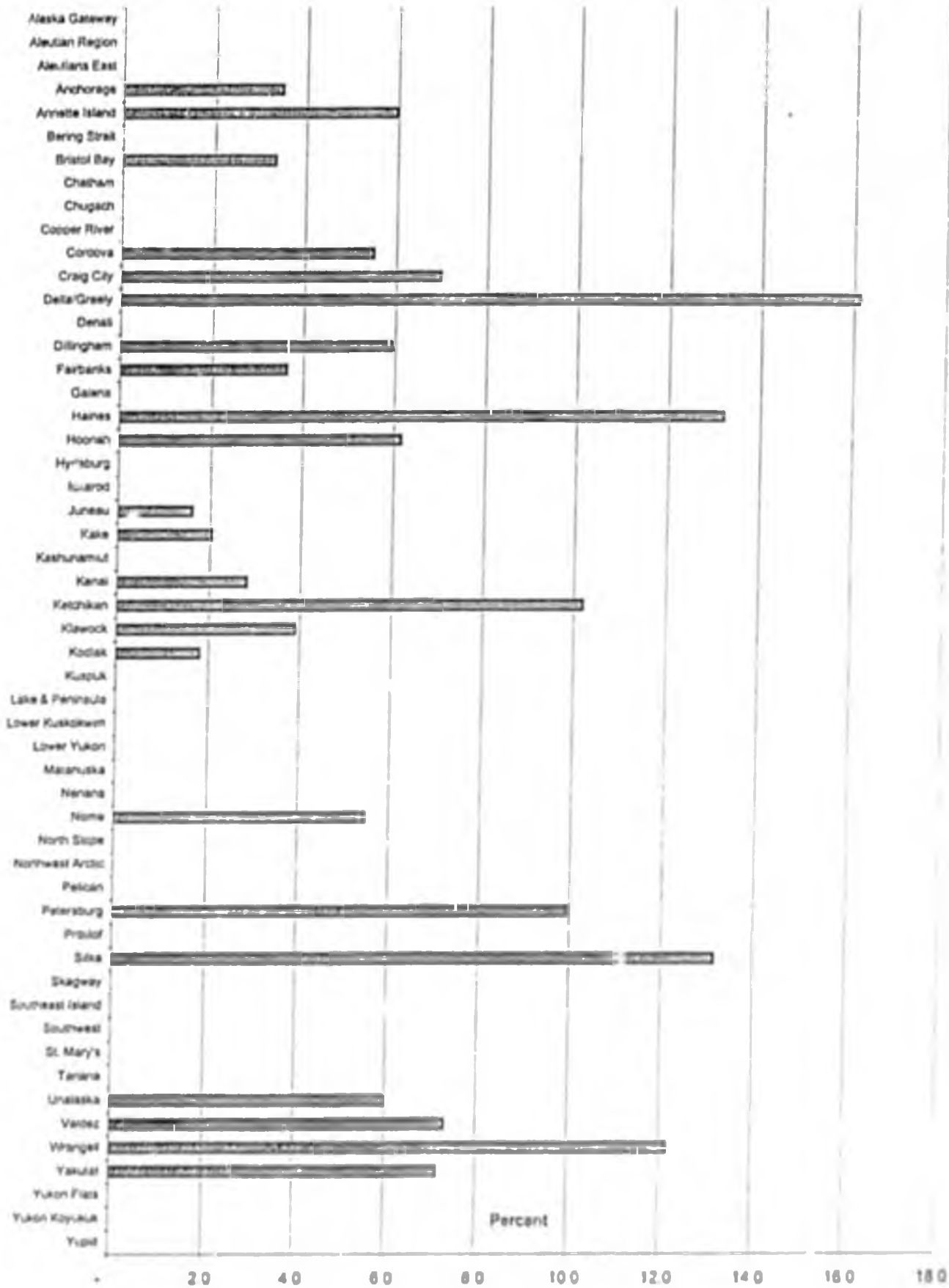


Table 1
Summary of Allocations of Aid for Education
Under a Transitional Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Gain	
	Dollars	Percent
Total	21,388,254	2.7%
Alaska Gateway	-	-
Aleutian Region	-	-
Aleutians East	-	-
Anchorage	8,373,504	3.5
Annette Island	171,178	6.0
Bering Strait	-	-
Bristol Bay	92,769	3.3
Chatham	-	-
Chugach	-	-
Copper River	-	-
Cordova	193,273	5.5
Craig City	192,419	7.0
Delta/Greely	1,001,155	18.1
Denali	-	-
Dillingham	240,922	5.9
Fairbanks	3,194,584	3.6
Galena	-	-
Haines	391,195	13.2
Hoonah	125,597	6.1
Hydaburg	-	-
Iditarod	-	-
Juneau	468,999	1.6
Kake	30,731	2.0
Kashunamiut	-	-
Kenai	1,750,238	2.8
Ketchikan	1,563,014	10.2
Klawock	64,824	3.9
Kodiak	348,631	1.8
Kuspuk	-	-
Lake & Peninsula	-	-
Lower Kuskokwim	-	-
Lower Yukon	-	-
Matanuska	-	-
Nenana	-	-
Nome	315,423	5.5
North Slope	-	-
Northwest Arctic	-	-
Pelican	-	-
Petersburg	439,581	9.9
Pribilof	-	-
Sitka	1,318,960	13.1
Skagway	-	-
Southeast Island	-	-
Southwest	-	-
St. Mary's	-	-
Tanana	-	-
Unalaska	175,129	6.0
Valdez	418,945	7.3
Wrangell	408,033	12.1
Yakutat	111,154	7.1
Yukon Flats	-	-
Yukon-Koyukuk	-	-
Yupik	-	-

A practical interpretation of this result is that the addition of about 2.7 percent to the total amount allocated by the foundation formula could allow relatively underfunded districts to be funded at a more equitable level while no district would lose funding.⁸ Figures 1 and 2 show two of many possible scenarios. The first - referred to as the "transitional" scenario - shows the impact on school districts if educational aid were increased to allow relatively underfunded districts to receive their full adjusted allocations while no district receives less than its current allocation. Note that if the total funding level were simply increased by 2.7 percent, all districts would share the additional funding, thus preventing districts that receive reduced aid under the statistical approach from being "held harmless."

The second scenario - referred to as the "no additional funding" scenario in Table 2 and Figure 2 - assumes that no additional educational aid is appropriated. In this scenario, the adjustment factors under the statistical approach would reallocate available funds. By its nature, reallocation of a fixed amount means that aid gained by some districts must be offset by losses in other districts.

Figure 2 and Table 2 show the results of applying the statistical approach in a "no additional funding" scenario. As noted in the preceding text, the reader should focus on the direction of change rather than the precise amount of change. The figures in the table are approximations only and should not be compared to current aid allocations.

The statistical approach indicates that districts with many schools in few funding communities tend to be relatively underfunded by the present allocation system.⁹ Districts in which each school is considered a funding community tend to receive relatively less aid under the statistical approach.

Table 3 shows that the total adjusted student count under the current law (133,673, in column 4) is less than the total adjusted student count under the statistical approach (148,561, in column 9).¹⁰ Under the "no additional funding" scenario, higher adjusted student counts have the same effect as slicing a pie into more pieces in order to serve more people. When the adjusted student count increases (due to size and location multipliers) the per-student allocation declines (each piece of the pie is smaller). If existing educational aid is simply reallocated, districts with less-than-average gains in student count would receive less money than under the existing system. As noted earlier, only adding money (making the pie bigger) will prevent some districts from getting less than they receive under current law. This fact applies to every reallocation mechanism in which some participants gain and the total amount allocated is unchanged.

⁸ A more precise estimate of this amount would require consideration of local contributions, federal impact aid and special funding. After adjusting for the effects of local contributions and federal impact aid, the first-year cost of transitional implementation is estimated to be between \$16 million and \$20 million.

⁹ The "funding community" concept is addressed in Chapter II of this study.

¹⁰ "Adjusted Student Count" is a term that describes actual student counts after applying adjustment factors.

Figure 2 -- Percentage Change in Funding for Education (Relative to Current Adjustment Factors) Under a "No Additional Funding" Scenario

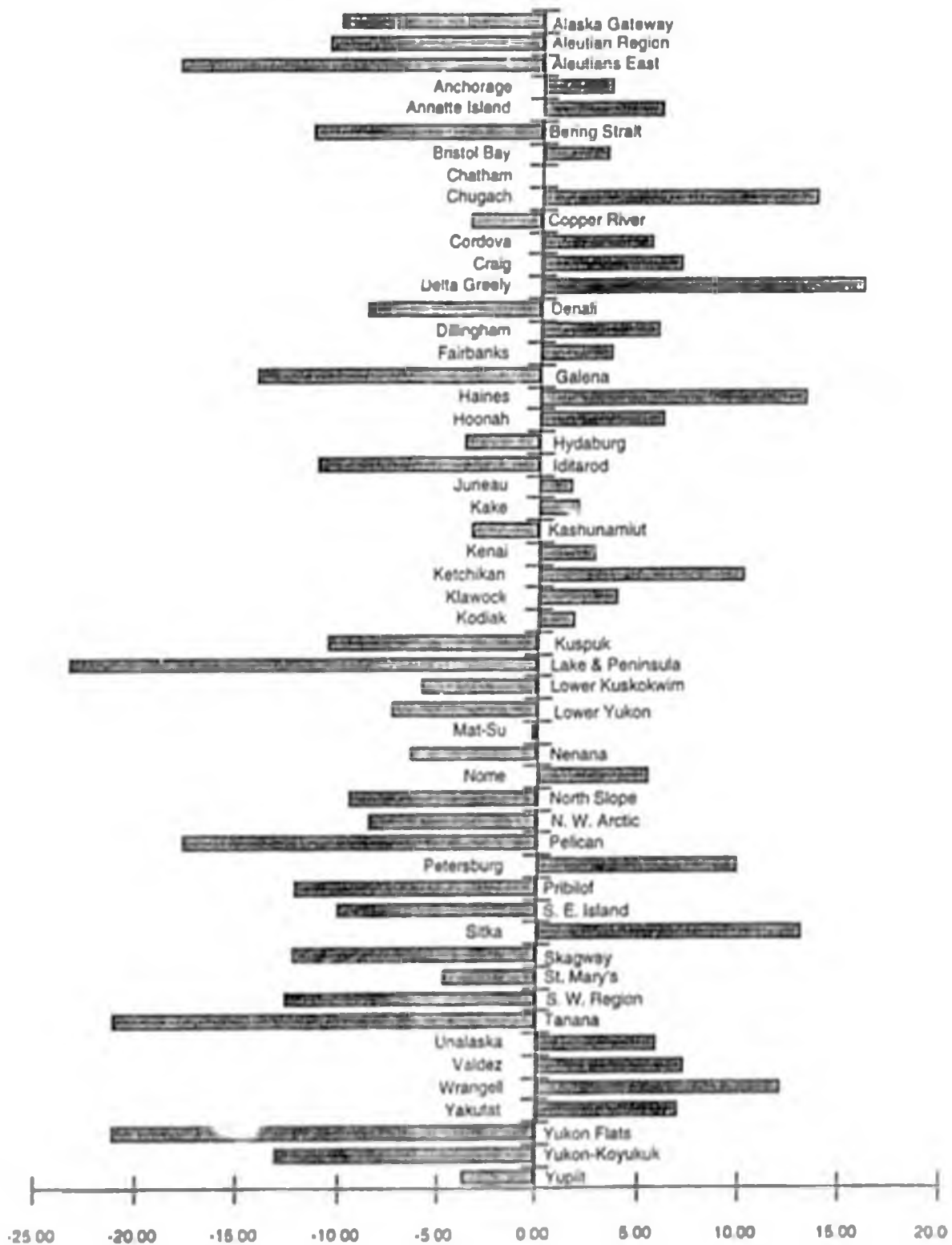


Table 2
Summary of Allocations of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Change from Current Adjustment Factors		Percent
	Gain	Loss	
Total	\$21,388,254	(\$21,388,254)	2.7%
Alaska Gateway	-	(608,589)	(10.2)
Aleutian Region	-	(45,821)	(10.8)
Aleutians East	-	(828,211)	(18.2)
Anchorage	8,373,504	-	3.5
Annette Island	171,178	-	6.0
Bering Strait	-	(2,422,787)	(11.5)
Bristol Bay	92,769	-	3.3
Chatham	-	(437,346)	(11.8)
Chugach	-	(253,524)	(13.7)
Copper River	-	(220,282)	(3.6)
Cordova	173,273	-	5.5
Craig City	192,419	-	7.0
Delta/Greely	1,001,155	-	16.1
Denali	-	(340,275)	(8.8)
Dillingham	240,922	-	5.9
Fairbanks	3,194,584	-	3.8
Galena	-	(230,192)	(14.2)
Haines	391,195	-	13.2
Hoonah	125,597	-	6.1
Hydaburg	-	(41,745)	(3.8)
Iditarod	-	(722,813)	(11.2)
Juneau	468,999	-	1.6
Kake	30,731	-	2.0
Kashunamiut	-	(79,059)	(3.4)
Kenai	1,750,238	-	2.8
Ketchikan	1,563,014	-	10.2
Klawock	64,824	-	3.9
Kodiak	348,631	-	1.8
Kuspuk	-	(685,582)	(10.6)
Lake & Peninsula	-	(1,956,337)	(23.3)
Lower Kuskokwim	-	(2,169,129)	(5.9)
Lower Yukon	-	(1,358,534)	(7.4)
Matanuska	-	(173,963)	(0.3)
Nenana	-	(101,765)	(6.5)
Nome	315,423	-	5.5
North Slope	-	(1,772,381)	(9.5)
Northwest Arctic	-	(1,797,799)	(8.5)
Pelican	-	(93,278)	(17.7)
Petersburg	439,581	-	9.9
Prudhoe	-	(309,721)	(12.2)
Sitka	1,318,960	-	13.1
Skagway	-	(148,332)	(12.3)
Southeast Island	-	(451,470)	(10.1)
Southwest	-	(951,945)	(12.6)
St. Mary's	-	(69,073)	(4.7)
Tanana	-	(254,505)	(21.2)
Unalaska	175,129	-	6.0
Valdez	418,945	-	7.3
Wrangell	408,033	-	12.1
Yakutat	111,154	-	7.1
Yukon Flats	-	(1,515,544)	(21.2)
Yukon Koyukuk	-	(1,198,969)	(13.7)
Yupit	-	(149,307)	(3.1)

Table 3
Adjusted Student Counts and Allocation of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Students	Students Adjusted for Size	Area Cost Differential	Students Adjusted for Size and ACD	Basic Aid	Basic Aid per Student	Current Law	
							Adjusted Aid per Student	Max Min Avg. StdDev Spread
	1	2	3	4	5	6	\$	
Total	122,867	122,926		131,673	800,000,000	6,512	5,985	
Alaska Gateway	552	841	1.19	1,001	5,991,700	10,855		
Aleutian Region	21	54	1.31	71	422,362	20,112		
Aleutians East	355	598	1.27	760	4,547,436	12,810		
Anchorage	40,175	40,447	1.00	40,447	242,063,295	5,242		
Annette Island	444	465	1.03	479	2,868,126	6,455		
Benning Strait	1,879	2,539	1.39	3,529	21,118,880	12,578		
Bristol Bay	301	368	1.27	468	2,799,405	9,300		
Chatham	337	600	1.03	616	3,700,026	10,970		
Chugach	131	271	1.14	309	1,851,191	14,131		
Copper River	639	898	1.14	1,023	6,124,714	8,569		
Cordova	519	530	1.11	589	3,522,531	6,787		
Craig City	424	448	1.03	461	2,758,785	6,507		
Delta/Greely	910	895	1.16	1,036	6,213,363	6,831		
Denali	378	524	1.23	644	3,855,349	10,199		
Dillingham	524	535	1.27	679	4,083,371	7,755		
Fairbanks	15,816	14,167	1.04	14,734	88,179,979	5,576		
Galena	150	209	1.30	272	1,625,902	10,839		
Haines	430	472	1.05	496	2,965,549	6,897		
Hoonah	273	316	1.08	341	2,042,842	7,483		
Hydaburg	114	176	1.03	182	1,086,889	9,534		
Iktarod	422	808	1.33	1,074	6,429,524	15,247		
Juneau	5,525	4,893	1.00	4,893	29,284,273	5,300		
Kake	190	244	1.03	251	1,502,896	7,910		
Kashunamiut	244	291	1.33	387	2,314,867	9,487		
Kenai	10,282	10,398	1.00	10,398	62,227,242	6,052		
Ketchikan	2,850	2,564	1.00	2,564	15,347,669	5,384		
Klawock	220	270	1.03	278	1,663,608	7,563		
Kodiak	2,872	2,984	1.09	3,252	19,464,144	6,778		
Kuspuk	468	615	1.33	1,064	6,488,005	13,874		
Lake & Peninsula	498	1,071	1.31	1,403	8,398,288	16,859		
Lower Yukon	3,275	4,349	1.42	6,175	36,956,842	11,284		
Lower Yukon	1,695	2,275	1.35	3,072	18,383,880	10,845		
Matanuska	12,024	11,530	1.00	11,530	69,001,303	5,739		
Nenana	161	219	1.20	262	1,569,614	9,749		
Nome	733	721	1.34	968	5,781,403	7,887		
North Slope	1,806	2,145	1.45	3,110	18,611,212	10,305		
Northwest Arctic	1,892	2,429	1.45	3,522	21,079,336	11,141		
Pelican	38	82	1.08	88	527,586	13,884		
Petersburg	754	739	1.00	739	4,423,905	5,867		
Prudhoe	213	326	1.30	424	2,536,997	11,911		
Sitka	1,802	1,678	1.00	1,676	10,030,645	5,566		
Skagway	131	192	1.05	202	1,209,274	9,231		
Southeast Island	350	717	1.04	745	4,460,799	12,751		
Southwest	616	967	1.31	1,266	7,578,701	12,301		
St. Mary's	129	191	1.30	248	1,483,649	11,501		
Tanana	94	155	1.30	201	1,202,453	12,792		
Unalaska	353	386	1.27	490	2,931,758	8,305		
Valdez	826	863	1.11	958	5,731,649	6,397		
Wrangell	550	562	1.00	562	3,360,917	6,111		
Yakutat	187	241	1.08	260	1,558,970	8,337		
Yukon Flats	410	617	1.48	1,193	7,137,537	17,421		
Yukon Koyukuk	625	1,093	1.34	1,464	8,763,139	14,019		
Yukon-Charley	381	564	1.41	795	4,757,599	12,487		

Table 3 (continued)
Adjusted Student Counts and Allocation of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

Statistical Approach, "No Additional Funding" Scenario		Adjusted Aid		Max	Min	Avg.	StdDev	Spread
		per Student	\$	5,385	17,931	5,385	6,512	2,471	3,33
School District	Students	Students Adjusted for Size Only	Combined Size & Area Cost Differential	Students Adjusted for Size and ACD	Basic Aid	Basic Aid per Student		
		7	8	9	10	11		
Total	122,857	144,819		148,581	800,000,000	6,512		
Alaska Gateway	552	835	1.811	1,000	5,383,112	9,752		
Aleutian Region	21	41	3.330	70	376,541	17,931		
Aleutians East	355	574	1.946	691	3,719,228	10,477		
Anchorage	46,175	49,382	1.007	46,488	250,438,799	5,424		
Annette Island	444	592	1.270	564	3,037,304	6,841		
Bering Strait	1,679	2,502	2.067	3,471	18,698,093	11,133		
Bristol Bay	301	450	1.784	537	2,892,174	9,609		
Chatham	337	582	1.798	606	3,282,680	9,873		
Chugach	131	258	2.285	297	1,597,888	12,198		
Copper River	839	996	1.717	1,097	5,804,432	9,244		
Cordova	519	667	1.330	680	3,715,803	7,160		
Craig City	424	570	1.293	548	2,951,204	6,960		
Delta/Greely	910	1,267	1.473	1,340	7,214,537	7,931		
Denali	378	535	1.727	653	3,515,074	9,299		
Dillingham	524	673	1.525	789	4,304,293	8,214		
Fairbanks	15,816	17,297	1.073	16,970	91,374,563	5,778		
Galena	150	234	1.726	259	1,395,710	9,305		
Haines	430	649	1.450	624	3,356,744	7,808		
Hoonah	273	402	1.475	403	2,168,539	7,943		
Hydaburg	114	192	1.703	194	1,045,144	9,168		
Iditarod	422	785	2.513	1,060	5,706,711	13,533		
Juneau	5,525	5,844	1.000	5,525	29,751,272	5,385		
Kake	190	295	1.499	285	1,533,628	8,072		
Kashunamiut	244	320	1.702	415	2,235,608	9,163		
Kenai	10,282	12,431	1.156	11,886	63,977,480	6,222		
Ketchikan	2,850	3,358	1.102	3,141	16,910,682	5,933		
Klawock	220	335	1.459	321	1,728,732	7,858		
Kodiak	2,872	3,571	1.281	3,679	19,812,775	6,900		
Kuspuk	468	806	2.304	1,077	5,802,424	12,408		
Lake & Peninsula	498	929	2.402	197	6,441,951	12,932		
Lower Kuskokwim	3,275	4,631	1.973	6,462	34,787,713	10,622		
Lower Yukon	1,695	2,355	1.865	3,162	17,025,345	10,043		
Matanuska	12,024	13,493	1.093	12,782	68,827,340	5,724		
Nenana	181	230	1.693	273	1,467,849	9,117		
Nome	733	905	1.545	1,132	6,098,626	8,318		
North Slope	1,808	2,376	1.731	3,123	16,838,851	9,323		
Northwest Arctic	1,892	2,556	1.892	3,580	19,281,537	10,191		
Pelican	39	68	2.122	81	434,308	11,429		
Petersburg	754	969	1.108	903	4,863,487	6,450		
Prudhoe	213	320	1.942	414	2,227,276	10,457		
Sitka	1,802	2,264	1.170	2,108	11,349,605	6,298		
Skagway	131	194	1.504	197	1,060,942	8,099		
Southeast Island	350	713	2.128	744	4,009,329	11,460		
Southwest	616	966	1.997	1,230	6,628,756	10,756		
St. Marys	129	211	2.036	263	1,414,578	10,866		
Tanana	94	147	1.873	176	947,948	10,085		
Unalaska	353	489	1.634	577	3,106,887	8,801		
Valdez	896	1,098	1.275	1,142	6,150,794	6,865		
Wrangell	550	757	1.273	700	3,784,950	6,853		
Yakutat	187	313	1.650	310	1,670,123	8,931		
Yukon Flats	410	742	2.548	1,044	5,621,993	13,722		
Yukon Koyukuk	625	1,034	2.247	1,405	7,564,170	12,101		
Yupik	381	622	2.246	856	4,608,292	12,095		

For example, the Denali district – a district in which each school is a funding community – gains by the size adjustments under the statistical approach. The district's 378 students (column 1) are adjusted to 524 by current size factors (column 2) and to 535 by the statistical approach size factors (column 7). However, the district receives a lower allocation under the statistical approach because other districts gain even more under the revised size adjustments.

Equity Under the Statistical Approach

Figures 3 and 4 compare allocation of educational aid under the "transitional" and "no additional funding" scenarios, respectively, with allocation of aid under current law. Results are presented on a per-student basis so that comparison of information for districts of various sizes is meaningful. Figure 4 corresponds to the information presented in columns 6 and 11 of Table 3. Note that the plots of the statistical approach are both flatter and smoother than the plot of current aid. Both trends indicate reduced funding disparity.

Table 4 shows proportionate shares of both students and aid in each district under both current law and the statistical approach (columns 1, 2 and 4). The two "proportion" columns that apply to current law (columns 1 and 2) are used to compute a "size and location multiplier" that demonstrates existing funding disparity between districts. Dividing the proportion of aid the current formula allocates to each district (column 2) by the proportion of students in each district (column 1) produces ratios as shown in column 3.

A ratio less than one indicates that a district receives a disproportionately small share of total funding, while higher ratios indicate disproportionately larger shares of total funding. For example, Anchorage serves nearly 38 percent of students in the state (column 1), and receives just over 30 percent of regular education aid (column 2). Dividing column 2 by column 1 gives Anchorage a "size and location multiplier" of .81 (column 5). This number means that Anchorage receives \$81 per student for each \$100 per-student that is allocated by the formula. Similarly, the Aleutian Region receives over \$300 per student for each \$100 per-student that is allocated by the formula.

Disparity in per-student allocations is intended to compensate for differences in the cost of operating schools – and school districts – of various size and locations in Alaska, thus making the formula more equitable than one which allocates money in precise proportion to the number of students. It is important to understand that variation in the amount of aid received per student does not necessarily imply inequity. Size and location adjustments are included in the formula specifically to create disparity in order to compensate for relative differences in school operating costs.

Figure 3--Basic Need per Student, Transitional Scenario

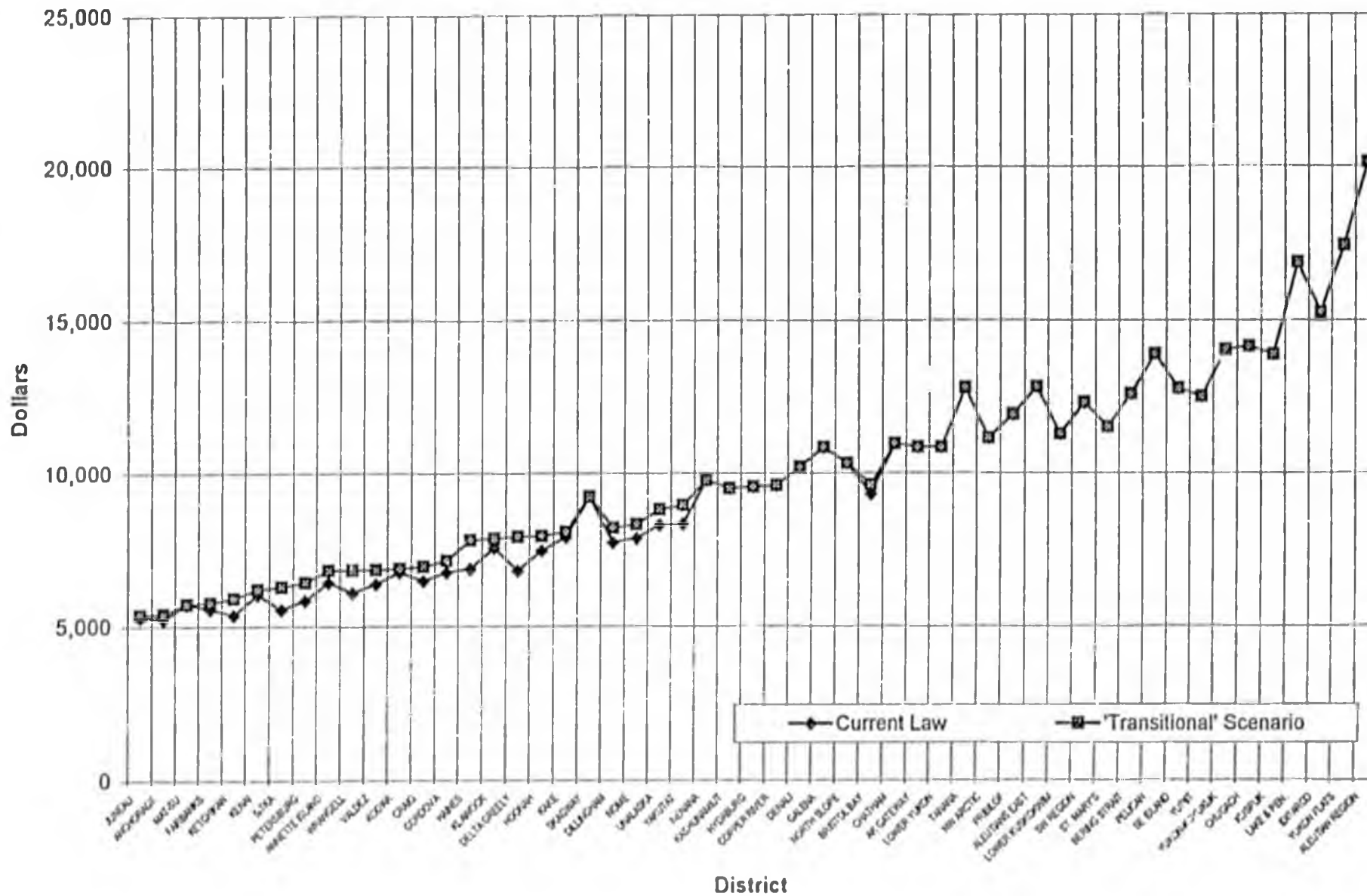


Figure 4--Basic Need per Student, "No Additional Funding" Scenario

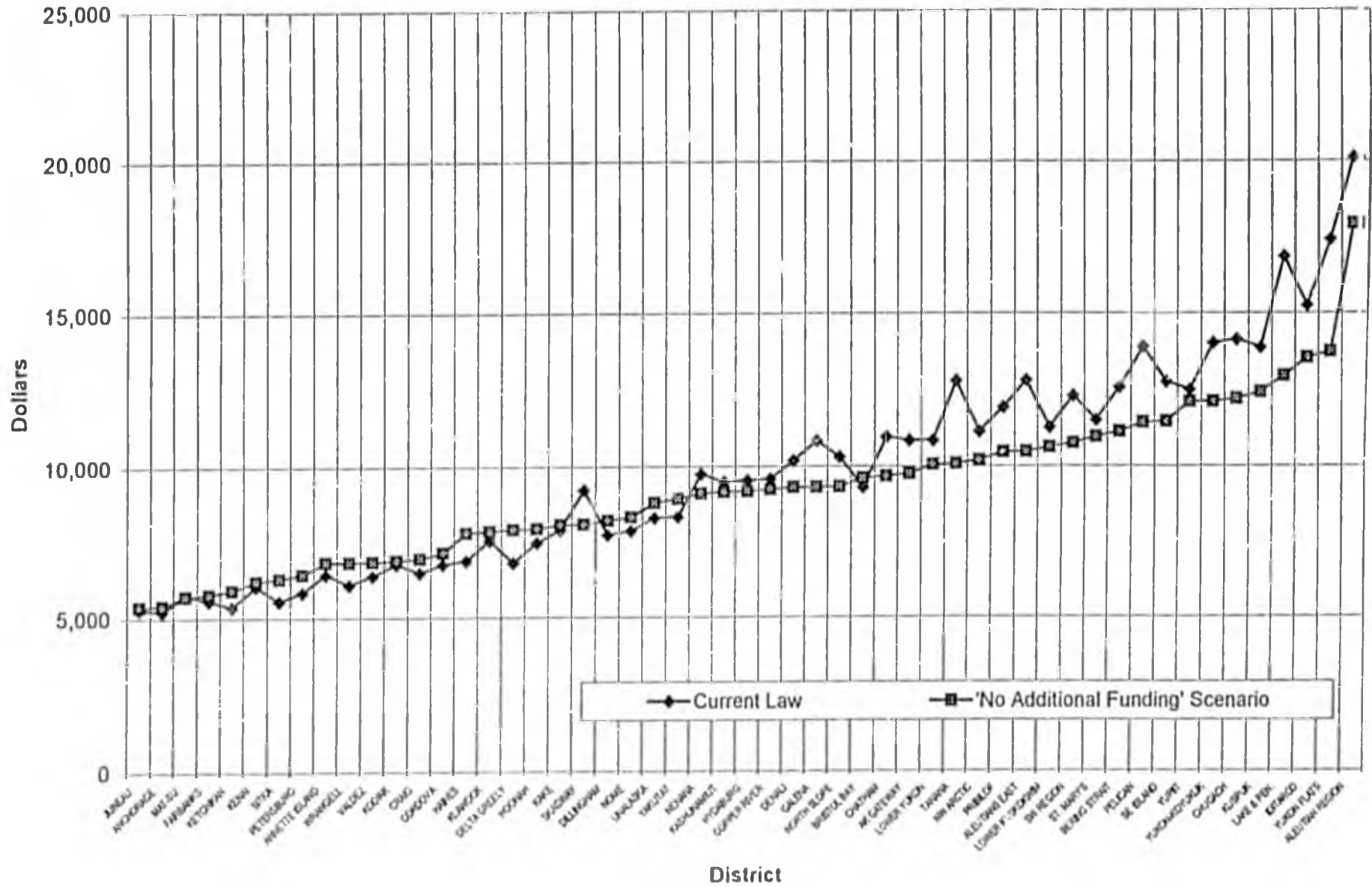


Table 4
Size and Location Multipliers for Allocation of Education Aid

School District	Current Law			Statistical Approach	
	Proportion of Students	Proportion of Aid	Size and Location Multiplier	Proportion of Aid	Size and Location Multiplier
	1	2	3	4	5
Alaska Gateway	0.45%	0.75%	1.67	0.67%	1.50
Aleutian Region	0.02%	0.05%	3.09	0.05%	2.75
Aleutians East	0.29%	0.57%	1.97	0.46%	1.61
Anchorage	37.58%	30.26%	0.81	31.30%	0.83
Annette Island	0.36%	0.36%	0.99	0.38%	1.05
Bering Strait	1.37%	2.04%	1.93	2.34%	1.71
Bristol Bay	0.25%	0.35%	1.43	0.36%	1.48
Chatham	0.27%	0.46%	1.68	0.41%	1.49
Chugach	0.11%	0.23%	2.17	0.20%	1.87
Copper River	0.52%	0.77%	1	0.74%	1.42
Cordova	0.42%	0.44%	1.04	0.46%	1.10
Craig City	0.35%	0.34%	1.00	0.37%	1.07
Delta/Greely	0.74%	0.78%	1.05	0.90%	1.22
Denali	0.31%	0.48%	1.57	0.44%	1.43
Dillingham	0.43%	0.51%	1.19	0.54%	1.28
Fairbanks	12.87%	11.02%	0.86	11.42%	0.89
Galena	0.12%	0.20%	1.66	0.17%	1.43
Haines	0.35%	0.37%	1.06	0.42%	1.20
Hoonah	0.22%	0.26%	1.15	0.27%	1.22
Hydaburg	0.09%	0.14%	1.48	0.13%	1.41
Iditarod	0.34%	0.80%	2.34	0.71%	2.08
Juneau	4.50%	3.66%	0.81	3.72%	0.83
Kake	0.15%	0.19%	1.21	0.19%	1.24
Kashunamiut	0.20%	0.29%	1.46	0.28%	1.41
Kenai	8.37%	7.78%	0.93	8.00%	0.96
Ketchikan	2.32%	1.92%	0.83	2.11%	0.91
Klawock	0.18%	0.21%	1.16	0.22%	1.21
Kodiak	2.34%	2.43%	1.04	2.48%	1.06
Kuspuk	0.38%	0.81%	2.13	0.73%	1.91
Lake & Peninsula	0.41%	1.05%	2.59	0.81%	1.99
Lower Kuskokwim	2.67%	4.62%	1.73	4.35%	1.63
Lower Yukon	1.38%	2.30%	1.67	2.13%	1.54
Matanuska	9.79%	8.63%	0.88	8.60%	0.88
Nenana	0.13%	0.20%	1.50	0.18%	1.40
Name	0.80%	0.72%	1.21	0.76%	1.28
North Slope	1.47%	2.33%	1.58	2.10%	1.43
Northwest Arctic	1.54%	2.63%	1.71	2.41%	1.57
Pelican	0.03%	0.07%	2.13	0.05%	1.76
Petersburg	0.61%	0.55%	0.90	0.61%	0.99
Pribilof	0.17%	0.32%	1.83	0.28%	1.61
Sitka	1.47%	1.25%	0.85	1.42%	0.97
Skagway	0.11%	0.15%	1.42	0.13%	1.24
Southeast Island	0.28%	0.56%	1.96	0.50%	1.76
Southwest	0.50%	0.95%	1.89	0.83%	1.65
St. Mary's	0.11%	0.19%	1.77	0.18%	1.68
Tanana	0.08%	0.15%	1.96	0.12%	1.55
Unalaska	0.29%	0.37%	1.78	0.39%	1.35
Valdez	0.73%	0.72%	0.98	0.77%	1.05
Wrangell	0.45%	0.42%	0.94	0.47%	1.05
Yakutat	0.15%	0.19%	1.28	0.21%	1.37
Yukon Flats	0.33%	0.89%	2.68	0.70%	2.11
Yukon Koyukuk	0.51%	1.10%	2.15	0.95%	1.86
Yup'it	0.31%	0.59%	1.92	0.58%	1.86

Table 4 shows "size and location multipliers" under the statistical approach (column 5) as well as under current law (column 3). In general, disparity decreases under the statistical approach. That is, districts with small existing "size and location multipliers" typically gain funding (relative to other districts with high current multipliers) under the statistical approach.

Under the "transitional" scenario, disparity would be reduced as districts with low multipliers gain aid relative to other districts. Under the "no additional funding" scenario, a portion of the aid currently received by districts with high existing multipliers tends to be reallocated to districts with low existing multipliers.

Note, however, that while disparity is further reduced under the "no additional funding" scenario, the "gainers" continue to have low funding per student relative to those who do not gain. Similarly, districts that lose a relatively high amount of funding continue to have high per-student funding levels. Table 5 sorts the information in Table 4 in order of aid per student to more clearly demonstrate this reduction in disparity.

Table 5
Size and Location Multipliers for Allocation of Education Aid
(Sorted in order of Aid per Student)

School District	Current Law			Statistical Approach		Aid Per Student under the Statistical Approach
	Proportion of Students	Proportion of Aid	Size and Location Multiplier	Proportion of Aid	Size and Location Multiplier	
	1	2	3	4	5		6
Alaska Gateway	0.45%	0.75%	1.67	0.67%	1.50	9,752
Aleutian Region	0.02%	0.05%	3.09	0.05%	2.75	17,931
Aleutians East	0.29%	0.57%	1.97	0.46%	1.61	10,477
Anchorage	37.58%	30.26%	0.81	31.30%	0.83	5,424
Annette Island	0.36%	0.36%	0.99	0.38%	1.05	6,841
Bering Strait	1.37%	2.64%	1.93	2.34%	1.71	11,133
Bristol Bay	0.25%	0.35%	1.43	0.36%	1.48	9,609
Chatham	0.27%	0.46%	1.68	0.41%	1.49	9,673
Chugach	0.11%	0.23%	2.17	0.20%	1.87	12,196
Copper River	0.52%	0.77%	1.47	0.74%	1.42	9,244
Cordova	0.42%	0.44%	1.04	0.46%	1.10	7,160
Craig City	0.35%	0.34%	1.00	0.37%	1.07	6,960
Delta/Greely	0.74%	0.78%	1.05	0.90%	1.22	7,931
Denali	0.31%	0.48%	1.57	0.44%	1.43	9,299
Dillingham	0.43%	0.51%	1.19	0.54%	1.26	8,214
Fairbanks	12.87%	11.02%	0.86	11.42%	0.89	5,778
Galena	0.12%	0.20%	1.66	0.17%	1.43	9,305
Haines	0.35%	0.37%	1.06	0.42%	1.20	7,806
Hoonah	0.22%	0.26%	1.15	0.27%	1.22	7,943
Hydaburg	0.09%	0.14%	1.46	0.13%	1.41	9,168
Iditarod	0.34%	0.80%	2.34	0.71%	2.08	13,533
Juneau	4.50%	3.66%	0.81	3.72%	0.83	5,385
Kake	0.15%	0.19%	1.21	0.19%	1.24	8,072
Kashunamiut	0.20%	0.29%	1.46	0.28%	1.41	9,163
Kenai	8.37%	7.78%	0.93	8.00%	0.96	6,222
Ketchikan	2.32%	1.92%	0.83	2.11%	0.91	5,933
Klawock	0.18%	0.21%	1.16	0.22%	1.21	7,858
Kodiak	2.34%	2.43%	1.04	2.48%	1.06	6,900
Kuspuk	0.38%	0.81%	2.13	0.73%	1.91	12,408
Lake & Peninsula	0.41%	1.05%	2.59	0.81%	1.99	12,932
Lower Kuskokwim	2.67%	4.62%	1.73	4.35%	1.63	10,622
Lower Yukon	1.38%	2.30%	1.67	2.13%	1.54	10,043
Matanuska	9.79%	8.63%	0.88	8.60%	0.89	5,724
Nenana	0.13%	0.20%	1.50	0.18%	1.40	9,117
Nome	0.60%	0.72%	1.21	0.76%	1.28	8,318
North Slope	1.47%	2.33%	1.58	2.10%	1.43	9,323
Northwest Arctic	1.54%	2.63%	1.71	2.41%	1.57	10,191
Pelican	0.03%	0.07%	2.13	0.05%	1.76	11,429
Petersburg	0.61%	0.55%	0.90	0.61%	0.99	6,450
Pribilof	0.17%	0.32%	1.83	0.28%	1.61	10,457
Sitka	1.47%	1.25%	0.85	1.42%	0.97	6,298
Skagway	0.11%	0.15%	1.42	0.13%	1.24	8,099
Southeast Island	0.28%	0.56%	1.96	0.50%	1.76	11,460
Southwest	0.50%	0.95%	1.89	0.83%	1.65	10,756
St. Mary's	0.11%	0.19%	1.77	0.18%	1.68	10,966
Tanana	0.08%	0.15%	1.96	0.12%	1.55	10,085
Unalaska	0.29%	0.37%	1.28	0.39%	1.35	8,601
Valdez	0.73%	0.72%	0.98	0.77%	1.05	6,865
Wrangell	0.45%	0.42%	0.94	0.47%	1.05	6,853
Yakutat	0.15%	0.19%	1.28	0.21%	1.37	8,931
Yukon Flats	0.33%	0.88%	2.68	0.70%	2.11	13,722
Yukon Koyukuk	0.51%	1.10%	2.15	0.95%	1.86	12,101
Yupik	0.31%	0.59%	1.92	0.58%	1.84	12,095

Chapter I. Basic Approach

The Statistical Approach

The statistical approach separates education funding into the following three components:

- Instructional Allocation
- Nonpersonal Services Allocation
- Administrative Allocation.

This chapter provides a brief introduction to each component; detailed discussion of the components appears in separate chapters. The components were separated because they are subject to substantially different size and location adjustment factors.

The separation into components is not intended to suggest expenditure limitations; separation applies only to the method by which aid is allocated, not to how the aid may be spent. Although it would be possible for the legislature to limit expenditures in the categories described, the research performed for this study is insufficient to determine what those limits should be.

Under the statistical approach, each of the three components has size and location adjustment factors unique to the component. Nonpersonal services and administrative multipliers could be consolidated into a single multiplier for each district if desired; they are presented separately in order to provide maximum flexibility to the legislature.¹¹

The concept of adjustments in the foundation formula is not new; current law adjusts for differences in both student population (generally referred to as "size" adjustments in this report) and location.

Although the current size adjustment formula (AS 14.17.041) may appear complex, it translates loosely to class size of:

- 5 students for funding communities with 11 to 20 students,
- 8 students for funding communities with 21 to 60 students,
- 12 students for funding communities with 61 to 120 students, and
- 15 students for funding communities with more than 120 students.¹²

¹¹ The size multiplier for the instructional component is determined at the school level and cannot be combined with other multipliers. Other multipliers, including any potential area cost differential for the instructional component, are computed at the district level and can be consolidated.

¹² This report is intended for a broad audience and does not necessarily follow strict technical definitions. The law refers to "instructional units," not to "class size." Both terms refer to a rough approximation of all school staff - not just classroom teachers - per student. The law also refers to "ADM" rather than to students. "ADM" means average daily membership and refers to average enrollment during a specific period. We use the term "students" because it is better suited to the intended audience. The term "funding community" is critical to this analysis and is discussed in Chapter II.

Clearly, the current formula compensates for diseconomies of scale – that is, higher per-student costs due to small size – in small schools by providing additional funding for small schools.

Current law contains a single number for each district to compensate for costs associated with location (AS 14.17.051). This number is often referred to as the area cost differential, or ACD. The ACD ranges from 1.00 to 1.46. An ACD of 1.00 means that no additional aid is granted because of location. An ACD of 1.46 means the amount of aid a district receives (after adjusting for school size) is increased by 46 percent. The ACD multiplier applies to all operating costs, including instructional costs as well as administrative costs and utilities, travel and other nonpersonal services costs.

In this study, we take a slightly different perspective on adjustment factors for location. We believe the analysis is simplified by applying ACDs to the student count rather than to the amount of aid received. That is, an ACD of 1.46 would increase a district's student count by 46 percent. Aid is then allocated based on the adjusted student count, with each "adjusted student" generating an identical amount of aid. Mathematically, both methods produce identical results.

Instructional Allocation

As defined in this study, the instructional component of the funding formula includes all teachers, specialists, building administrators, aids, and other district staff except those whose function is district administration. The statistical approach treats the instructional component of the formula in the same way current law treats overall allocation. There is a size adjustment that compensates small schools for their relatively high operating costs and an ACD that may compensate districts for salary differentials due to location.¹³ There are, however, two noteworthy differences in the statistical approach:

- Funding is based directly on student counts rather than on conversions of students to "instructional units" and
- The basis for student counts is the school rather than the funding community.¹⁴

The latter change has a significant impact on the allocation of aid.

Nonpersonal Services Allocation

Utilities, travel and most other nonpersonal services expenses are typically paid at the district level rather than the school level. In addition, relative instructional costs between districts (primarily salaries) may differ from relative costs of purchasing nonpersonal services. For these reasons, the multipliers that may adjust instructional costs do not apply to nonpersonal services costs.

¹³ No ACD is applied to instructional costs under the statistical approach because there was no clear statistical basis for adjustment. Chapter V discusses the impact of applying various ACDs to instructional costs.

¹⁴ Both "instructional unit" and "funding community" are discussed in Chapter II.

Under the statistical approach, adjustment factors consider the combined impacts of size and location on nonpersonal services costs. The blended multipliers are substantially higher than under current law, but they apply only to the nonpersonal services portion of expenditures. Under the statistical approach, nonpersonal services allocations are limited in districts with extraordinarily high or low per-student expenditures. The study team concluded that some limitation was necessary to prevent the multipliers from being a pure reflection of "what is" rather than "what should be."

District Administration Allocation

Similar to nonpersonal services costs, the statistical approach develops multipliers that apply specifically to district administrative personnel costs. The allocations apply only to district office administration; school administrative costs are included in the instructional allocation. Similarly, the nonpersonal services portion of district administration is part of the nonpersonal services analysis and has been excluded from the district administration component.

Some administrative multipliers are even higher than for nonpersonal services costs, indicating high disparity in administrative costs (per student) between districts. Under the statistical approach, allocations for administration are limited in districts with extraordinarily high or low per-student expenditures. The study team concluded that some limitation was necessary to prevent the multipliers from being a pure reflection of "what is" rather than "what should be."

Applying Results

Chapters 2, 3 and 4 provide detailed discussion of the methodology used to develop the size and location adjustment factors under the statistical approach. Allocations of educational aid are based on the adjusted student counts for each district and the amount the legislature appropriates to each component.

Table 1.1 shows the formula for adjusting for school size; it converts actual student counts in each school to adjusted student counts, which are then summed within each district.¹¹ This count may be further adjusted by an instructional ACD. Under the statistical approach, the instructional ACD is 1.000 for all districts, which means there is no further adjustment. Dividing the amount of money available for instructional purposes by the statewide adjusted student count gives the average allocation per "adjusted" student. This amount times the adjusted student count in each district gives the district allocation.

¹¹ An explanation of the table is in Chapter II.

The process is similar for the noninstructional components. Student counts are adjusted by applying multipliers for the nonpersonal services and administrative components of the formula. The amounts available in each component divided by the statewide adjusted student count for each component gives an average per-adjusted-student allocation for each component. Multiplying the statewide average per-student allocation by the adjusted student count in a district gives the amount of aid allocated to the district.

Columns 1 and 2 of Table 1.2 show the effect of size and location multipliers for the instructional component of the funding formula. The factors shown are ratios of adjusted students to actual students, they are not the multipliers computed under the statistical approach. The ratios simply show the impact of the multipliers in 1996. The numbers would change annually as student counts change in each district.

Multipliers for nonpersonal services and administrative components are shown in columns 3 and 4, respectively. Multipliers for the combined noninstructional components are shown in column 5. No consolidated multiplier for all components is displayed; the school size multiplier cannot be combined with other multipliers because they are determined at the school level rather than the district level.

Under the statistical approach adopted by the study team, the legislature must determine the amount of aid to be allocated by each of the three components of the formula. For each component of the funding formula, separate funding mechanisms are for allocation purposes only and do not limit district expenditures by category of aid.

Because the multipliers differ for each component of the education formula, the money appropriated to each component will be allocated in different ways. A relatively narrow range of multipliers, such as for the instructional component, means that funds will be distributed more evenly than would occur when the range of multipliers is wide.

Table 1.1
Conversion of Actual Student Count to Adjusted Student Count

A		B		C		D		E	
If the Student Count in a School is:		The Adjusted Student Count is:						The number of Students in Excess of:	
at least:	but less than:	Base	plus	Multiplier	times				
.	20	39.6	plus	0	x	0			
20	30	39.6	plus	1.62	x	20			
30	75	55.8	plus	1.49	x	30			
75	150	122.85	plus	1.27	x	75			
150	250	218.1	plus	1.08	x	150			
250	400	326.1	plus	0.97	x	250			
400	750	471.6	plus	0.92	x	400			
750	5,000	793.6	plus	0.84	x	750			

**Table 1.2
Size and Location Multipliers**

School District	District Level Multipliers				
	School Size Multiplier	Instructional Area Cost Differential	Nonpersonal Services Multiplier	Administration Multiplier	Non-Instructional Multiplier
	1	2	3	4	5
Alaska Gateway	1.513	1.000	4.397	3.301	4.122
Aleutian Region	1.963	1.000	11.610	14.027	12.217
Aleutians East	1.617	1.000	4.910	3.166	4.472
Anchorage	1.069	1.000	1.000	1.000	1.000
Annette Island	1.333	1.000	1.417	1.162	1.353
Bering Strait	1.490	1.000	6.924	3.437	6.049
Bristol Bay	1.495	1.000	4.228	3.455	4.034
Chatham	1.724	1.000	2.939	2.470	2.821
Chugach	1.956	1.000	4.751	4.914	4.792
Copper River	1.559	1.000	3.483	2.347	3.198
Cordova	1.285	1.000	1.889	2.489	2.040
Craig City	1.345	1.000	1.589	1.000	1.441
Delta/Greely	1.393	1.000	2.444	2.400	2.433
Denali	1.414	1.000	4.329	3.376	4.090
Dillingham	1.284	1.000	4.019	1.614	3.415
Fairbanks	1.094	1.000	1.432	1.000	1.324
Galena	1.560	1.000	3.674	2.066	3.270
Haines	1.509	1.000	1.796	1.052	1.609
Hoonah	1.472	1.000	2.239	1.278	1.998
Hydaburg	1.685	1.000	2.709	1.428	2.387
Iditarod	1.861	1.000	7.750	5.032	7.068
Juneau	1.058	1.000	1.000	1.062	1.016
Kake	1.555	1.000	1.659	1.811	1.697
Kashunamiut	1.310	1.000	4.488	4.555	4.505
Kenai	1.209	1.000	1.332	1.000	1.249
Ketchikan	1.178	1.000	1.064	1.000	1.048
Klawock	1.521	1.000	1.676	1.415	1.610
Kodiak	1.244	1.000	2.141	1.318	1.934
Kuspuk	1.724	1.000	6.027	7.450	6.384
Lake & Peninsula	1.664	1.000	6.978	4.152	6.269
Lower Kuskokwim	1.414	1.000	6.707	3.147	5.813
Lower Yukon	1.389	1.000	6.023	2.747	5.201
Matanuska	1.122	1.000	1.068	1.166	1.093
Nenana	1.428	1.000	3.466	4.690	3.773
Nome	1.235	1.000	4.273	2.513	3.831
North Slope	1.315	1.000	4.447	5.385	4.682
Northwest Arctic	1.351	1.000	5.234	6.732	5.610
Pelican	1.782	1.000	4.921	4.355	4.779
Petersburg	1.285	1.000	1.157	1.000	1.118
Pribilof	1.503	1.000	4.682	5.722	5.093
Sitka	1.255	1.000	1.108	1.000	1.081
Skagway	1.481	1.000	1.807	3.181	2.152
Southeast Island	2.038	1.000	3.364	3.394	3.372
Southwest	1.566	1.000	5.800	3.085	5.118
St. Mary's	1.637	1.000	6.174	1.500	5.001
Tanana	1.564	1.000	4.676	2.449	4.267
Unalaska	1.384	1.000	4.020	2.407	3.615
Valdez	1.225	1.000	2.023	1.911	1.995
Wrangell	1.376	1.000	1.163	1.000	1.122
Yakutat	1.676	1.000	2.165	1.961	2.129
Yukon Flats	1.612	1.000	8.930	3.613	7.595
Yukon Koyukuk	1.654	1.000	7.147	4.097	6.381
Yupik	1.632	1.000	6.779	5.652	6.496

Chapter II. Instructional Allocations

The instructional allocation is the largest of the three components of the formula for funding basic aid for education. Instructional costs include the cost of all teachers, specialists, building administrators, aides, and other district staff except those whose function is district administration.

Instructional costs account for nearly 80 percent of total school district expenditures, but districts vary widely in how they spend money in each of the three components. Expenditures on instruction range from 86 percent of total expenditures to less than half of total expenditures, with most districts spending between 65 percent and 75 percent of their total expenditures on instruction.

This chapter, as well as Chapters 3 and 4, discusses development of multipliers. There is no discussion of implementation scenarios in these chapters because multiplier development requires that numbers interrelate in an unrestricted way. Implementation scenarios are alternate ways in which to apply multipliers *after* they are developed.

The following major topics are addressed in this chapter:

- Adjusting instructional costs to compensate for the influence of school size and
- Adjusting instructional costs to compensate for the influence of location.

Under the heading of "Adjustments for School Size," we discuss:

- Funding communities versus schools as the units for school funding. Current law counts students in "funding communities" while the statistical approach counts students in each school. The discussion focuses on the study team's reasons for adopting schools as the units for funding and on the impact of that decision.
- The process of converting actual student counts to "adjusted student counts." Adjusted student counts are the basis for allocating aid under existing law and the statistical approach. Adjusted student counts are determined by multiplying actual student counts by adjustment factors (for size or location). Both current law and the statistical approach provide more funding per student to small schools than to larger schools in order to compensate for the higher per-student cost of operating small schools.

Under the heading of "Adjustments for School Location," we examine

- Issues related to compensation for instructional salary differences among districts. The statistical analysis found no clear basis for instructional salary differentials based upon location.

Adjustments for School Size

The study team took a "model school" approach to determining adjustments for school size. The premise of the approach is that instructional staffing requirements are affected primarily by the number of students in individual schools, not by the location of the schools or by the number of students in the district.¹⁸ That is, schools with any given number students should have similar instructional staffing requirements for regular K-12 education regardless of the districts in which the schools are located. If justified, location adjustments can be applied to compensate for differences in salaries. These adjustments are separate from the size adjustment process and are discussed later in this chapter.

"Funding Community" versus "School" as the Basis for Funding

The concept that instructional size factors apply to individual schools is fundamental to the statistical approach and produces allocation results that differ substantially from allocations under current law. Foundation aid is generated at the "funding community" level under current law. Each funding community generates an independent count of students, and these counts are summed to produce a district count. However, because each student in small funding communities generates more education aid than does a student in larger funding communities, the concept of a "funding community" is critical to a discussion of education aid.

The term "funding community" is intended to describe a school system that serves students within a unique geographic location. Under the current formula, students in small schools typically generate more aid than do students in large schools. "Extra funding" for small schools may encourage districts to build and operate schools that are smaller than considerations of efficiency would dictate. The "funding community" approach attempts to eliminate this incentive by applying size adjustment factors to an entire community rather than to each school within the community.

¹⁸ "Instructional staffing" refers all staff at the school level, including teachers, specialists, administrators and classified staff. Teachers include classroom teachers as well as music, physical education and other teachers that do not typically have a single class. Specialists include psychologists, counselors and others who are not typically assigned to classrooms. Administrators include principals and others whose jobs focus on school operations and whose jobs require a teaching or administrative certificate. "Classified staff" refers to instructional aides, special education or other aides, administrative and maintenance staff and others who hold jobs for which a teaching certificate is not required. Classified staff are typically from the local labor market while the labor market for certificated staff is statewide or even national.

In addition to its potential effect on school size, the funding community concept offers a measure of dispersion of schools within a school district. To the extent that schools spread over a large area are more expensive to operate than schools in proximity, the concept adds an important element to the current allocation system. The study team considers dispersion of schools to be an important determinant of administrative and nonpersonal services costs, but concluded that dispersion has a negligible effect on *instructional* costs. The statistical approach adjusts for dispersion of schools in the nonpersonal services and administrative components of the formula.

The funding community concept clearly has merit. However, the advantages of the concept may be more theoretical than real. The study team concluded that differences in instructional requirements due to the number of students served are best measured at the school level. Analysis based on existing funding communities would not be appropriate because the mixture of single- and multi-school funding communities would mask "staff requirements at size" trends. That is, a funding community containing three schools of 200 students each would receive staffing allocations appropriate to a school of 600 students. A funding community containing a single school of 200 students would have a higher size adjustment factor and would receive more money per student than would the multi-site community. The study team concluded that such funding differentials were inappropriate and that adopting schools as the units of funding would greatly reduce such funding inequities.

Further, funding communities are not the only safeguard against inefficiently sized schools. The Department of Education exercises some control over school construction, and some level of local fiscal responsibility should be assumed. Also, if adjustment factors are accurate reflections of the increased costs of operating small schools, there is little incentive to operate smaller-than-necessary schools because additional aid allocations would merely offset increased costs.

Lack of a consistent definition of "funding community" was also a factor in the decision to adopt schools as revenue-generating units. Some districts contain funding communities that do not meet the principles of the concept.¹⁷ The study team concluded that revenue generation units must be defined consistently if the formula is to address issues of simplicity and equity.¹⁸ Although there are some inconsistencies in the school database, definitional problems are far less severe than with funding communities.

¹⁷ The Mat-Su district is perhaps best known for having "extra" funding communities, but is not alone in this regard.

¹⁸ Adopting schools as revenue-generating units would not necessarily resolve issues of consistency. Just as with funding communities, there would be incentive for districts to establish artificial distinctions in order to restart the student count and increase State aid allocations. School-based counting offers improvements over funding community counts only if the Department of Education establishes and enforces consistent and equitable rules for defining schools as revenue-generating units.

Impact of Using Schools as the Basis for Funding

To illustrate the importance of the "funding community versus school" debate, consider that nearly half of some districts' formula aid is the result of starting a new count for each funding community instead of having a single count for the district. In rural districts, schools and funding communities tend to be synonymous; urban districts typically have more schools in each funding community.

The implication of adopting schools as the basis for student counts is that districts with multiple schools in funding communities will have higher adjusted student counts than they do now, while the count in districts with single-school funding communities will be unchanged. Given a fixed amount of aid to allocate, districts with multiple schools in few funding communities will tend to gain at the expense of districts in which every school is a funding community.

Table 2.1 demonstrates the impact of adopting a school-based student count. Column 4 shows the proportion of students in each district after applying current size adjustment factors at the *funding community* level. Column 6 shows the proportion of students in each district after applying current size adjustment factors at the *school* level. Column 7 is derived by dividing column 6 by column 4, and indicates the impact of adopting a school-based count. A number less than one indicates a relative loss of student count, which translates directly to a reduction of State aid (given a fixed amount of aid to allocate).

Note that rural districts tend to have ratios less than one, and that many - those in which every school is a funding community - have ratios of .89 despite having the same adjusted count under both approaches (columns 3 and 5). This means that adoption of school-based student counts could reduce aid to some districts by up to 11 percent (given a fixed amount of aid to allocate). Districts that gain most under the school-based approach are concentrated in Southeast Alaska. Southeast communities tend to have multiple schools in a single funding community.

Adjustments for Primary versus Secondary Schools

The study team's decision to abandon differential funding for primary and secondary students is a minor departure from current practice. There is no reason to believe the mix of students varies greatly from district to district. Since districts don't have to spend money in the school in which it is earned, accounting for higher costs in upper grades is not a significant issue.

For example, if high school students are funded at a student/staff ratio of 13 while primary schools are funded at a ratio of 17 and there are equal numbers in each type of school, a formula that funds all schools at a student/staff ratio of 15 would generate an identical amount of aid. A district can allocate more money per student to the high schools if it wishes to do so. Addressing the issue would add needless complications to the formula.

Table 2.1
Impact of School-Based Student Counts

Type	Student Count	Current Law Size Factors Applied to Funding Communities	Portion of Students	Current Law Size Factors Applied to Schools	Portion of Students	Impact of Implementing a School-Based Count	Statistical Approach Size Factors Applied to Schools	Portion of Students	Isolated Impact of Implementing Revised Size Factors	Combined Impact of Count and Size Revisions
	122,857	122,928	100.00%	137,818	100.00%	1.00	144,819	100.00%	1.00	1.00
School District										
Alaska Gateway	552	841	0.68%	841	0.61%	0.89	835	0.58%	0.94	0.84
Alaska Gateway REAA	21	54	0.04%	54	0.04%	0.89	41	0.03%	0.73	0.65
Aleutian Region	353	598	0.49%	598	0.43%	0.89	574	0.40%	0.91	0.81
Aleutians East	46,175	40,447	32.90%	46,236	33.60%	1.02	49,382	34.10%	1.01	1.04
Anchorage	444	485	0.38%	543	0.39%	1.04	592	0.41%	1.03	1.08
Annette Island	1,679	2,539	2.07%	2,539	1.84%	0.89	2,502	1.75%	0.94	0.84
Bering Strait	301	368	0.30%	442	0.32%	1.07	450	0.31%	0.97	1.04
Bristol Bay	337	600	0.49%	600	0.44%	0.89	582	0.40%	0.92	0.82
Chatham	131	271	0.22%	271	0.20%	0.89	256	0.18%	0.90	0.80
Chugach	839	898	0.73%	1,012	0.74%	1.01	996	0.69%	0.94	0.94
Cooper River	519	530	0.43%	609	0.44%	1.03	667	0.46%	1.04	1.07
Cordova	424	448	0.36%	526	0.38%	1.08	570	0.39%	1.03	1.08
Craig City	910	895	0.73%	1,199	0.87%	1.20	1,267	0.87%	1.00	1.20
Delta/Greely	378	524	0.43%	524	0.38%	0.89	535	0.37%	0.97	0.87
Denali	524	535	0.43%	613	0.45%	1.02	673	0.46%	1.04	1.07
Dillingham	15,816	14,167	11.53%	16,088	11.89%	1.01	17,297	11.94%	1.02	1.04
Fairbanks	150	209	0.17%	248	0.18%	1.06	234	0.16%	0.90	0.95
Galena	430	472	0.38%	619	0.45%	1.17	649	0.45%	1.00	1.17
Haines	273	316	0.26%	394	0.29%	1.11	402	0.28%	0.97	1.08
Hoonah	114	176	0.14%	220	0.16%	1.12	192	0.13%	0.83	0.92
Hydaburg	422	808	0.66%	808	0.59%	0.89	785	0.54%	0.92	0.82
Iditarod	5,525	4,893	3.96%	5,463	3.97%	1.00	5,844	4.04%	1.03	1.01
Juneau	190	244	0.20%	311	0.23%	1.14	295	0.20%	0.90	1.03
Kake	244	291	0.24%	291	0.21%	0.89	320	0.22%	1.04	0.93
Kashunamiut	10,282	10,398	8.46%	11,561	8.40%	0.99	12,431	8.58%	1.02	1.01
Kenai	2,650	2,584	2.09%	3,104	2.28%	1.08	3,358	2.32%	1.03	1.11
Ketchikan	220	270	0.22%	344	0.25%	1.14	335	0.23%	0.92	1.05
Klawock	2,872	2,984	2.43%	3,451	2.51%	1.03	3,571	2.47%	0.98	1.02
Kodiak	468	615	0.68%	918	0.67%	1.01	806	0.56%	0.83	0.84
Kuspuuk	458	1,071	0.87%	1,071	0.78%	0.89	929	0.64%	0.82	0.74
Lake & Peninsula	3,275	4,349	3.54%	4,807	3.55%	0.88	4,831	3.20%	0.89	0.90
Lower Kuskokwim	1,695	2,275	1.85%	2,275	1.65%	0.89	2,355	1.63%	0.98	0.89
Lower Yukon	12,024	11,530	9.38%	12,570	9.13%	0.97	13,493	9.32%	1.02	0.99
Matanuska	181	219	0.18%	219	0.16%	0.89	230	0.16%	1.00	0.89
Nenana	733	721	0.58%	839	0.61%	1.04	905	0.62%	1.03	1.07
Nome	1,808	2,143	1.74%	2,301	1.67%	0.96	2,378	1.64%	0.94	0.94
North Slope	1,892	2,429	1.98%	2,507	1.82%	0.92	2,556	1.78%	0.97	0.89
Northwest Arctic	38	82	0.07%	82	0.06%	0.89	89	0.05%	0.78	0.70
Pease	754	739	0.60%	802	0.65%	1.06	989	0.67%	1.03	1.11
Petersburg	313	328	0.27%	328	0.24%	0.89	320	0.22%	0.93	0.83
Predeal	1,802	1,678	1.38%	2,118	1.54%	1.13	2,284	1.59%	1.02	1.15
Sitka	131	192	0.16%	192	0.14%	0.89	194	0.13%	0.86	0.86
Skagway	350	717	0.58%	717	0.52%	0.89	713	0.49%	0.89	0.84
Southeast Island	618	967	0.79%	967	0.70%	0.89	964	0.67%	0.86	0.83
Southwest	123	181	0.18%	233	0.17%	1.00	211	0.15%	0.86	0.94
St. Mary's	84	155	0.13%	155	0.11%	0.88	147	0.10%	0.80	0.81
Tanana	353	386	0.31%	464	0.34%	1.07	489	0.34%	1.00	1.07
Unalaska	896	863	0.70%	1,013	0.74%	1.03	1,088	0.78%	1.03	1.08
Valdez	550	582	0.46%	714	0.52%	1.14	757	0.52%	1.01	1.14
Wrangell	187	241	0.20%	329	0.24%	1.22	313	0.22%	0.90	1.10
Yakutat	410	817	0.64%	817	0.59%	0.88	742	0.51%	0.86	0.77
Yukon Flats	625	1,083	0.89%	1,083	0.79%	0.89	1,034	0.71%	0.90	0.86
Yukon-Koyukuk	281	564	0.46%	887	0.50%	1.09	821	0.43%	0.86	0.94
Yupik										

Developing Multipliers for School Size

After determining that school-based counts offer greater consistency and equity than a funding community approach, the study team turned to the development of adjustment factors to compensate for school size. The approach focused on "class size" and produced a series of points at which the study team determined additional staff would be required. In this analysis, "class size" is not the number of students in a classroom, but rather a measure of all staff required to serve the needs of students in a school. Because staff includes specialists, administrators and others who are not assigned to individual classes, "class size" measures school staff per student rather than *teachers per student*.

The proposed formula for allocating the instructional portion of school foundation aid is based on the "adjusted student count" of each school rather than actual student counts. The proposed formula contains adjustment factors – referred to as "multipliers" – that compensate small schools and/or schools in high-cost areas for high operating costs relative to other schools.

For each school, the amount of instructional aid is determined by the following formula:

$$\text{Instructional Aid} = \text{\$/Student} \times (\text{Students} \times \text{Size Factor} \times \text{Area Cost Differential})$$

The amount of instructional funding the legislature makes available can be divided by the statewide total of adjusted student counts to produce the "S/student" figure used in the formula above. The "student" element in the formula refers to actual student counts. These counts are adjusted by the size and location multipliers to determine adjusted student counts.

In this portion of the analysis, the focus is on the "size multiplier" in the formula. The objective of the analysis was to generate a table that can be used to produce adjusted student counts that compensate for higher staffing requirements in small schools. Discussion of the fourth element in the formula – multipliers for location, or ACDs, for instructional costs—appears later in this chapter.

A Formula for Size Multipliers

Table 2.2 shows the results of the analysis. Figure 2.1 and Table 2.3 translate (the beginning portion of) the formula into concrete examples of how the formula works. Under the formula, every school begins with a base adjusted student count of 39.6 (line 1, column C of Table 2.2).¹⁹ This constant value for adjusted student count corresponds to the horizontal portion of the line in Figure 2.1. Column 3 of Table 2.3 also shows the adjusted student count is 39.6 for schools with 20 or fewer students.

¹⁹ The student-staff database includes several schools with fewer than ten students and many with fewer than 20. Minimum enrollment requirements (to qualify for funding) have been proposed, but we did not address the issue in our research. Savings attributable to closing very small schools would be an insignificant portion of total funding.

Line 2 of Table 2.2 indicates that each student from 20 to 30 is counted as 1.62 students. The 1.62 contribution to the adjusted student count is shown in column 2 of Table 2.3, with the adjusted student count (column 3) increasing by 1.62 students for each student enrolled (up to 30 students). Each successive line in Table 2.2 can be translated in similar fashion. Each change in the adjustment factor is marked by a kink in the line shown in Figure 2.1.

The remainder of this section provides a step-by-step description of the process used to produce Table 2.2.

Steps to Developing Size Multipliers

The statistical approach to calculating size multipliers included the following steps:

1. Determining student-staff ratios by graphing students per staff at each school,
2. Identifying ranges of school size that are staffed at similar levels, then
3. Determining adjustment factors for each size category (identified in step 2) that, when multiplied by actual student counts, would compensate small schools for higher per-student operating costs due to higher staffing requirements.
4. Smoothing the transition from one school size category to the next so that additional students always generate additional aid.

Step 1 - Determine Student-Staff Ratios

The Department of Education provided electronic files on staffing within each school district. We used data for school year 95-96 because it is the most recent data available. Both our panel of advisors and Department staff noted that school staffing patterns change slowly and in small increments, so the age of the data—and the use of data for only a single year—is not expected to bias the results.

Table 2.2
Conversion of Actual Student Count to Adjusted Student Count

A		B		C		D		E	
If the Student Count in a School is:				The Adjusted Student Count is:					
at least:	but less than:	Base	plus	Multiplier	times	The number of Students in Excess of:			
	20	39.6	plus	0	x	0			
20	30	39.6	plus	1.62	x	20			
30	75	55.8	plus	1.49	x	30			
75	150	122.85	plus	1.27	x	75			
150	250	218.1	plus	1.08	x	150			
250	400	326.1	plus	0.97	x	250			
400	750	471.6	plus	0.92	x	400			
750	5,000	793.6	plus	0.84	x	750			

Figure 2.1--Student Count Adjustment under the Statistical Approach

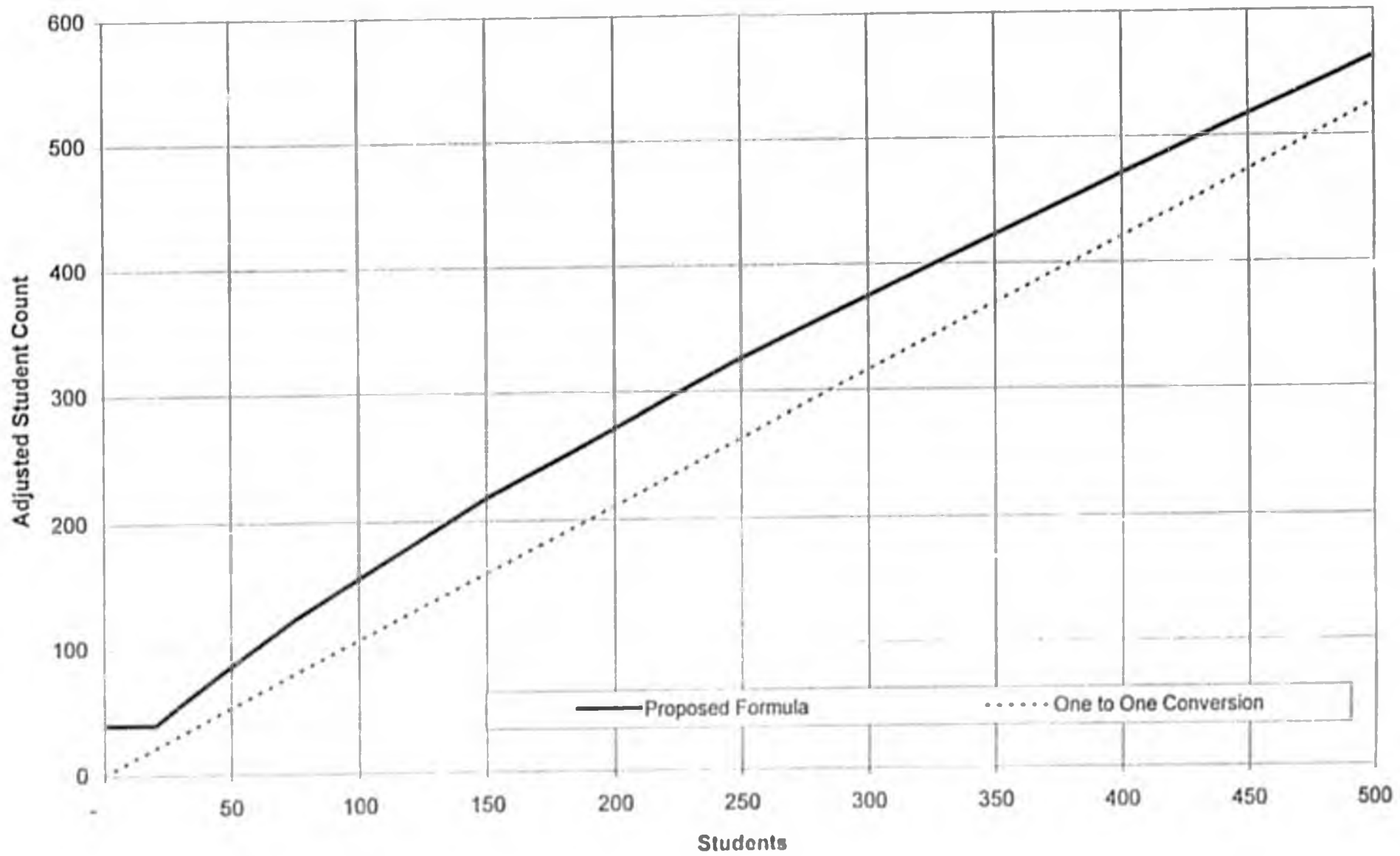


Table 2.3
Conversion of Actual Student Count to
Adjusted Student Count

Actual Student Count	Contribution		Actual Student Count	Contribution	
	to Adjusted Student Count	Adjusted Student Count		to Adjusted Student Count	Adjusted Student Count
1		39.6	28	1.62	52.6
2		39.6	29	1.62	54.2
3		39.6	30	1.62	55.8
4		39.6	31	1.49	57.3
5		39.6	32	1.49	58.8
6		39.6	33	1.49	60.3
7		39.6	34	1.49	61.8
8		39.6	35	1.49	63.3
9		39.6	36	1.49	64.7
10		39.6	37	1.49	66.2
11		39.6	38	1.49	67.7
12		39.6	39	1.49	69.2
13		39.6	40	1.49	70.7
14		39.6	41	1.49	72.2
15		39.6	42	1.49	73.7
16		39.6	43	1.49	75.2
17		39.6	44	1.49	76.7
18		39.6	45	1.49	78.1
19		39.6	46	1.49	79.6
20		39.6	47	1.49	81.1
21	1.62	41.2	48	1.49	82.6
22	1.62	42.8	49	1.49	84.1
23	1.62	44.5	50	1.49	85.6
24	1.62	46.1	51	1.49	87.1
25	1.62	47.7	52	1.49	88.6
26	1.62	49.3	53	1.49	90.1
27	1.62	50.9	54	1.49	91.6

Counting Students

The study team used a direct student count rather than the "instructional unit" concept included in current law. The concept of "instructional unit" is similar to "class size" in that an instructional unit is (roughly defined as) the number of students assigned to a single teacher. The implication of a "unit" designation is that there are discrete steps between units and that a teacher is added for each full unit of students.

Current law uses fractional instructional units. That is, the units are not treated as increments equivalent to a classroom. Using fractional instructional units is the mathematical equivalent of using student counts, so that a switch to student counts does not affect funding allocations, and certainly does not affect the cost of delivering education services.

Although converting from instructional units to direct student counts may affect the State's ability to meet federal standards of equity and may affect the treatment of federal impact aid, these are not issues directly related to the cost of delivering education service in various communities. From the study team's perspective, the lack of impact on cost of school operations makes the issue of instructional units outside the scope of this study. We use a direct student count because the concept is perceived by many as less complicated than the conversion to instructional units.⁷⁰

Counting Staff

The file provided by DOE lists 9,000+ classified employees by job category, and gives district and school codes, education, experience and salary for each individual. Staff were sorted and subtotaled by school code. District office administrative staff were removed from the file.

Some building administrators, teachers and specialists were identified as central office employees. These staff were generally allocated to each school in the district in proportion to the number of students in the schools. This is not a significant issue - there are few central office staff relative to school staff - but the allocation was necessary because some districts appear to assign all staff to schools while other districts show some teachers, counselors and other specialists as central office staff. Allocating these central office staff to schools allows more meaningful comparisons of district staffing data.

Classified staff posed a dilemma. Classified staffing level is a local option that depends less upon school size than upon available funding. The study team was concerned that including classified staff in the analysis would simply reflect "what is" rather than "what should be." The study team's concentration on "what should be" was disturbed by concern that excluding classified staff might leave the analysis open to criticism on the grounds that an important part of school operations had been ignored.

⁷⁰ Once adjusted student counts are determined (by multiplying size factors by actual student counts), they can be converted to instructional units simply by dividing by an appropriate constant. Because funding is allocated according to fractional instructional units, the choice of a unit size is irrelevant. That is, any unit size would produce allocations identical to any other unit size, assuming that funding per unit is determined by dividing the total amount available for allocation by the number of instructional units.

The study team concluded that focusing on certificated staff provides a better measure of *required* staffing in schools, while including classified staff provides a better measure of existing staffing levels. The former approach was judged more appropriate, based on the specifications of the Legislative Budget and Audit Committee.

It is important to understand that excluding classified staff from the analysis does not ignore their importance or leave them unfunded. Exclusion implies that classified staff for regular instruction should follow approximately the same pattern as certificated staff.²¹

Table 2.4 shows the number of students per classified staff (in several categories) for each school district. It also shows the ratio of classified staff to certificated staff (column 5). In general, districts with relatively high levels of classified staff (indicated by relatively low student-to-staff ratios in column 5) are districts that are identified by the statistical approach as being relatively overcompensated under current law.

Table 2.4 is not essential to the analysis; it is included only because it may be of interest to readers. The table provides a partial answer to the question "If districts with high ACDs do not have significantly more teachers per student (at any given school size) and do not pay teachers significantly higher salaries, how do they spend the money that they receive due to a high ACD?" The answer appears to be that many districts with high ACDs have relatively high levels of classified staff.

Data on certificated staffing levels was merged with data on the number of students in each school. This process required some manipulation of data to ensure consistent treatment of correspondence studies and other irregularities. For example, the career centers in Anchorage and Fairbanks have staff, but no students were shown in the files (because students are counted in their "home" schools and cannot be double counted). Staff in the career centers were allocated to high schools in proportion to the number of students in each high school.

The merged files that became the foundation for statistical analysis are nearly, but not absolutely, accurate. There are some small errors in district subtotals, and the total student count differs from the Department of Education's figure by about 40 students. These differences have no significant impact on the analysis. Although every practical effort was made to make the data as reliable as possible it is important to understand that small data errors have a negligible impact on the analysis because allocation of aid under current law and the statistical approach are based on applying formulas to the same database. This is one reason comparisons of various alternatives can be made with the data presented in this report, but comparisons between the allocations under the statistical approach and actual aid received by districts are invalid.

²¹ Vocational, bilingual and other special programs are not addressed in the analysis. Classified staff for special programs should not be expected to follow the pattern for regular education.

Table 2.4
Student-Staff Ratio and Classified to Certificated Staff Ratios

School District	Students	Student-Staff Ratio		Classified to Certificated Staff Ratios		Administrative Support	All Other Support	Instructional Aides	Library Aides	Officials & Administrators	School Support	
		max	min	avg	std dev							Classified Staff per Certificated Staff
Total	78,333	31.3	4.7	18.9	8.4	8,729	0.88	110.4	82.0	80.7	652.1	100.4
Alaska Gateway	352	21	4.5	19.9	8.4	48.9	1.50	21.0	8.0			
Alutian Region	21	4.5	19.9	8.4	0.3	3.0	1.50	21.0	8.0			
Alutians East	355	25.8	13.9	40.4	0.63	177.5	34.8	42.4	182.1	355.0	177.5	
Anchorage	444	22.5	19.7	41.1	0.85	148.0	68.3	81.2	592.0	444.0	111.0	
Annette Island	444	22.5	19.7	41.1	0.85	148.0	68.3	81.2	592.0	444.0	111.0	
Bering Strait	1,679	227.5	7.4	159.2	1.43	639.6	20.2	17.2	104.9	419.8	67.2	
Bristol Bay	301	17.0	17.7	27.0	0.63	190.9	43.8	51.0	301.0	240.8		
Chatham	337	32.1	10.5	35.4	0.91	71.0	33.8	26.4	337.3	96.4		
Chugach	131	13.1	11.0	13.0	1.01	72.0	40.8	48.8	180.0	72.0	80.0	
Copper River	639	29.7	22.2	47.9	0.62	219.6	87.8	85.9	1,197.5	658.7	175.6	
Cordova	519	21.0	24.7	36.0	0.58	259.6	64.9	74.2	519.2		173.1	
Craig City	424	21.4	19.8	29.0	0.74	282.7	86.4	52.2	424.0	141.3	147.2	
Delta/Greely	910	40.0	22.1	67.2	0.60	178.9	60.0	64.3			151.8	
Denali	378	18.3	21.0	33.8	0.55	185.5	46.4	130.8	174.5		151.8	
Dillingham	524	24.0	21.8	45.8	0.52	524.0	174.7	37.4	252.0	524.0	174.7	
Fairbanks	15,816	584.8	27.0	1,018.5	0.57	251.9	68.0	99.9	483.9	1,216.6	183.9	
Galena	150	12.1	12.4	19.3	0.83	75.0	34.1	37.5	223.9		150.0	
Gaika	430	17.9	24.4	32.2	0.55	434.9	55.0	101.8	434.9	434.9	182.9	
Haines	273	24.5	11.3	23.0	1.07	139.0	19.9	48.3	185.3		278.0	
Hoonah	114	9.0	12.6	13.1	0.69	113.6	25.2	45.4	344.2		169.6	
Hydaburg	422	37.4	11.3	41.8	0.90	76.8	32.6	34.3		211.3	91.3	
Iditarod	5,525	225.8	24.4	332.5	0.68	230.2	68.2	66.2	2,129.5	919.2	184.3	
Juneau	190	14.0	13.6	19.9	0.83	63.3	38.0	38.0		190.0		
Kake	244	17.3	14.1	23.1	0.75		30.8	35.0	498.0	244.0	262.4	
Kashunamiut	10,282	375.6	27.4	740.7	0.51	236.3	62.6	100.5	11,662.6	1,713.5	175.3	
Ketchikan	2,850	95.3	29.9	177.6	0.54	407.2	71.7	111.8	475.1	370.1	237.9	
Klawock	220	14.0	15.7	19.3	0.73	73.4	44.0	44.0	220.2		194.0	
Kodiak	2,872	130.4	22.0	191.9	0.66	234.2	54.6	64.2	717.9	1,435.9	143.2	
Kuskokwim	468	43.5	10.8	49.4	0.88	82.3	43.4	26.1	468.4	156.1	143.2	
Lake & Peninsula	498	54.0	9.2	65.4	0.63	82.9	18.8	35.0	152.7		124.4	
Lower Kuskowim	3,275	230.8	13.8	300.9	0.79	86.8	38.3	38.5	366.3	1,554.1	186.2	
Lower Yukon	1,835	177.0	9.6	152.5	1.16	121.1	27.3	20.2	1,835.2	339.0	154.1	
Mataluska	12,024	375.9	32.0	843.3	0.45	304.8	45.6	304.3		1,024.4	437.7	
Nanana	161	11.4	14.1	17.3	0.66	64.4	30.6	50.9			322.0	
Nome	733	41.4	17.7	58.0	0.71	244.3	91.6	43.5	366.5	181.8	104.7	
North Slope	1,805	315.0	5.7	193.0	1.63	75.7	13.1	19.0	903.0	106.2	46.3	
Northwest Arctic	1,852	196.0	9.7	155.0	1.26	77.1	27.8	21.5	948.0	630.7	172.0	
Penain	39	4.5	8.5	5.3	0.85		19.1	25.5		38.3		
Petersburg	754	27.6	27.3	52.2	0.53	502.4	81.2	85.2	668.9	753.6	243.1	
Prudhoe	213	25.0	9.7	19.0	1.16	71.1	35.5	23.7	106.6	213.2	213.2	
Sika	1,802	38.0	51.6	123.3	0.28	300.8	601.6	80.2	3,609.7	601.6		
Slipway	131	6.3	20.8	13.0	0.49		45.9	110.3	525.2	131.3	131.3	
Southeast Island	618	62.5	10.1	73.0	0.66	63.0	28.1	28.7		209.9	124.2	
Southwest	129	10.0	12.9	9.5	1.05		28.8	32.3	129.1			
St. Mary's	94	7.3	13.0	10.5	0.69	37.6	29.9	188.0			94.0	
Tanana	353	26.3	13.4	30.5	0.86	82.0	30.7	47.0	352.8		176.4	
Unalaska	899	57.5	15.6	67.5	0.85	233.9	33.2	61.8	298.6	899.6	112.0	
Valdez	590	29.8	18.7	39.3	0.76	277.5	49.3	50.5	595.0		123.3	
Village	187	16.5	10.6	17.4	0.95	130.6	35.0	23.3	175.0		105.4	
Yakutat	410	74.0	5.7	49.5	1.45	84.5	14.6	12.4	422.6	211.3	140.9	
Yukon Flats	625	68.0	9.5	68.2	1.00	125.0	25.0	28.4	156.3	625.1	65.5	
Yukon Koyukuk	381	58.0	6.9	61.0	1.40	77.4	21.2	18.0	110.6	381.0	96.9	

Graphing Results

Figure 2.2 shows students per staff for all schools in the student-staff database. The "trumpet" shape of the plot in Figure 2.2 is normal; we expect greater variation in student/staff ratios in small schools because the addition of one teacher produces a large change in the student/staff ratio. An additional teacher in a large school has a much smaller effect on the ratio of students to staff.

Two trendlines are shown in Figure 2.2. These are simply computer-generated, "best-fit" lines through the data points. Trendline A is the "best-fit" straight line through the points while the logarithmic method (Trendline B) allows the line to bend in order to fit the data better. The upward slope of the trendlines indicates that larger schools have larger class sizes (more students per staff). This may indicate economies of scale, but it may also indicate that the funding community approach in the current formula is biased toward smaller communities and districts with multiple funding communities, and thereby "forced" larger class sizes in large schools by restricting funding.

Step 2 - Determine School Size Categories

Identifying ranges of school size over which per-student staffing levels are reasonably constant is a somewhat arbitrary exercise. Smaller groupings of schools (by number of students) will show less variation in staffing levels from school to school than will groupings of schools that encompass a greater range of students. Thus, smaller groups make the adjustment for size more precise. However, the desire for precision conflicts with the desire for simplicity.²¹ The size categories we selected are the result of several rounds of graphing rather than sophisticated statistical analysis. In order to keep the formula as simple as possible, we wanted round numbers at the break points and no more than ten school size categories.

Figure 2.3 is a sample of the size category analysis. It shows schools with between 10 and 50 students and indicates that class size in those schools varies from four students to 20 students. Similar figures for other school sizes appear in the technical appendix.

The tests used to determine a "good" grouping of schools were:

- the trendlines through the points should be horizontal (indicating a constant average class size throughout the range), and
- The logarithmic trendline should coincide closely with the linear trendline (indicating that the group is small enough to "take the curve out" of the curved trendline in Figure 2.2).²²

²¹ Although a logarithmic function would adjust more smoothly than can be done by grouping data points, the study team decided that logarithms fail the simplicity test. Even for those who grasp the concept of logarithms, we believe the conversion of ADM to adjusted ADM should be possible without using a calculator or table of logarithms. The degree of accuracy gained by using logarithms is not significant.

²² The purpose of the analysis is to find linear relationships between students and staff. The curved (logarithmic) trendline in Figure 2.2 clearly fits the data points better than the straight trendline. A curve can be broken into a number of small pieces that are nearly straight lines—as the pieces of the curve get smaller, the segments become more linear. Little difference between the linear trendline and the logarithmic trendline indicates the group is small enough to demonstrate a fairly constant relationship throughout the size category.

Figure 2.2--Students per Staff

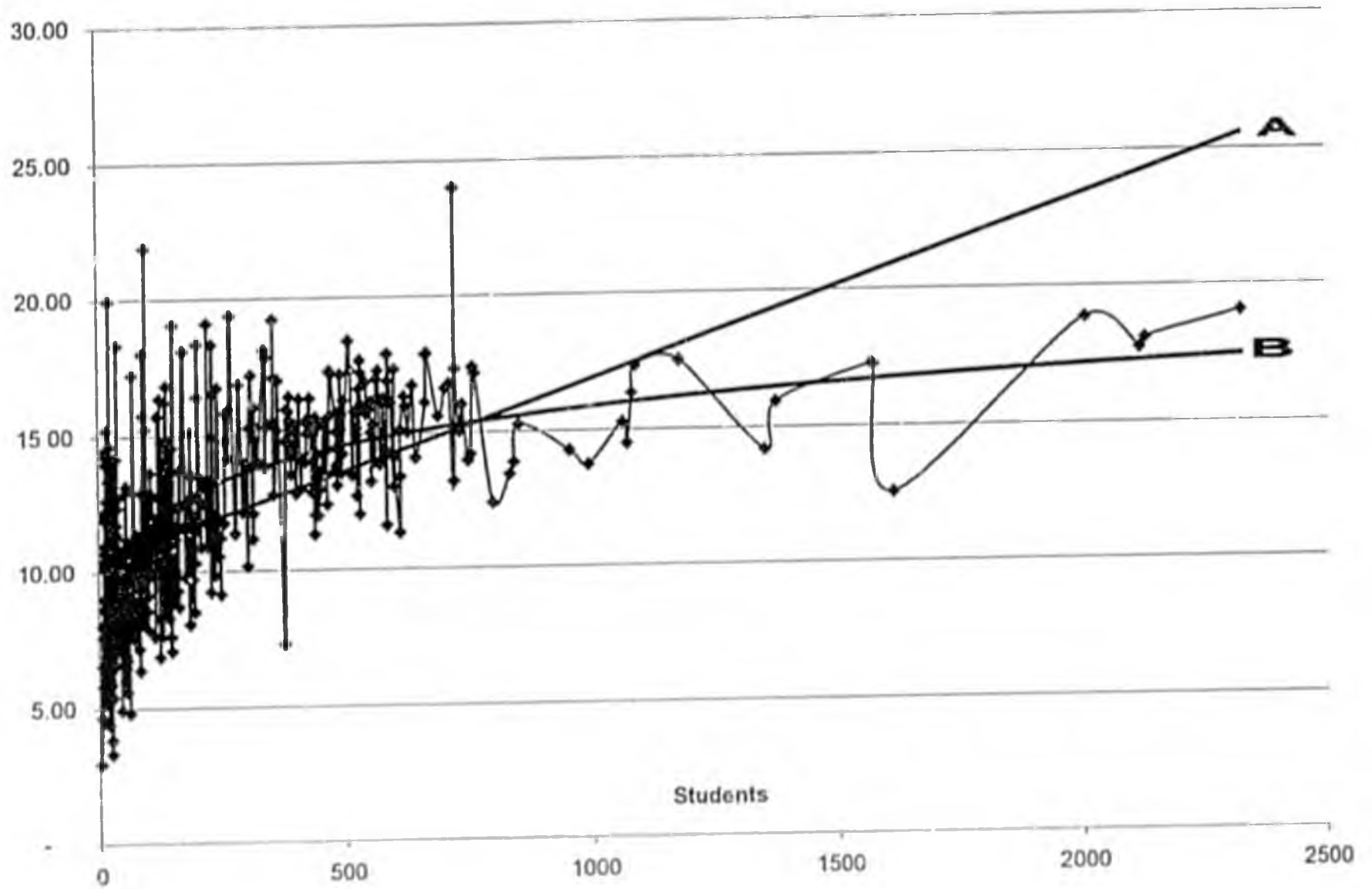
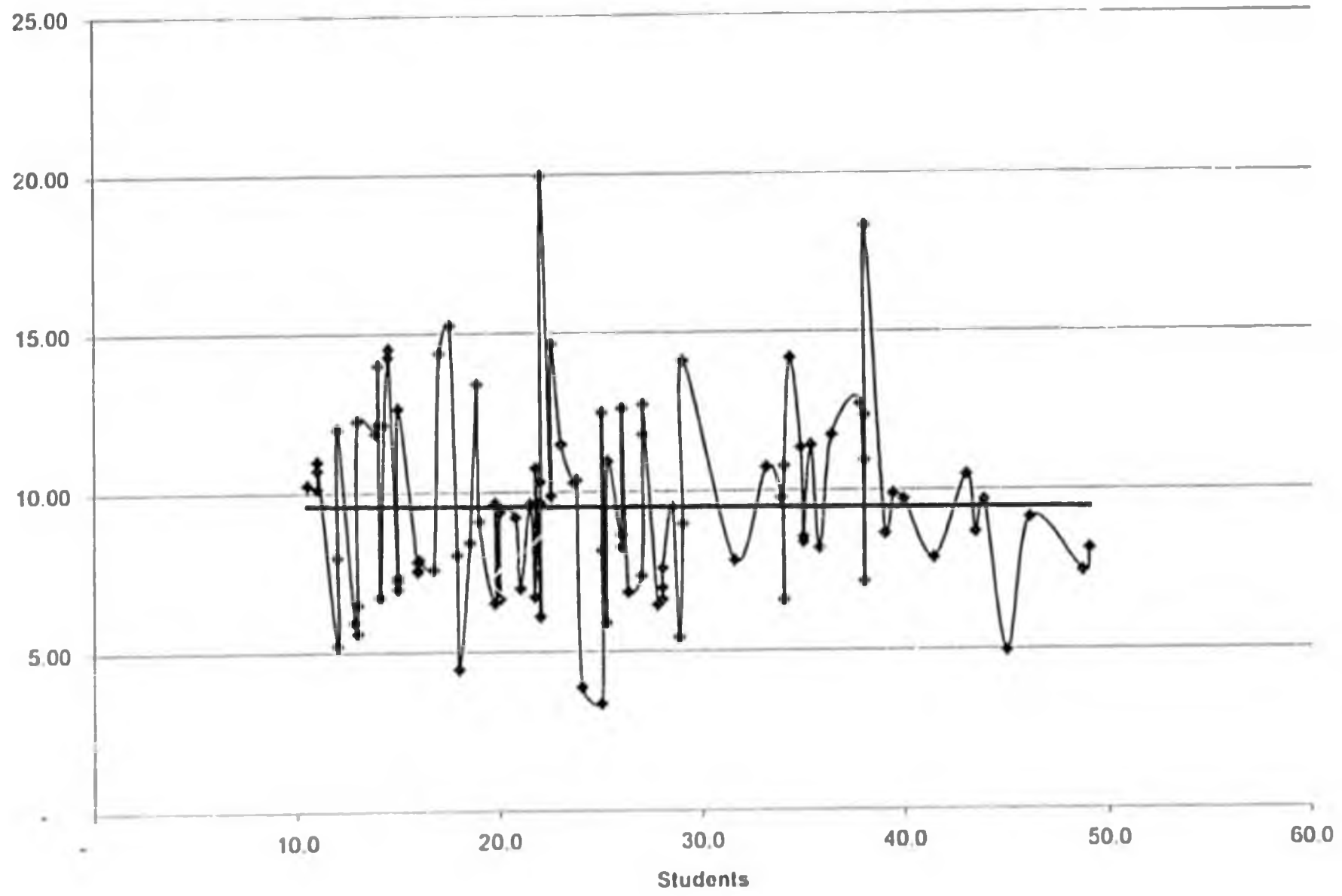


Figure 2.3--Students per Staff



While the technique may appear unsophisticated, a more statistical approach would lend an appearance of precision that simply does not exist. In addition, the importance of category breakpoints diminishes if the adjustment formula is designed so that it produces a kinked line rather than a series of steps (See Step 4, "Smooth the Curve," below).

Step 3 - Determine Adjustment Factors

Subtotals of staff and students in each school size category are used to determine student to staff ratios (i.e. average "class sizes") as shown in Figure 2.4. The adjustment factors are multipliers required to make the "adjusted student to staff ratio" identical for each school-size category. (In picture terms, the multipliers, when applied to the steps in Figure 2.4, move each step up or down until, together, they form a straight line at the statewide average class size). Multipliers are computed by dividing the student-staff ratio for each size category by the statewide average student-staff ratio.

For example, the statewide average "class size" is 14. The smallest school-size category (fewer than 50 students) has a class size of seven. This size category requires a multiplier of 2.0 ($14/7$) to produce an "adjusted" class size equal to the statewide average of 14. The multiplier means that each student in a school of fewer than 50 students is counted as two students. Similarly, the student count in a large school (with an average class size of 16) would be multiplied by .88 ($14/16$) to produce an adjusted student count that also produces an adjusted class size of 14.

Step 4 - Smooth the Curve

The "step function" shown in Figure 2.4 can be used to produce a formula similar to that contained in SSHB148 and a number of other bills before the legislature. The formula would be easy to understand but has an inherent weakness the study team finds unacceptable. As shown in Figure 2.5, the size factors in SSHB148 produce a series of discontinuities. That is, moving from one school-size category to a higher category causes a decline in the adjusted student count (and in aid received). For example, a school of 400 students has a multiplier of 1.40 and an adjusted student count of 560. The addition of one student would put the school in a size category with a multiplier of 1.10. This multiplier produces an adjusted student count of 441.

The solution to this problem is to define a conversion formula that connects the midpoints of the treads of the steps, as shown in Figure 2.6. Such a formula produces a line with a kink at each change in school size category rather than the discontinuities produced by a formula of the type in SSHB148. Both current law and the size formula in Table 2.2 smooth out the changes between categories by producing a kinked line.

Figures 2.7 and 2.8 show the formulas for converting actual student counts to adjusted student counts under current law, SSHB148, and our statistical approach. Figure 2.8 shows only schools of 500 students in order to show detail.

Figure 2.4--"Class Size" under Proposed Formula

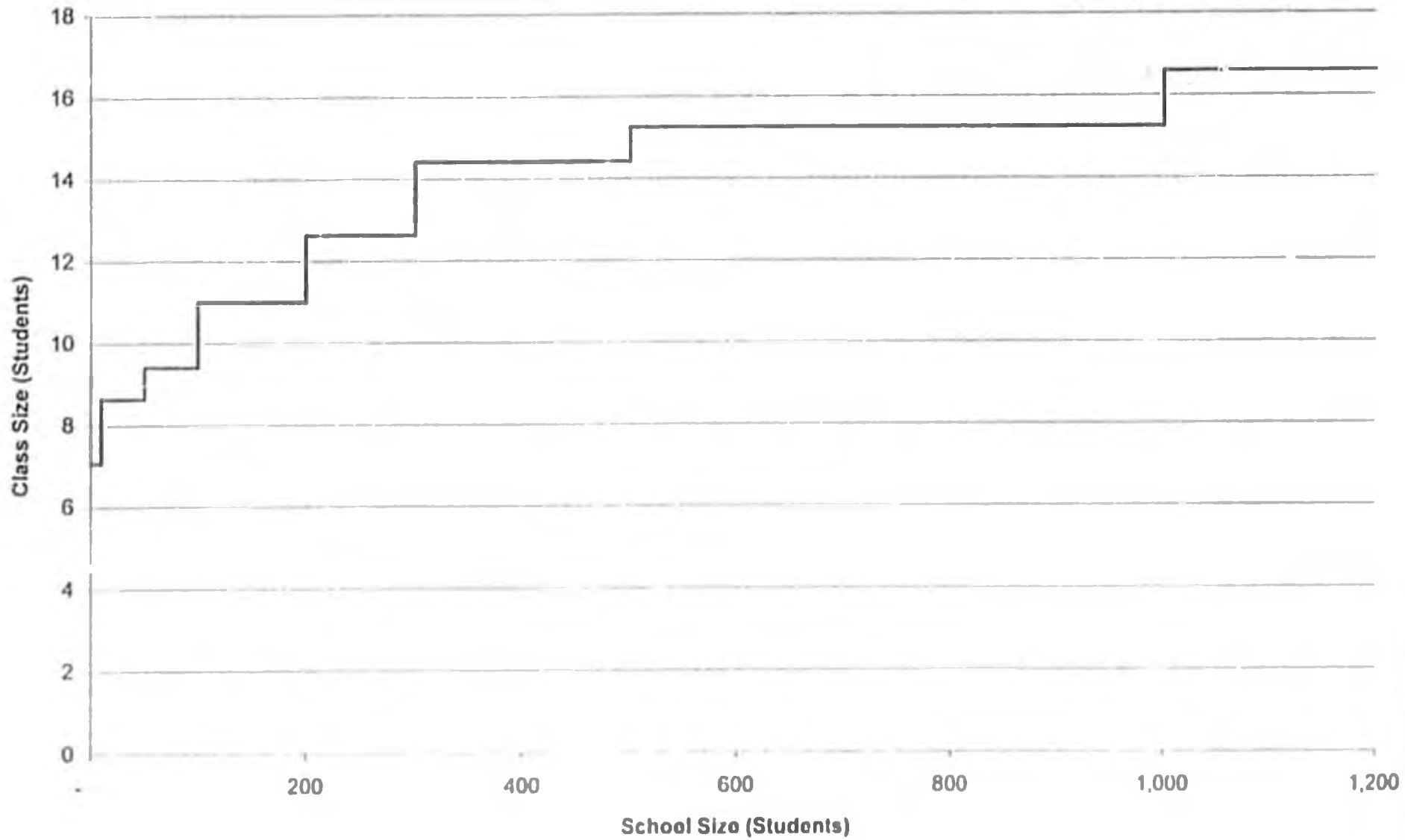


Figure 2.5--Student Count Adjustment under SSHB148

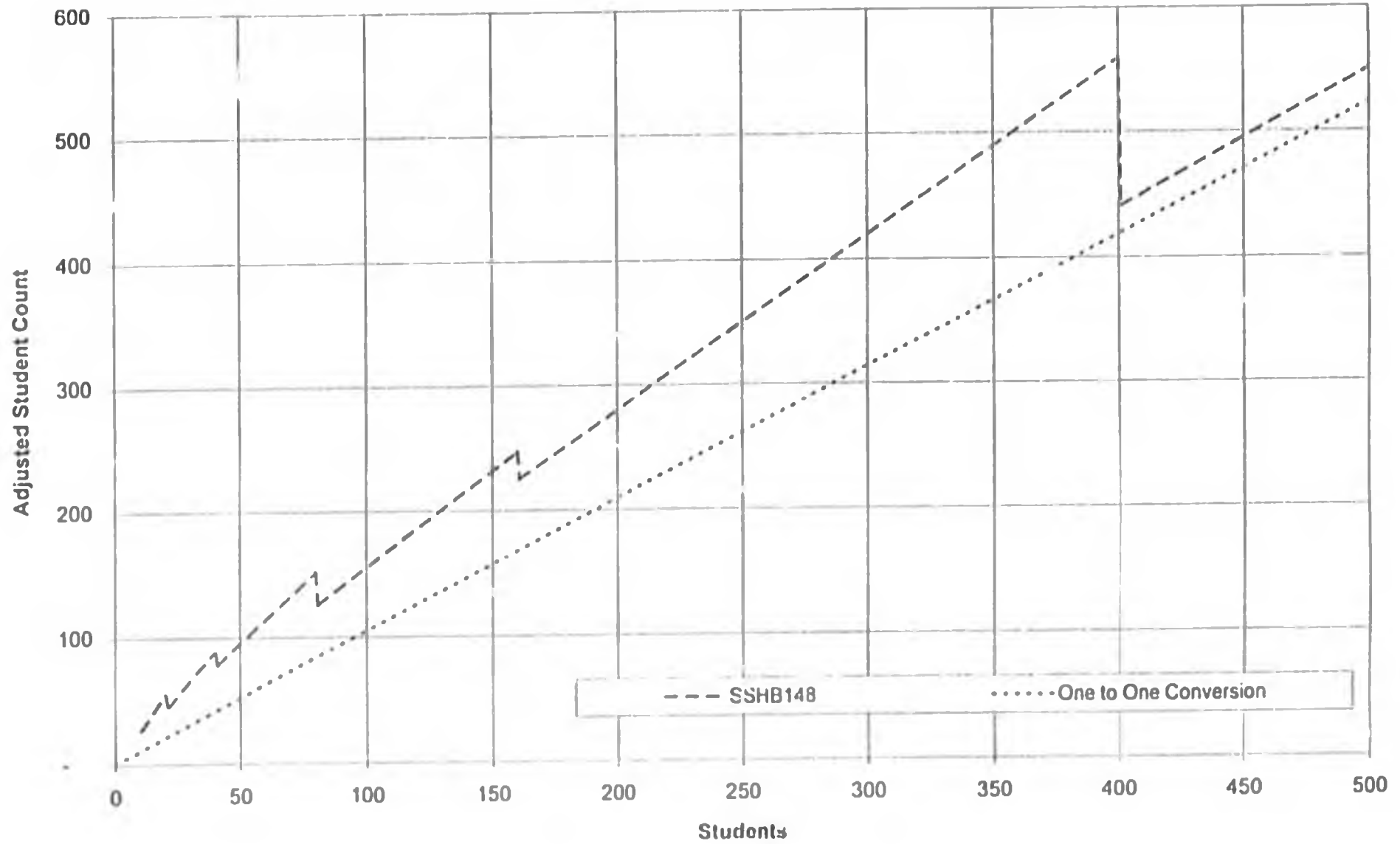


Figure 2.6--Class Size under Proposed Formula

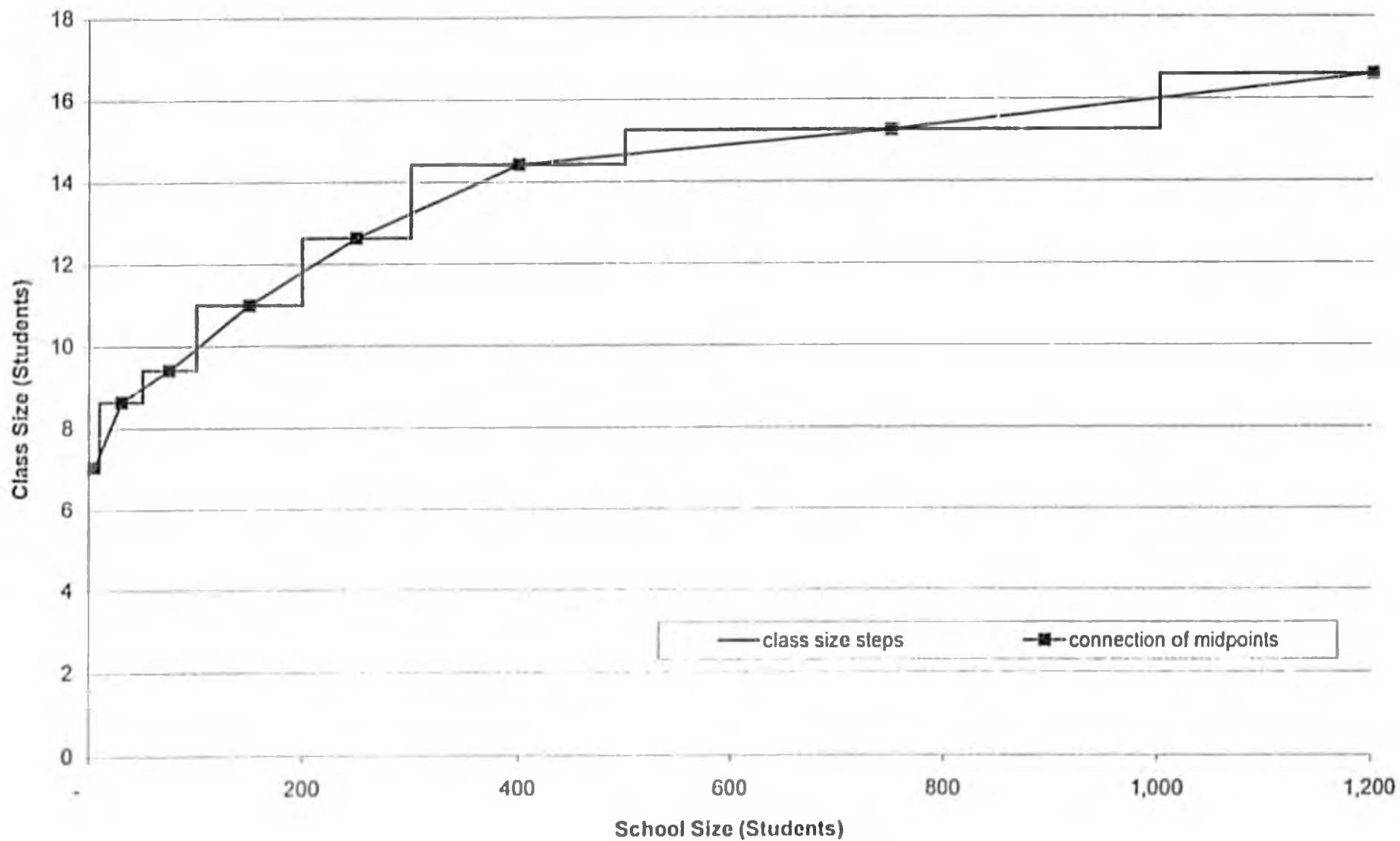


Figure 2.7--Student Count Adjustment under Various Formulas

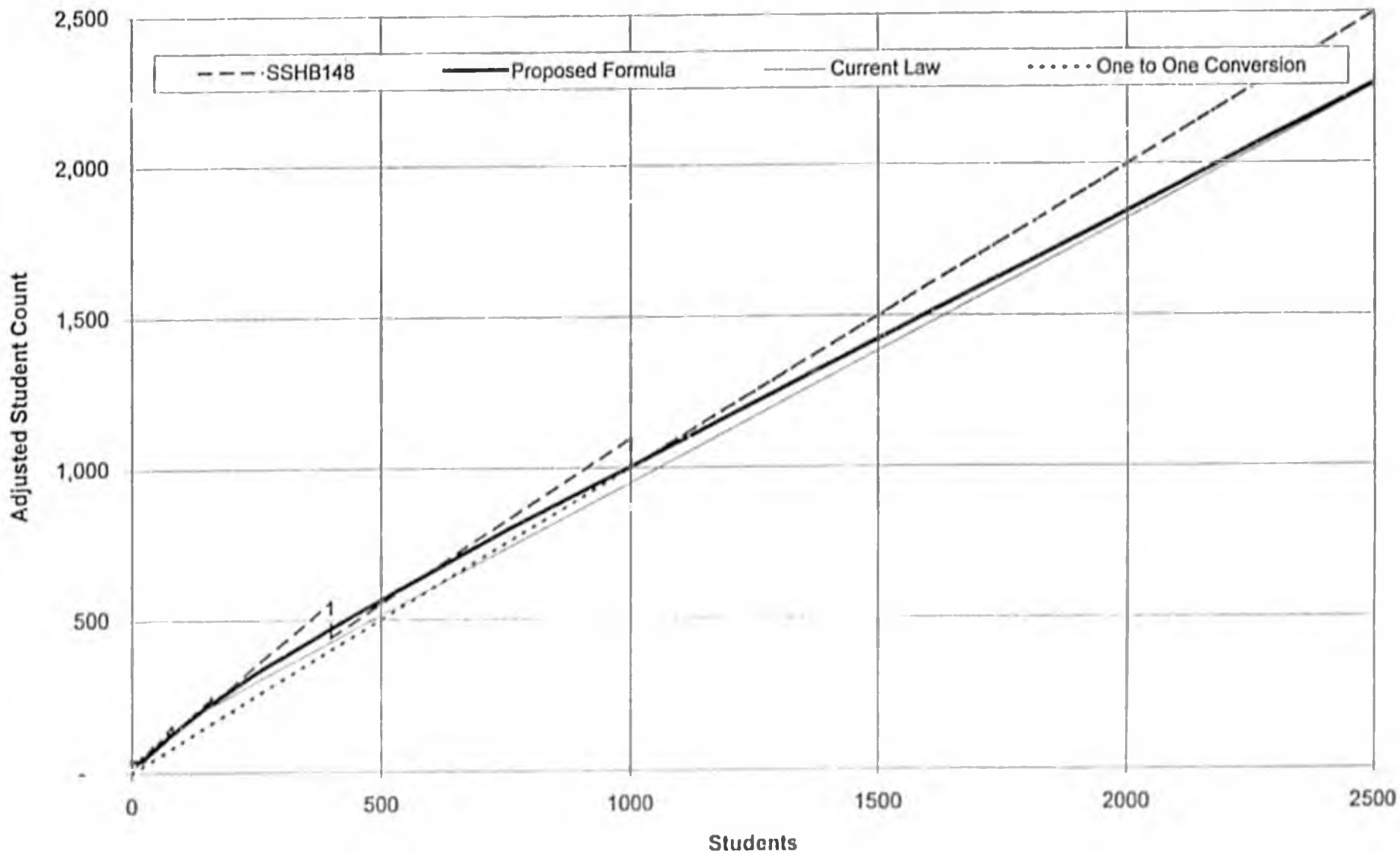
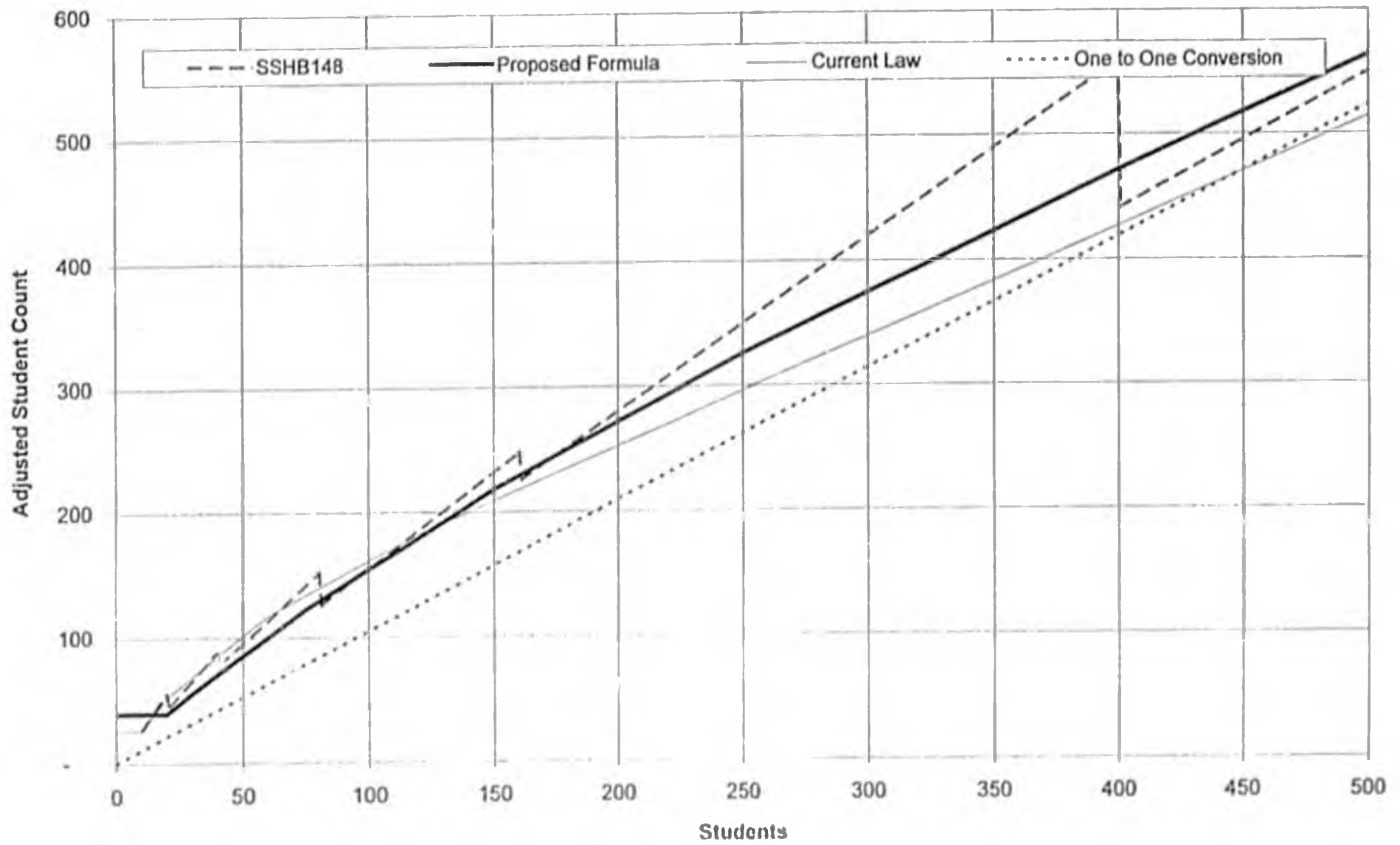


Figure 2.8--Student Count Adjustment under Various Formulas



Interpreting the meaning of the relative positions of the plots can be tricky. For example, the plot of the formula in SSHB148 is above both the statistical approach formula and the current formula for most of its length. This does not imply higher funding levels for schools of any particular size or for all schools; it simply means that the formula under SSHB148 produces higher adjusted student counts than the other formulas do. Given a fixed amount of funds to allocate, higher student counts translate to lower per-student allocations. How schools of a particular size are affected by the conversion formula depends not only upon the relative position of the curves, but also upon the number of schools at each point along the curve. The only accurate method to compare formulas is to apply them to a common set of school enrollment. This is the method used by the statistical approach.

Summary of Size Adjustments

The statistical approach formula shown in Table 2.2 and in Figures 2.7 and 2.8 adjusts the number of students in each school in a way that

- reflects existing staffing patterns, yet
- equalizes staffing in all schools regardless of location.

The adjusted student counts for each school can be summed within each district to produce a district-wide adjusted student count that compensates for higher operating costs (due to lower student-to-staff ratios) in small schools. When each district's adjusted student count is multiplied by the statewide average per-student allocation for instruction and by the district's area cost differential, the result is the instructional allocation for each district. Determination of appropriate area cost differentials for the instructional component is the topic of the following section.

Adjustments for School Location

The purpose of area cost differentials (ACDs) is to equalize the real value of education aid in order to remove inequities caused by regional differences in the cost of school operations. The study team performed a statistical audit of expenditures for both administration and nonpersonal services (NPS). The audit produced adjustments that are discussed in Chapters 3 and 4 of this study. The discussion in this chapter applies only to the adjustment of instructional allocations. As defined in this study, an ACD for the instructional component of the funding formula is roughly equivalent to a teacher salary differential.

For noninstructional costs, the measurement and adjustment processes are fairly straightforward because costs are assumed to be market driven. That is, unit costs (for a gallon of oil or kwh of electricity, for example) are not directly controllable by the school districts. In addition, one can assume that districts do not purchase more fuel, electricity and other goods and services than they need. Under these assumptions, noninstructional expenditures by districts (on a per student basis) reflect cost differences attributable to size and geographic location of schools. This means we should find little difference between noninstructional expenditures on a "what is" basis and a "what should be" basis.

Determining What to Measure and How to Measure It

Determination of appropriate salary differentials is much more complicated. One major issue is whether area cost differentials (ACDs) should account for differences in the *cost of living* or in the *cost of delivering education services*. As noted by Chambers, "Accurately measuring geographic cost differences has been one of the preeminent challenges in education."¹¹ Alaska's current adjustment factors are based on (10-year-old) costs of purchasing comparable household goods and services.

The study team did not attempt to establish and compare living costs via the "market basket" approach. As noted by McMahon, "Measures of unit-cost differences covering all small local areas within states do not exist because of the enormous cost associated with collecting price data in each locality and repeating the correlation process periodically to keep this data updated."¹² Moreover, the cost-of-living approach does not reflect factors that may be important to area cost differentials. These factors include:

- supply and demand for various types of staff;
- the value of nonmonetary factors (literature on the subject mentions adjustments for climate, crime, proximity to amenities and several other nonmonetary factors); and
- differences in levels of training, experience or education of staff.

¹¹ Chambers, Jay G., *Public School Teacher Cost Differences Across the United States: Introduction to a Teacher Cost Index*, Developments in School Finance, 1995, National Center for Educational Statistics, July 1996.

¹² McMahon, Walter M., *Intrastate Cost Adjustments*, Developments in School Finance, 1994, National Center for Educational Statistics, July 1996.

In short, the cost-of-living approach has been criticized as insufficient and impractical. However, attempting to measure differences in quality of life is more complicated and more subjective than attempting to measure cost-of-living differences.

Salary Comparisons

The study team concluded that neither teachers' cost of living nor quality of life was the central issue in developing salary differentials. If we consider education a business in which employees are one of many elements required by the production process, we can apply broadly accepted economic theory to the issue. According to theory, staff are "inputs" in the business of producing education and prevailing wages are the best measure of the appropriate cost of these inputs. Prevailing wages reflect many factors - including cost of living - that can be described as "market conditions." At least one state (Ohio) uses general wage differentials as the basis for area cost differentials for education funding.

While the study team analyzed existing teacher salary schedules and average salaries, we determined that this information alone was insufficient for making allocation decisions. Some consider salaries of school employees to be determined more by past allocations of aid than by current market forces. To the extent this statement is accurate, we must go outside the education system to determine appropriate area cost differentials for education.

Salaries Outside the Education System

The Alaska Department of Labor provided data on wage levels in general (in local government and the trade, service and finance industries) and for specific occupations throughout Alaska. The general wage data indicated a pattern of higher wages in urban areas, but the information was insufficiently specific for this analysis.

Wage and salary information from the Occupational Data Base was far more specific and more conclusive.²⁴ The conclusion of our salary analysis is that there is no statistical basis for a salary differential favoring rural areas. To the contrary, the results indicate that average salaries for most jobs tend to be higher in Anchorage than in other districts.

The analysis of occupational records included information on about 230,000 workers who had earnings during the second quarters of 1995 and 1996. The second quarter was chosen as the period of analysis because it has the lowest proportion of part-time workers, making it best for comparative purposes. Twenty-five occupations were selected as representative of salary differentials throughout the economy. The occupations were selected because they exist in most districts, thereby allowing statewide comparison of salaries.

²⁴ Alaska is unique in that it collects occupational information through its unemployment insurance reporting system. The Department of Labor's Occupational Data Base contains information on individuals, including earnings, place of work, occupation and industry. Information on specific individuals is confidential, but aggregated data can be released. We received much-appreciated cooperation from the staff of the Research & Analysis section of the Department of Labor in compiling data for this analysis. In addition, Caldwell Economic Information Services performed the statistical testing described in the text. A more complete reporting of the statistical analysis is included in the technical appendix.

After identifying comparable occupations in each census area, the top and bottom 20 percent of earners were removed from the database. The purpose of this action was to remove extremely low and high wage earners, thus eliminating the effect of part-time workers and compensating for differences in business size and level of responsibility. Focusing on the middle 60 percent of the database produces "typical salaries" rather than strict averages.

Average salaries – after removing records as described above – were computed for each occupation in each area. Each average was then compared with the corresponding average salary in Anchorage. Anchorage was chosen as the base for comparison because it is the largest school district and is a logical candidate for an ACD of 1.00.

Complete results of statistical tests are included in the technical appendix to this study. In summary, average salaries in Anchorage were higher than in other districts in 73 percent of all cases. At the 95 percent confidence level, 55 percent of all cases showed higher salaries in Anchorage while 16 percent were lower and 29 percent showed no statistically significant difference.²⁷ At the 99 percent confidence level, 49 percent of all cases showed higher salaries in Anchorage while 13 percent were lower and 37 percent showed no statistically significant difference. These findings could be used to justify a set of area cost differentials that favor Anchorage.²⁸

The data indicate that only the Aleutians West Census Area (Aleutian School District) and the North Slope Borough typically have average salaries that are (statistically significantly) above those in Anchorage.

Teacher Salaries

The study team also examined salaries within the educational system. We applied regression analysis to data supplied by the Department of Education with the following results.²⁹ The average salary of full-time teachers was \$49,121 in 1996, and the standard error of the estimate increased by roughly \$175 (\$4,911 to \$5,086) when ACD was deleted from a stepwise regression. In English, the conclusions were that salaries are generally related to the ACD of districts, but experience and educational attainment have far more power to explain variations in teacher salaries than do existing ACDs.

²⁷ A confidence level is a measure of the statistical validity of comparisons. It tests to ensure that differences are large enough to indicate reliable conclusions. The test results indicate a clear, statistically significant trend of higher salaries in Anchorage.

²⁸ Computing a set of differentials from the occupational data would be difficult. Confidentiality restrictions on the data preclude computation of weighted averages, which would be necessary to adjust for differences in the number of people in each occupation.

²⁹ Regression analysis is a common statistical technique to determine the influence of one variable on another. Full regression results are included in the technical appendix to this study. The technical appendix also describes identification and treatment of selected records.

ACDs have a variable impact up to \$4,300, or less than 10 percent of the average salary (five percent in each direction). There is no clear pattern in the results; many districts with high ACDs have lower average pay than districts with ACDs of 1.00. Readers unfamiliar with regression analysis need to understand that, while it is a powerful tool, it is purely a "what is" analysis; there is no way to determine whether higher salaries are paid because they are necessary to attract teachers to high-cost communities or because a high ACD makes more money available for teachers' pay.

Because it is average pay – not the salary schedule itself – that determines each district's instructional costs, the analysis of teacher pay indicates that some salary differentials may be justified. The basis for this conclusion is that the purpose of the formula is to pay school operating costs and that the existing salary is a part of that cost.

The study team gave serious consideration to this "what is" argument, however, the Legislative Budget & Audit Committee's guidelines for this study included clear direction to consider "what should be." The study team was concerned that average teacher salaries reflect differences in collective bargaining power, district choices regarding pay level, and past allocations of aid more than they reflect "what should be."

The study team determined that salary research on non-educational jobs is a better indicator of "what should be" than is the teacher salary comparison and concluded that the statistical approach should not contain an area cost differential for instructional costs. Alternate adjustment factors – and the strengths and weaknesses of the factors – are discussed in Chapter V of this study.

Implications of Omitting ACDs for Instructional Costs

The study team's decision to exclude area cost differentials from the instructional component of the statistical approach does not imply that salary schedules are expected to be identical in all districts. The following discussion demonstrates this point.

An ACD of 1.00 for every district – which means there is no adjustment for location – can be interpreted as allocating the statewide average pay to meet staffing requirements as determined by adjusted student counts. Even with no salary adjustment, districts can offer higher starting salaries than Anchorage. For example, Table 2.5 shows that the starting salary in the Yupiit district is 15 percent above the starting salary in Anchorage (column 2), but the average salaries in both districts are nearly identical (column 7).

Table 2.5
A Comparison of Teacher Salaries in Alaska, School Year 86-87

max	36,472	1.31		42,641	1.30		55,123	1.35	
min	26,000	0.93		31,368	0.95		41,813	0.88	
std. dev.	2,270	0.08		2,330	0.07		4,229	0.09	
spread	1,41	1.41		1,36	1.36		1,58	1.58	
School District	Base Salary	Base Pay Relative to Anchorage	Count of Districts that Pay at least 5 percent above Anchorage	Masters Level Salary	Base Pay Relative to Anchorage	Count of Districts that Pay at least 5 percent above Anchorage	Average Salary (including Housing Allowance)	Base Pay Relative to Anchorage	Count of Districts that Pay at least 5 percent above Anchorage
Total			32			40			11
Alaska Gateway	34,329	1.14	1	37,266	1.13	1	50,325	1.03	
Aleutian Region	32,660	1.09	1	37,364	1.13	1	51,048	1.04	
Aleutians East	36,100	1.20	1	37,666	1.14	1	49,795	1.02	
Anchorage	30,079	1.06		32,671	1.00		48,912	1.00	
Annette Island	32,073	1.07	1	35,038	1.06	1	47,908	0.98	
Bering Strait	31,639	1.06	1	34,280	1.04		45,407	0.93	
Bristol Bay	33,687	1.12	1	38,630	1.18	1	49,043	1.00	
Chatham	32,284	1.07	1	34,937	1.08	1	48,146	0.96	
Chugach	29,383	0.98		38,283	1.16	1	43,282	0.88	
Copper River	31,955	1.06	1	35,553	1.08	1	47,849	0.98	
Corodova	30,414	1.01		35,889	1.09	1	54,555	1.12	1
Craig City	30,208	1.06		39,720	1.02		47,111	0.96	
Delta/Greely	31,400	1.04		34,617	1.05		47,667	0.97	
Denali	30,939	1.03		35,000	1.06	1	47,478	0.97	
Dillingham	34,244	1.14	1	36,037	1.18	1	49,303	1.01	
Fairbanks	31,931	1.06	1	34,885	1.08	1	49,737	1.02	
Galena	34,600	1.19	1	37,822	1.16	1	43,620	0.89	
Haines	28,209	0.94		31,388	0.95		45,740	0.94	
Hoonah	31,908	1.03	1	34,804	1.08	1	51,045	1.04	
Hydaburg	29,583	0.98		32,140	0.97		42,437	0.87	
Iditarod	33,128	1.10	1	37,896	1.15	1	49,300	1.01	
Juneau	31,242	1.04		37,820	1.18	1	57,386	1.17	1
Kake	32,189	1.07	1	35,884	1.09		45,579	0.93	
Kashunamiut	35,500	1.18	1	37,500	1.14	1	46,840	0.96	
Kenai	29,500	0.99		32,861	1.00		46,966	0.96	
Ketchikan	30,354	1.02		35,125	1.07	1	50,362	1.03	
Klawock	29,621	0.98		33,560	1.02		50,869	1.04	
Kodiak	32,482	1.08	1	36,003	1.08	1	50,915	1.04	
Kuspuk	34,070	1.13	1	37,347	1.13	1	51,833	1.06	1
Lake & Peninsula	31,500	1.05		36,046	1.09	1	46,602	0.95	
Lower Kuskokwim	33,847	1.13	1	36,974	1.12	1	54,297	1.11	1
Lower Yukon	34,039	1.19	1	38,707	1.17	1	58,265	1.19	1
Matanuska	31,037	1.03		34,644	1.05	1	49,021	1.00	
Nenana	32,321	1.07	1	34,935	1.06	1	49,716	1.00	
Nome	31,820	1.06	1	35,838	1.08	1	47,643	0.97	
North Slope	39,472	1.31	1	42,641	1.30	1	66,123	1.35	1
Northwest Arctic	33,441	1.11	1	37,856	1.19	1	54,638	1.18	1
Pelican	32,718	1.09	1	35,720	1.08	1	46,920	0.96	
Petersburg	36,712	1.32		34,175	1.04		47,854	0.98	
Prokof	34,810	1.16	1	39,336	1.19	1	50,981	1.04	
Sika	30,508	1.01		34,666	1.06	1	50,286	1.03	
Skagway	29,183	0.97		32,181	0.98		49,618	1.01	
Southeast Island	29,344	0.96		33,947	1.03		41,813	0.85	
Southwest	35,560	1.18		38,365	1.16	1	47,139	0.96	
St. Mary's	32,584	1.08	1	36,503	1.11	1	43,913	1.10	1
Tanana	33,718	1.12	1	36,521	1.08	1	49,989	1.02	
Unalaska	35,700	1.19	1	39,000	1.18	1	54,843	1.12	1
Valdez	34,831	1.15	1	40,456	1.23	1	57,984	1.19	1
Wrangell	28,000	0.93		31,583	0.96		47,545	0.97	
Yakutat	29,687	0.96		33,189	1.01		47,160	0.96	
Yukon Flats	31,920	1.05		37,381	1.13	1	46,819	0.96	
Yukon Koyukuk	34,173	1.14	1	38,156	1.16	1	51,706	1.08	1
Yupit	34,600	1.15	1	37,307	1.13	1	48,882	1.00	

The conclusion is that higher salary schedules in districts outside Anchorage are partially offset by greater longevity and/or higher teacher qualifications in Anchorage, so that average teacher salaries statewide are much closer than is indicated by simple comparison of schedules. As shown in Table 2.5, this example is not unusual; 32 districts offer starting pay at least five percent higher than Anchorage (column 3) and 40 offer at least five percent more pay to teachers holding a Masters degree (column 6). However, column 9 shows that average pay in only 11 districts is at least five percent higher than in Anchorage.

In summary, analysis of salaries outside the education system provides no statistical support for existing salary differentials. Analysis of teacher salaries indicates no clear relationship between salary levels and existing ACDs, but shows that some districts do have average costs significantly higher than average. Salary differentials based on average salaries would tend to favor City and Borough districts rather than Regional Education Attendance Areas.

Chapter III.

Nonpersonal Services (NPS) Allocations

A statistical analysis of audited expenditure reports from all 53 school districts produced the NPS multipliers shown in Table 3.1. The multipliers apply only to nonpersonal services expenditures by districts, which are approximately 16.5 percent of the total amount of education aid allocated to school districts. The multipliers are intended to be applied as follows:

1. Multiply the actual student count in each district by the district's NPS multiplier (as shown in Table 3.1) to obtain an adjusted student count.
2. Add the adjusted student counts for each district to obtain a statewide total.
3. Divide the (legislatively determined) available amount of NPS aid by the statewide adjusted student count to obtain the statewide NPS allocation for each student.
4. Multiply each district's adjusted student count by the statewide per-student allocation to obtain the amount of NPS aid allocated to each district.

Table 3.1
Multipliers for the Nonpersonal
Services Component of Education Aid

School District	Multiplier	School District	Multiplier
Alaska Gateway	4.397	Kodiak	2.141
Aleutian Region	11.610	Kuspuk	6.027
Aleutians East	4.910	Lake & Peninsula	6.978
Anchorage	1.000	Lower Kuskokwim	6.707
Annette Island	1.417	Lower Yukon	6.023
Bering Strait	6.924	Malanuska	1.068
Bristol Bay	4.228	Nenana	3.466
Chatham	2.939	Nome	4.273
Chugach	4.751	North Slope	4.447
Copper River	3.483	Northwest Arctic	5.234
Cordova	1.889	Pelican	4.921
Craig City	1.589	Petersburg	1.157
Delta/Greely	2.444	Pribilof	4.882
Denali	4.329	Sitka	1.108
Dillingham	4.019	Skagway	1.807
Fairbanks	1.432	Southeast Island	3.364
Galena	3.674	Southwest	5.800
Haines	1.796	St. Mary's	6.174
Hoonah	2.239	Tanana	4.876
Hydaburg	2.709	Unalaska	4.020
Iditarod	7.750	Valdez	2.023
Juneau	1.000	Wrangell	1.163
Kake	1.659	Yakutat	2.185
Kushunamit	4.488	Yukon Flats	8.930
Kenai	1.332	Yukon Koyukuk	7.147
Ketchikan	1.064	Yupit	6.779

Method of Analysis

The study team obtained audited financial reports for all 53 school districts from the Alaska Department of Education. Expenditures from each district's 1996 operating fund were entered into a database, then several categories of NPS expenditures were chosen for analysis.³⁰ As with the instructional component of the formula, we used 1996 data because 1996 is the most recent year for which we were able to obtain data required for all areas of analysis.

The statistical approach differs from the method used to compute NPS differentials in the 1988 McDowell Group report, *Alaska School District Profiles and Differential Study*. In that study, the McDowell Group used a statewide survey to obtain detailed price information about items normally purchased by school districts.

While the 1988 study provided more reliable data than the household-cost-of-living information that was used in earlier NPS differential computations, the price survey was not duplicated in this study for two reasons:

- From a practical standpoint, there was not enough time during the study period to allow for a broad price survey, so that a survey was not included in the study proposal.
- More importantly, another approach was called for on the grounds that unit cost alone is not an appropriate way to measure cost differentials.

Because the funding formula allocates aid based on the number of students, area cost differentials must be measured in terms of cost per student rather than cost per gallon, cost per kwh, or other unit common to market prices. An example regarding heating oil will demonstrate the importance of this point.

If heating oil costs \$1/gallon in District A and \$1.50/gallon in District B, the price differential analysis would conclude that District B deserves 1.5 times as much funding for fuel as does District A ($\$1.50/\$1 = 1.5$). If District A uses 500 gallons of fuel per month to heat a building housing 100 students, the cost of fuel per student for District A is $(\$1/\text{gallon} \times 500 \text{ gallons})/100 \text{ students}$, or \$5 per student. If District B uses 300 gallons of fuel per month to heat a building housing 50 students, the cost of fuel per student for District B is $(\$1.50/\text{gallon} \times 300 \text{ gallons})/50 \text{ students}$ or \$15 per student. District B needs 3.00 ($\$15/\5) times as much funding per student for fuel as District A in order to compensate for true differences in fuel cost per student.

³⁰ Major operating accounts in the financial statements are, for the most part, identical. They consist of instruction accounts (regular instruction, vocational education, correspondence, special education, gifted and talented, and bilingual/bicultural), other student-oriented accounts (pupil support (including library and guidance)), school administration, pupil activities and district administration (including school board) accounts, and the operations & maintenance account. Some districts presented slightly more or less aggregated accounts than others. During the data entry process, we occasionally combined categories to make them as parallel as possible. Except for the operations & maintenance account, which we entered in somewhat more detail than others, we placed all expenditures for each of the major accounts under one of the following headings: salaries, benefits, professional services, communications, travel, other purchased services, supplies, equipment, and other.

The point of the example is to demonstrate that price differences do not tell the full story of NPS expenditure differentials; size, price and other location factors combine to amplify differences in school district operating costs. A price survey may have allowed us to separate the effects of size and location from price effects, but there is no practical reason to do so. The study team computed ACDs that incorporate size, price and other effects of location.

Assumptions

The multipliers shown in Table 3.1 are based on the following assumptions:

- Accounting practices are at least moderately consistent from district to district. This seems reasonable because the figures we used were taken from independently audited financial statements and because the Department of Education has a policy of standardized financial reporting in all school districts.
- NPS expenditures are typical for each district. We departed from this assumption when we looked at Operations and Maintenance, since utility and repair costs may not be evenly distributed from year to year. In the case of Operations and Maintenance we used an average of 1996 and 1997 figures.

Key Issues

The analysis is district-based rather than school- or funding community-based. Analysis was performed at the district level because that is the level at which expenditure decisions are made and tracked. While expenditures by individual schools would likely provide interesting data for a management audit, they are neither available in comparable form nor necessary for the type of analysis we performed.

The analysis is expenditure-based rather than price-based and incorporates size differences as well as price differences. The fundamental advantage of using statistical analysis based on actual expenditures is that actual expenditures, by definition, capture or represent all the factors and considerations influencing those expenditures, as illustrated by the heating oil example.

The analysis inarguably reflects "what is" rather than "what should be." An obvious limitation of the statistical method is that current expenditure levels reflect current funding levels rather than "theoretically optimal" expenditure levels. Funding levels are inescapably one of the factors that determine expenditures. We have attempted to minimize the impact of funding levels on our analysis by limiting per-student expenditures for those districts with extraordinarily high or low per-student expenditures.

A statistical approach can point out anomalies, but it cannot fully explain them. In the absence of detailed management audits of school districts, we simply do not have enough information about how districts function to explain large parts of the variation in NPS expenditure levels.

It is possible that the data we analyzed is not entirely representative of "typical" expenditure levels for every district. In addition, accounting methods and classifications, while governed by law and district policies, are not totally consistent from district to district. Moreover, there are countless local considerations underlying expenditure decisions that may result in very different spending rationales from one district to another.

The Statistical Approach

Our initial hypothesis regarding nonpersonal services expenditures was that no school district could either afford to overspend significantly on NPS or would have incentive to do so. Therefore, existing expenditure levels should reflect actual need for most districts.

We began our analysis of NPS costs by measuring each district's NPS costs per-student. We found an extremely broad range of values, from \$599 per student in Anchorage to over \$14,000 per student in the Aleutians Region.¹¹

In order to eliminate any unknown or unrecognized factors that might be contributing to the broadness of this range of values, we repeated our analysis using a "market basket" of expenditure accounts that we believed were most likely to be comparable across districts in terms of how they were treated for accounting purposes. We eliminated from our analysis those elements of NPS that are mainly surrogate salary items—"professional services" and "purchased services" (primarily repairs).¹² Finally, we did not look at NPS categories where expenditures seemed likely to vary widely from year to year and where expenditures per district were mostly small - including equipment and oil and gas for vehicles. The "market basket" of 1996 NPS audited expenditure categories for chosen for this second level of analysis was:

1. Travel (all travel)
2. Supplies (teaching supplies and maintenance supplies)
3. Utilities (electricity, fuel, water/sewer, garbage, "other.")
4. Insurance (liability and property)
5. Communication (phone and postage)

Initial Results of the Market Basket Analysis

Although focusing on a market basket of NPS expenditures reduced the variability in our sample, we again found a broader range than seemed explainable by differences in size, location and physical composition of school districts. Column 7 of Table 3.2 shows per-student expenditures on our NPS market basket, with individual categories shown in columns 2 through 6.

¹¹ The Aleutian Region contracts for administrative services. This contract adds over \$6,000 per student to NPS costs. We transferred the contract to the administrative component during further analysis, and omitted all data for the district in developing multipliers, so that the high per-student cost in this small district did not influence the calculation of multipliers for other districts.

¹² Some inconsistency was unavoidable. For example, it seems likely that garbage collection was recorded as a "purchased service" in some districts and a "utility" in others.

Table 3.2
Nonpersonal Services Expenditures per Student by Alaska School Districts, 1996

	Max	1,278	1,320	2,118	1,861	522	6,578
	Min	12	165	144	20	18	406
	Avg.	105	302	327	79	44	857
	Std. Dev.	301	320	433	274	88	1,192
	Spread	108.17	8.02	14.74	91.68	29.41	13.75
1996 Audited Expenditures per Student (avg. 96-97 for utilities)							
School District	DOE Count of Students	Travel	Supplies	Utilities	Insurance	Communi-cations	Market Basket
Total	122,897	105	302	327	79	44	857
Alaska Gateway	552	138	559	888	325	110	2,016
Aleutian Region	21	1,027	1,212	954	1,861	522	5,576
Aleutians East	355	1,153	1,311	981	319	289	4,053
Anchorage	46,159	12	190	185	21	18	406
Annette Island	444	331	558	280	303	88	1,560
Bering Strait	1,679	709	893	1,351	323	110	3,187
Bristol Bay	301	519	377	771	92	59	1,819
Chatham	337	498	414	608	168	119	1,806
Chugach	144	493	652	659	426	197	2,426
Copper River	659	128	483	450	258	57	1,374
Cordova	519	37	205	468	59	35	803
Craig City	424	245	609	262	20	43	1,179
Delta/Greely	885	56	278	311	187	63	895
Denali	384	195	525	428	307	100	1,555
Dillingham	524	248	313	241	31	49	882
Fairbanks	15,818	17	275	212	38	37	579
Gaiens	150	643	1,052	2,118	542	116	4,471
Haines	435	90	317	451	43	35	935
Hoonah	278	321	342	925	83	63	1,733
Hydaburg	114	660	864	735	405	51	2,715
Iditarod	423	665	717	1,112	353	242	3,088
Juneau	5,515	12	165	144	94	22	436
Kake	190	296	388	755	152	76	1,666
Kashunamiut	244	375	751	636	215	71	2,048
Kenai	10,281	59	183	302	100	41	685
Ketchikan	2,850	57	218	286	74	23	657
Klawock	220	444	588	474	103	124	1,734
Kodiak	2,872	150	329	391	41	41	952
Kuspuk	468	392	553	860	257	146	2,207
Lake & Peninsula	498	1,278	602	1,452	483	170	3,985
Lower Kuskokwim	3,275	509	817	615	289	105	2,335
Lower Yukon	1,695	245	627	1,070	288	86	2,316
Matanuska	12,037	12	201	61	32	26	432
Nenana	161	194	402	352	250	71	1,469
Nome	733	129	362	712	235	62	1,501
North Slope	1,808	784	1,258	1,209	113	305	3,669
Northwest Arctic	1,892	290	518	1,265	193	86	2,353
Pelican	38	680	894	1,024	392	137	2,926
Petersburg	754	101	369	522	99	33	1,124
Pribilof	213	440	579	643	460	186	2,309
Sitka	1,805	20	216	230	31	27	525
Skagway	131	392	460	615	146	71	1,683
Southeast Island	350	327	544	569	233	165	1,838
Southwest	630	435	1,320	1,105	383	113	3,357
St. Mary's	129	217	678	759	509	63	2,226
Tanana	94	770	1,238	1,787	671	141	4,607
Unalaska	353	682	490	615	183	68	2,038
Valdez	896	69	372	335	26	38	640
Wrangell	555	151	309	235	62	46	802
Yakutat	175	380	609	727	92	133	1,941
Yukon Flats	423	543	1,269	1,723	31	210	3,776
Yukon Koyukuk	625	763	1,079	855	361	175	3,233
Yupik	387	668	688	705	228	120	2,405

While large, urban districts spent between \$400 and \$600 (total) per student in the five expenditure categories, several rural districts spent more than \$4,000 per student on the same items. The Aleutian Region spent the most per student, nearly 14 times more than Anchorage.

While these results support the supposition that it is more expensive to operate small remote districts than large urban ones, the broad range of expenditures in districts of similar size caused us to question the hypothesis that districts spend no more than is necessary on nonpersonal services. The panel of superintendent-advisors pointed out that variations in accounting practices and methods of operation could affect results. For example, some districts own and operate their own airplanes or have other unusual expenditures. Management audits are the only way to gain full explanation of cost differentials.

Secondary Analysis - Operations and Maintenance

As a result of concern about the high variability of NPS costs per student, we repeated our analysis using a more restrictive proxy for NPS expenditures. Operations and Maintenance (O&M) expenditures were chosen because these expenditures are essentially non-discretionary and treated similarly for accounting purposes.

In using O&M expenditures as a proxy for NPS, we included all O&M, not simply the NPS portion. We did this because we felt there is no clear line between Personnel, Professional Services and Other Purchased Services in the O&M category. Districts may hire staff or contract for various O&M needs depending upon local considerations, with the result that similar needs may be met by expenditures in each of the three "quasi-personnel" categories. To be consistent, we included all three accounts.

Finally, although our analysis of the Occupational Data Base indicates that there is no meaningful geographic differential for salaries, it is nevertheless true that O&M staffing will reflect the physical composition of the district and its structures. We believe this influence over-rides neutral geographic salary differentials and calls for inclusion of O&M personnel expenditures in our NPS proxy analysis.

Results of the O&M/NPS Analysis

Using O&M expenditures as a proxy for NPS yields a narrower range of expenditures per student. Table 3.3 shows a range from \$616 per student in Sitka to \$5,411 in the North Slope (column 3). Table 3.3 shows that nonpersonal services costs in the North Slope district are about nine times higher than in Sitka, which is a district of similar size. No data on comparative costs (from region to region of Alaska) support differentials this large. Even consideration of the lesson demonstrated in the "heating oil" example seemed unable to account for differentials of this magnitude. This puzzling result is cause for a brief discussion of the limits of statistical analysis.

Table 3.3
Operations and Maintenance Expenditures by School Districts

	Max	5,411	
	Min	616	
	Avg.	1,226	
	Std. Dev.	1,192	
	Spread	8.78	
School District	DOE Count of Students	Average 1996 & 97 O&M Expenditures	Average O & M per Student
Total	122,897	150,874,956	
Alaska Gateway	552	1,330,346	2,410
Aleutian Region	21	94,536	4,502
Aleutians East	355	1,044,972	2,944
Anchorage	46,159	38,976,472	801
Annette Island	444	581,049	1,309
Bering Strait	1,679	6,004,444	3,576
Bristol Bay	301	554,597	1,843
Chatham	337	523,802	1,553
Chugach	144	334,437	2,322
Copper River	659	1,137,192	1,727
Cordova	519	554,797	1,069
Craig City	424	364,392	659
Delta/Greely	885	1,005,466	1,137
Denali	384	728,899	1,898
Dillingham	524	635,933	1,214
Fairbanks	15,816	14,115,424	892
Galena	150	623,131	4,154
Haines	435	542,039	1,246
Hoonah	278	628,917	2,262
Hydaburg	114	313,476	2,759
Iditarod	423	1,353,102	3,202
Juneau	5,515	4,278,051	776
Kake	190	443,508	2,334
Kashunamiut	244	543,650	2,228
Kenai	10,281	13,125,825	1,277
Ketchikan	2,850	2,798,832	932
Klawock	220	348,989	1,585
Kodiak	2,872	3,117,721	1,086
Kuspuk	468	1,148,363	2,452
Lake & Peninsula	498	2,382,923	4,788
Lower Kuskokwim	3,275	8,032,101	2,452
Lower Yukon	1,695	4,505,706	2,658
Matanuska	12,037	9,399,692	781
Nenana	161	317,388	1,971
Nome	733	1,449,134	1,977
North Slope	1,806	9,772,145	5,411
Northwest Arctic	1,892	5,808,701	3,070
Pelican	38	147,813	3,864
Petersburg	754	881,308	1,170
Pribilof	213	414,998	1,947
Sitka	1,805	1,112,213	616
Skagway	131	226,327	1,724
Southeast Island	350	793,111	2,287
Southwest	630	2,207,151	3,505
St. Mary's	129	292,051	2,262
Tanana	94	459,101	4,884
Unalaska	353	604,690	1,714
Valdez	896	1,213,670	1,355
Wrangell	555	445,256	802
Yakutat	175	308,806	1,765
Yukon Flats	423	1,907,699	4,514
Yukon Koyukuk	625	1,578,891	2,526
Yukon-Charley	387	1,161,671	3,002

Limitations of Statistical Analysis

Statistical analysis can identify anomalies but does not provide explanations for real-world events. Unfortunately, based on the data available to us, we are unable to offer a complete explanation of the broad range of differences in observed NPS expenditures. Raw NPS expenditures per student vary from school district to school district by a factor of nearly 25. Limiting the analysis to expenditures that are more consistent between districts reduces the range of variation, as expected, but the range remains very broad.

The study team again examined the hypothesis that districts spend no more than is necessary on nonpersonal services. Does the broad range of expenditures indicate that some districts spend too much on NPS? Does the broad range reflect differences in local priorities, cultural needs, design and condition of buildings and equipment, use of different kinds of fuels in different areas, climate, geography, and other important influences on expenditure decisions? Without detailed information about how individual districts are structured, staffed and managed, we can offer only a statistical answer.

The essence of that answer is that in any distribution of observed values—such as per-student NPS expenditures—some variation in values is expected. Applying regression analysis to NPS expenditures per student would provide a formula describing what expenditure levels “should be” and identifying variations from the formula.¹¹ Unfortunately, there is no way to determine whether these variations are due to unnecessary expenditures or to the effects of location and other valid reasons for the variation. That is, it would be impossible to determine “errors” from what we are trying to measure.

Summary and Conclusions

The study team concluded that the most reasonable approach to determining NPS multipliers was to use the subset of expenditures identified above, but to impose limits on per-student expenditures. The conclusion was based on the following considerations:

1. Although there are strong theoretical arguments for using O&M costs to determine the allocation of NPS aid, multipliers based on O&M expenditures would result in significant reallocation of funds from small districts to large districts. The study team could not support this reallocation without access to more detailed information about district operations that would be available only from management audits.

¹¹ Regression analysis is a statistical tool for determining the relationship of one variable with other variables.

2. There are also strong arguments for using a broader measure of expenditures than those included in the O&M accounts. District size and location, while important, cannot fully explain the range of per-student NPS expenditures. The study team found the arguments for a broad measure more compelling than those for using only O&M expenditures. The broader measure reflects differences in local priorities, cultural needs, climate, geography, travel costs and other important influences on expenditures. Other factors that influence NPS expenditure levels include
 - the number of schools in a district, how far they are from each other and from the district office, and whether there are roads connecting them,
 - the type and condition of buildings and large equipment,
 - the management methods of individual administrators,
 - the educational expectations of local parents and other citizens and the degree to which those constituencies have direct influence over school and district administrators.
3. Basing multipliers on current expenditure data would simply mirror "what is." The study team concluded that we had no basis for forcing all districts to fit a formula that placed all districts in a very narrow range, but that the broad range of current expenditures warrants some limitation of unusually high expenditures. Although any limit is arbitrary, the argument that the overwhelming majority of districts manage to operate at lower expenditure levels is compelling.
4. Districts with abnormally low per-student expenditures should receive additional aid to bring them closer to the average. This method of adjustment – cutting off the peaks while filling in a portion of the valleys – arguably overcompensates districts that have low per-student expenditures due to relatively low costs. However, failing to "fill in the valleys" would penalize districts with relatively low expenditures due to low past funding levels or to efficient operations.

The study team's solution to the question of how much to reward districts with abnormally low expenditures per student was to bring all districts up to Anchorage's per-student expenditure level. This minimum applied only to Juneau, and raised the district's NPS allocation by about \$5 dollars per student, or \$24,000 total.

Table 3.4 shows how a two-standard-deviation cap affects the NPS market basket. District expenditures affected by the cap are shown in bold type. Full spreadsheets showing the determination of multipliers are included in the technical appendix to this report. A summary of steps in the process follows:

1. Determine the average per-student expenditure in each category. (The Aleutian Region and Pelican were dropped from this computation because their small size causes them to have per-student expenditures that cannot be compared reasonably with expenditures of other districts.)³¹
2. maximum per-student expenditure level in each category. The limit for each category is the category average plus two standard deviations.³²
3. Adjust expenditures so they equal the amount of funding available. This adjustment is necessary because the expenditures we use in the analysis are a sample rather than a full representation of expenditures.
4. Apply the expenditure cap to each category of NPS expenditures.
5. Use actual expenditure data to determine instructional and noninstructional components of aid for each district.
6. Divide the adjusted allocations in each district by the number of students in respective districts to determine per-student allocations.
7. Apply a minimum per-student allocation level equal to the amount of per-student NPS aid received by Anchorage.
8. Calculate multipliers by dividing each district's per-student allocation by the statewide average per-student expenditure level.
9. Normalize the multipliers by dividing each district's multiplier by the minimum multiplier. This process ensures that no multiplier is less than 1.0.

For NPS expenditures, Anchorage and Juneau have multipliers of 1.0. The Aleutian Region has the largest multiplier (11.610) and several rural districts have multipliers larger than 5.0.

³¹ These small districts were brought in at the end of the analysis. Effectively, they were not subject to the expenditure limits, so that multipliers for them reflect current per-student expenditure levels.

³² Standard deviation is a common statistical measure of dispersion, or variation, in a set of observations. Typically, two-thirds of all observations are within one standard deviation of the mean (average) and 95 percent of observations are within two standard deviations. This means that about 2.5 percent of observations will be less than two standard deviations from the mean and 2.5 percent will be more than two standard deviations above the average. We applied a two-standard-deviation limit because we believe it reflects the natural differences between school districts while making modest adjustments to the most abnormal expenditure levels.

Table 3.4
Effect of Limiting Nonpersonal Services Expenditures per Student to
Two Standard Deviations above the Mean
 (for the purpose of computing a multiplier)

Max	884	928	1,202	395	178	5,576
Min	12	165	144	20	18	406
Std. Dev.	233	234	331	131	51	1,003
Spread	57.88	5.63	8.34	19.76	10.03	13.75

1998 Audited Expenditures per Student (avg. 96-97 for utilities)
 Limited to Two Standard Deviations from the Mean

School District	Travel	Supplies	Utilities	Insurance	Communi- cations	Market Basket	Uncapped Market Basket
	Mean plus 2 Std. Deviations						
School District	684	928	1,202	395	178		
Alaska Gateway	136	559	888	325	110	2,018	2,018
Aleutian Region						5,576	5,576
Aleutians East	684	928	981	319	178	3,090	4,053
Anchorage	12	190	165	21	18	406	406
Annette Island	331	558	280	303	88	1,560	1,560
Bering Strait	684	693	1,202	323	110	3,013	3,187
Bristol Bay	519	377	771	92	59	1,819	1,819
Chatham	498	414	608	168	119	1,808	1,808
Chugach	493	652	659	395	178	2,377	2,426
Copper River	128	483	450	258	57	1,374	1,374
Cordova	37	205	468	59	35	803	803
Craig City	245	609	262	20	43	1,178	1,179
Delta/Greely	58	278	311	187	63	895	895
Denali	195	525	428	307	100	1,555	1,555
Dillingham	248	313	241	31	49	882	882
Fairbanks	17	275	212	38	37	579	579
Galena	643	928	1,202	395	116	3,285	4,471
Haines	90	317	451	43	35	935	935
Hoonah	321	342	925	83	63	1,733	1,733
Hydaburg	660	664	735	395	51	2,705	2,715
Iditarod	665	717	1,112	353	178	3,024	3,088
Juneau	12	165	144	94	22	436	436
Kake	296	388	755	152	76	1,666	1,666
Kashunamiut	375	751	636	215	71	2,048	2,048
Kenai	59	183	302	100	41	685	685
Ketchikan	57	218	288	74	23	657	657
Klawock	444	566	474	103	124	1,734	1,734
Kodiak	150	329	391	41	41	952	952
Kuspuk	392	553	860	257	148	2,207	2,207
Lake & Peninsula	684	602	1,202	395	170	3,052	3,985
Lower Kuskokwim	509	817	615	289	105	2,335	2,335
Lower Yukon	245	627	1,070	288	86	2,316	2,316
Matanuska	12	201	161	32	26	432	432
Nenana	194	402	552	250	71	1,469	1,469
Nome	129	362	712	235	62	1,501	1,501
North Slope	684	928	1,202	113	178	3,105	3,669
Northwest Arctic	290	518	1,202	193	86	2,289	2,353
Pelican						2,926	2,926
Petersburg	101	369	522	99	33	1,124	1,124
Pribilof	440	579	643	395	178	2,236	2,309
Sitka	20	216	230	31	27	525	525
Skagway	392	460	615	146	71	1,683	1,683
Southeast Island	327	544	569	233	165	1,838	1,838
Southwest	435	928	1,105	383	113	2,965	3,357
St. Mary's	217	678	759	395	63	2,111	2,226
Tanana	684	928	1,202	188	141	3,350	4,607
Unalaska	682	490	615	183	68	2,038	2,038
Valdez	69	372	335	26	38	840	840
Wrangell	151	309	235	62	46	802	802
Yakutat	380	609	727	92	133	1,941	1,941
Yukon Flats	643	928	1,202	31	178	2,682	3,776
Yukon Koyukuk	684	928	855	361	175	3,004	3,233
Yupik	666	686	705	228	120	2,405	2,405

Note: Aleutian Region and Pelican were omitted from the analysis due to small size

Chapter IV. Administrative Allocations

Administrative costs as defined in this study include only the personnel costs listed in the "District Administration" accounts of each school district. School administrative costs are included in the instructional allocations described in Chapter II and non-personnel costs are included in the NPS allocations described in Chapter III.

Steps to obtain the administrative multipliers are identical to those described for the NPS multipliers in the previous chapter. Details of the multiplier computation are in the technical appendix to this study.

A statistical analysis of audited expenditure reports from all 53 school districts produced the administrative multipliers shown in Table 4.1. Several districts have multipliers of 1.0, while several rural districts have multipliers greater than 5.0. The multipliers apply only to administrative expenditures, which are approximately 4.5 percent of the total amount of education aid allocated to school districts. The multipliers are intended to be applied as follows:

1. Multiply the student count in each district by the district's administrative multiplier (as shown in Table 4.1) to obtain an adjusted student count.
2. Add the adjusted student count for each district to obtain a statewide total.
3. Divide the (legislatively determined) available amount of administrative aid by the statewide adjusted student count to obtain the statewide per-student allocation.
4. Multiply each district's adjusted student count by the statewide per-student allocation to obtain the amount of administrative aid allocated to each district.

Summary and Conclusions

Table 4.2 shows administrative costs (personnel costs only) for each district. Column 2 shows actual administrative expenditures for 1996, column 3 shows administrative expenditures per student, and column 4 shows the impact of imposing a "two standard deviation cap" on per-student administrative expenditures. (Districts affected by the cap have bold type in column 4.)

Table 4.1
Multipliers for the Administrative Component of Education Aid

School District	Multiplier	School District	Multiplier
Alaska Gateway	3.301	Klawock	1.415
Aleutian Region	14.027	Kodiak	1.318
Aleutians East	3.166	Kuspuk	7.450
Anchorage	1.000	Lake & Peninsula	4.152
Annette Island	1.162	Lower Kuskokwim	3.147
Bering Strait	3.437	Lower Yukon	2.747
Bristol Bay	3.455	Matanuska	1.166
Chatham	2.470	Nenana	4.690
Chugach	4.914	Nome	2.513
Copper River	2.347	North Slope	5.385
Cordova	2.489	Northwest Arctic	6.732
Craig City	1.000	Pelican	4.355
Delta/Greely	2.400	Petersburg	1.000
Denali	3.376	Pribilof	5.722
Dillingham	1.614	Sitka	1.000
Fairbanks	1.000	Skagway	3.181
Galena	2.066	Southeast Island	3.394
Haines	1.052	Southwest	3.085
Hoonah	1.278	St. Mary's	1.500
Hydaburg	1.428	Tanana	2.449
Iditarod	5.032	Unalaska	2.407
Juneau	1.062	Valdez	1.911
Kake	1.811	Wrangell	1.000
Kashunamiut	4.555	Yakutat	1.961
Kenai	1.000	Yukon Flats	3.613
Ketchikan	1.000	Yukon Koyukuk	4.097
		Yupit	5.652

Table 4.2
Administrative Expenditures
(personnel costs only) by School Districts in Alaska, 1996

School District	DOE Count of Students	1996		Linen 1996 Administrative Expenditures per Student
		Administrative Expenditures (Personnel Costs Only)	Administrative Expenditures per Student	
Total	122,897	41,448,879	338	
Alaska Gateway	552	373,856	677	677
Aleutian Region	21	130,173	6,199	6,199
Aleutians East	355	405,814	1,143	1,143
Anchorage	48,159	9,594,921	208	208
Annette Island	444	262,051	590	590
Bering Strait	1,679	1,108,514	660	660
Bristol Bay	301	238,101	791	791
Chatham	337	268,993	797	797
Chugach	144	205,895	1,428	1,188
Copper River	659	305,061	463	463
Cordova	519	314,128	605	605
Craig City	424	139,933	330	330
Delta/Greely	885	405,413	458	458
Denali	384	220,534	574	574
Dillingham	524	160,340	308	308
Fairbanks	15,816	3,159,017	200	200
Galena	150	213,494	1,423	1,188
Haines	435	131,985	303	303
Hoonah	278	168,160	605	605
Hydaburg	114	97,750	858	858
Iktarod	423	388,867	915	915
Juneau	5,515	1,364,462	247	247
Kake	190	228,907	1,194	1,188
Kashunamiut	244	262,108	1,074	1,074
Kenai	10,281	2,256,185	219	219
Ketchikan	2,850	624,542	219	219
Klawock	220	182,529	829	829
Kodiak	2,672	780,905	272	272
Kuspuk	468	545,464	1,165	1,165
Lake & Peninsula	498	556,519	1,118	1,118
Lower Kuskokwim	3,275	1,697,818	518	518
Lower Yukon	1,695	837,983	494	494
Matanuska	12,037	2,942,263	244	244
Nenana	161	180,655	1,122	1,122
Nome	733	343,630	469	469
North Slope	1,808	3,364,347	1,863	1,188
Northwest Arctic	1,892	2,717,839	1,436	1,188
Pelican	38	61,090	1,597	1,597
Petersburg	754	208,220	274	274
Prudhoe	213	287,000	1,346	1,188
Sitka	1,605	393,981	218	218
Skagway	131	208,123	1,583	1,188
Southeast Island	350	352,039	1,006	1,006
Southwest	830	468,404	744	744
St. Mary's	129	42,084	328	328
Tanana	84	120,081	1,277	1,188
Unalaska	353	183,548	520	520
Valdez	896	312,623	349	349
Wrangell	555	170,985	308	308
Yakutat	175	184,144	938	938
Yukon Flats	423	298,424	701	701
Yukon Koyukuk	625	580,972	897	897
Yukon-Charley	387	443,596	1,146	1,146

Note: Aleutian Region and Pelican were omitted from the analysis due to small size.
 Note: An expenditure rate of two standard deviations above the mean is reported only for the purpose of identifying outliers.

Variation in administrative expenditures among districts is larger than for NPS expenditures, particularly for small districts. This result was unexpected; the study team anticipated that administrative costs would depend primarily on district size while NPS costs would be affected by location as well as size, and therefore have a wider range.

It is possible that administrative staffing levels are less dependent on the number of students served than we anticipated, but it appears that the impact of small size simply overwhelms all other impacts, causing per-student administrative costs to be much higher in small districts than in larger districts. For example, a \$50,000 administrative salary spread among Anchorage's nearly 50,000 students costs \$1 per student while a \$50,000 administrative salary spread among a district with 200 students costs \$250 per student. This aspect of administrative cost variation makes a strong case for consolidated or centralized administrative services.

Figure 4.1 shows administrative costs per student (with large districts and the Aleutian Region omitted for scaling reasons) for each district. The figure shows that several small districts are able to operate with per-student administrative costs of less than \$400, while other districts of similar size spend twice that amount. This conflicts with the notion that districts of small size *must* have relatively high per-student administrative costs because the costs are spread over few students.

Figure 4.2 explores administrative costs further. The figure shows the (1996) administration share of total expenditures for each district. After adjusting administrative multipliers by the proportion of administrative spending in each district, Kenai, Fairbanks and the Southeast communities of Ketchikan, Petersburg, Wrangell, Craig and Sitka have an administrative multiplier of 1.0. This prevents districts that have low costs due to exceptionally efficient management and/or relatively low current formula allocations) from being penalized for current efficient practices.

Key Issues

The study team is concerned that administrative multipliers reflect "what should be" to a lesser degree than we were striving for. However, none of the panel members was confident that reasons for variation in per-student administrative costs could be identified without thorough reviews on a district-by-district basis.

For example, Sitka and the North Slope are districts of similar size (1,800 students). Sitka spends \$400,000 (\$220 per student) on administrative salaries while the North Slope spends \$3.4 million (\$1,860 per student). Only thorough investigation of district administrative practices could determine whether Sitka has discovered a magic formula for administration, has chosen to spend less on curriculum development or other areas that will eventually be reflected in the relative quality of education delivered, is located in an area in which costs are substantially lower, or spends less on administration because there is relatively less money available to spend.

Figure 4.1--Administrative Expenditures per Student

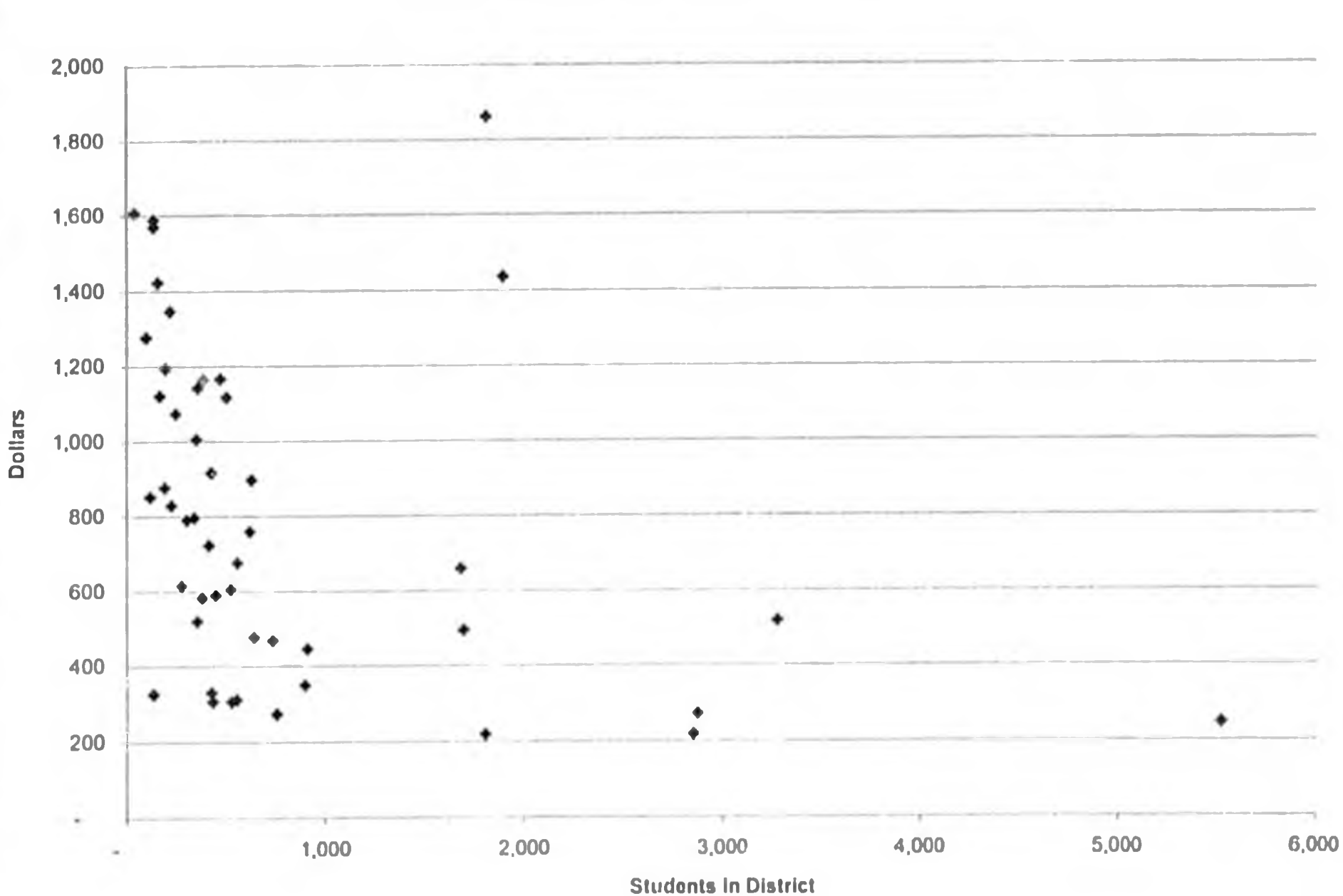
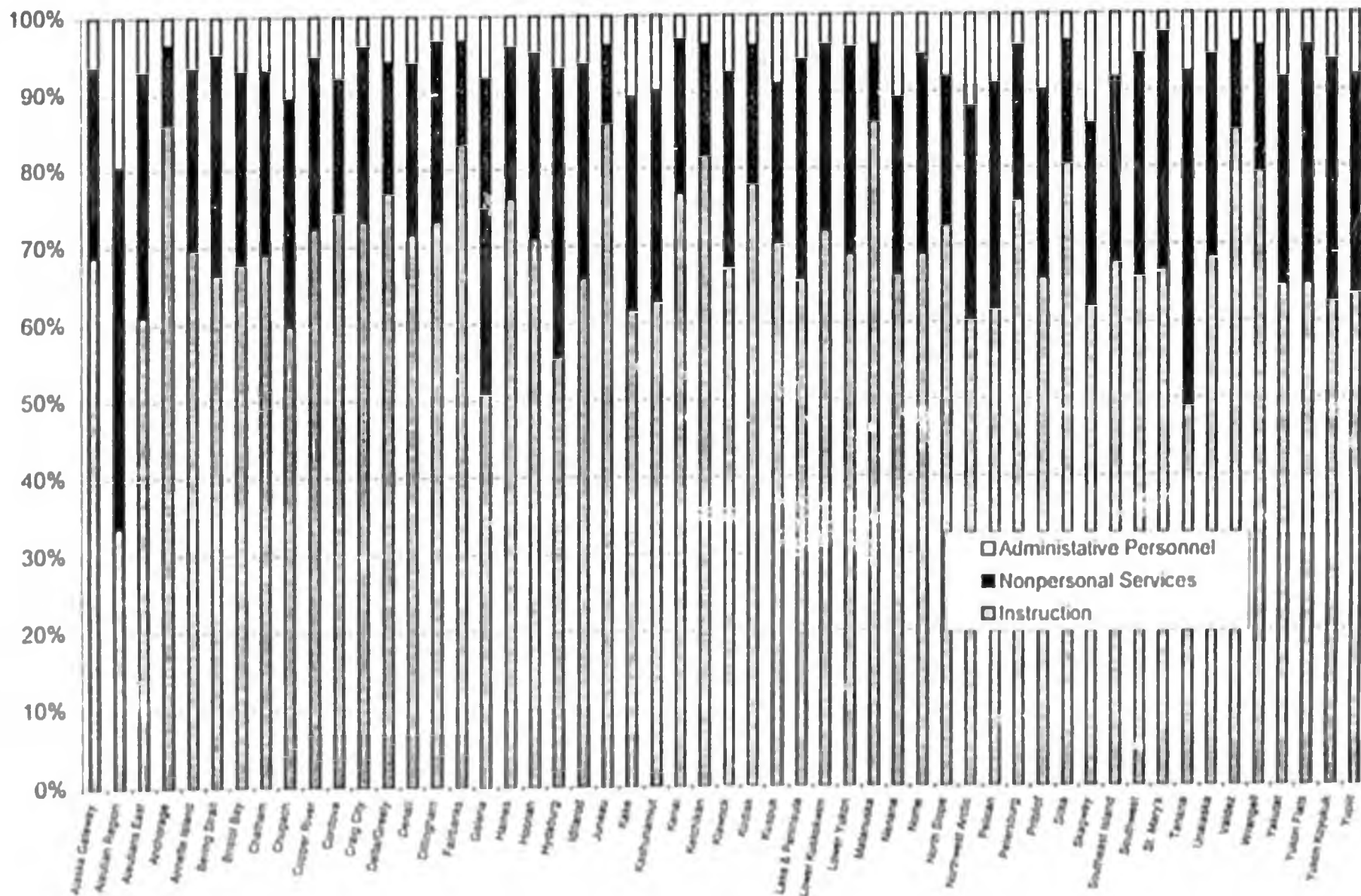


Figure 4.2--Expenditures by Alaska School Districts, 1996



While it is possible to manipulate existing data in more and more extensive ways in order to find "explanations" for expenditure variations, this is neither an efficient nor reliable method. The shortcomings of this study with respect to administrative differentials could be addressed by a series of management audits to ascertain the following:

- The effects of any differences in accounting practices on the current results.
- Other unidentified sources of inaccuracy in the existing data or analysis.
- Patterns of management practice, school or district structure and/or local factors and influences that may contribute to the large current differences from one district to another in expenditures per student.
- The potential for cost savings as a result of consolidation of districts, cooperative or centralized administrative structures or other system efficiencies. For example, audits might consider:
 - How insurance levels and carriers are determined.
 - Whether plant and equipment investments could reduce overall costs.
 - Whether use of technology could alter spending patterns, particularly for travel and communications.

Insights from these investigations would add significantly to the interpretation of the statistical analysis. Additional insight into expenditure patterns might be gained by tracking historical data over time to try to better quantify effects of year-to-year funding levels on expenditures. It may be worthwhile to repeat the analysis periodically using a rolling average of three or more years' financial reports.

In conclusion, the study team is comfortable with the statistical approach for allocation of funding for district administration, but with certain limits.

- First, the revised multipliers may force some districts to operate more cost-efficiently, but the real issue appears to be inefficiently sized districts rather than inefficient administrators. Limits imposed on per-student administrative expenditures for purposes of developing multipliers were not stringent. The limits - a two-standard-deviation cap for districts with exceptionally high administrative expenditures and a floor equal to per-student administrative expenditures in Anchorage - narrows the range of multipliers, but the range remains broad. Perhaps the best way to reduce administrative costs is to explore cooperation among districts and centralization and consolidation of administrative functions.
- Second, we recommend management audits to further learn the causes of exceptionally high and low administrative expenditures. Decision-making can be improved once this knowledge is gained.
- Third, until further research is done and better quality databases are available to decision makers, the study team recommends all districts be protected from losses by means of transitional implementation of the adjustment factors so that no district loses aid without sufficient time to plan.

Chapter V. Additional Considerations

This chapter provides additional discussion of relevant issues that were not treated as fully as desired in other sections of the report. While the topics vary, the purpose of Chapter V is to amplify discussion of key issues in school cost research.

A brief discussion of the "size of the pie" makes the point that the statistical approach offers an improved, but more complex, education funding formula. Shifts in legislative allocation among the three components of the formula can change allocations to districts.

The second section of Chapter V deals with methods for altering the implementation of the statistical approach. There are innumerable options possible; we discuss only two. Although this chapter presents little quantitative analysis, it does indicate the probable effect of applying the alternatives.

Third, we present background discussion relevant to the recommendation to eliminate the area cost differential (ACD) for the instructional component. While some of the ACD discussion duplicates points made earlier in the study, it is presented in more detail here.

The Size of the Pie(s)

The statistical approach does not establish any fixed level of school expenditures. It is a vehicle for equitable distribution of the "educational funding pie" on the basis of student enrollment adjusted for school size and location - regardless of the size of the pie. The size of the pie is determined by the combination of available State revenue and the political process. Each district, under the statistical method, is allocated a proportion of the pie, not a specific level of funding.

Perhaps the most important point in this discussion is that there are three pies - instruction, nonpersonal services and administration - and that each pie is divided differently. The instructional pie is divided most evenly among districts because the instructional component has the lowest multipliers. Both noninstructional components have higher multipliers than does the instructional component. High multipliers in a district mean that adjusted student counts - and so allocations of aid - are disproportionately high. The implication of the higher range of multipliers in the noninstructional components is that shifting money from the instructional pie to the noninstructional pies will shift the distribution of aid to districts with high noninstructional multipliers.

The funding level in each component does not affect the calculation of multipliers, but it does affect the aid allocated as a result of those multipliers. We did not test the sensitivity of allocations to the size of the pies.

If allocations to the three components of the funding formula were to reflect the current division of expenditures by districts, 79 percent of total

aid would go to the instructional component, 16.5 percent to the nonpersonal services component and 4.5 percent to the administrative component. We recommend that allocations be specified in law rather than becoming a point of controversy in each budget cycle.

Additional Allocation Considerations

The statistical approach that is the basis for this study would make public school funding more equitable. The study team found that funding for special programs is complicated and, according to school administrators, is subject to abuse. The multipliers developed in this study reflect the certificated staff associated with special programs, but we were unable to perform a comprehensive study of classified staff due to lack of data. We recommend that the legislature consider abandoning separate funding for special programs, allowing a single allocation to each district to be spent as the district believes is appropriate. A supplemental pot of money could be used to fund those districts with documented extraordinary needs.

Essentially, the statistical method found that the current funding formula undercompensates some districts – generally those with high area cost differentials (ACDs) – for nonpersonal services costs and at the same time overcompensates many of these same districts, and some others as well, for personnel costs. The approach makes no judgments about proper or improper expenditures in any district. It simply identifies and quantifies the extent of differences in nonpersonal services and administrative expenditures. The reasons for those differences and any decisions about their propriety are beyond the scope of this study effort.

The major areas in which alternate scenarios might be considered are

- area cost differentials for the instructional component;
- schools instead of funding communities as the basic units for funding (which is addressed adequately in Chapter II and is not discussed in this chapter), and
- other limits on nonpersonal services and administrative costs.

Equity in Instructional Allocation

Research of instructional salaries and pay scales, and of private sector compensation practices in Alaska indicate that area cost differentials for personnel based on the household cost of living are rarely paid and that districts do not have to pay high geographic differentials to attract personnel. In fact, average salaries in major urban school districts and smaller remote districts are often about the same because higher starting salaries in rural areas are offset by greater longevity in urban districts.

The study team's recommendation to provide no ACD for the instructional component would provide the same level of funding support

per teacher for all districts. Any alternative to this recommendation is fraught with potential for aggravating inequities among districts.

ACDs Based on Differences in Average Salaries

ACDs based on average instructional salaries are by far the most supportable, because average salaries are an accurate measure of costs incurred by school districts. However, this alternative would reward districts that have chosen to pay more than average for instructional personnel and penalize districts that historically have chosen to pay less than the state average. Districts have chosen to compensate instructional personnel at different levels for many reasons. These may include attracting superior personnel, lack (or surplus) of funds under current law, poor or excellent collective bargaining skills and high non-personnel costs, for example.

In addition, average salaries are highly dependent upon average teacher experience, which can change from year to year. Multipliers are expected to reflect less variable factors and would not respond to changes in average salaries once the multipliers are implemented. One solution to this problem is to add a "longevity factor" to the adjustment process. Several states provide additional funding to districts with average longevity greater than the statewide average.

The impact of an ACD based on average instructional salaries would be mixed. Anchorage's average is very close to the statewide average salary, so that nearly half of all districts - including several with high current ACDs - would receive relatively less aid if ACDs were based on average salaries. A longevity adjustment would tend to shift aid from rural districts to urban districts.

Allocation Based on Cost-of-Living Differentials

Another alternative could be to continue the current (and - in light of the study findings - irrelevant) practice of allocating funds to districts based on household cost-of-living differentials. Disadvantages of this alternative are:

- High pay differentials are not necessary to attract personnel, judging from the actual practices of districts with both high and low current ACDs.
- Cost-of-living differentials do not compensate for costs associated with greater job longevity in urban areas with low ACDs.
- The household cost of living is not directly related to the actual cost of staffing a school.

ACDs based on prices of household goods would favor rural districts.

Equity in Nonpersonal Services and Administration Allocations

Due to data limitations and the exceptionally wide variations in actual district expenditures, approaching equity in these allocation categories is more difficult. The statistical method limits (for purposes of developing multipliers) only extreme per-student expenditures. A cap of two standard deviations above the mean and a floor equal to Anchorage's per-student expenditures cut off the most extreme peaks and fill in the lowest valleys in per-student spending. The method has the advantages of not penalizing the lowest spending districts nor rewarding the highest spending ones by continuing past funding practices.

However, until data become available to understand the reasons for these variations, the study team is reluctant to recommend more than modest adjustments. As a result, sound alternatives for further adjusting the nonpersonal services and administration allocations appear very limited at this point.

One might consider a more rigid dollars-per-student allocation based on the size factor derived from the instructional size analysis. However, this eliminates consideration of the many factors affecting cost that are not related to size alone and would result in significant undercompensation for districts in high cost areas. The research, even with its limitations, is conclusive in that each of the three cost categories responds to very different factors and should have unique area cost adjustment factors.

Discussion of The Personnel Area Cost Differential Issue

The personnel cost component (which constitutes from 60 percent to 90 percent of a district's total costs, depending on the district) has been based on the household cost of living in each of the 53 districts.

The underlying principle has been salary equity for school district personnel, which may or may not mean equity for students. The thinking goes, "If it costs 30 percent more than in Anchorage to operate a household in a particular district, that district needs 30 percent more personnel funding (for classified as well as certified personnel) as equity compensation."

The obvious weakness in this argument is that the cost of operating a household is not the cost of operating and staffing a school. Further, compensation for household cost of living assumes that school district employees need significant differential incentives to take local school jobs. Analysis of both instructional salaries and other occupational data concludes this is not the case.

Still, most of the current ACD granted for location equity is based on the cost of operating a household, not staffing a school. While household cost of living is the single most important factor in the ACD, it fails to address the most important issue of school funding. That issue is "What does it cost to staff a school so it can deliver an appropriate level of education to Alaska children, regardless of geographic location?" That issue cannot be addressed by determining the price of bread in local grocery stores.

There are two apparent historical reasons for using household costs instead of school costs. The first reason has been lack of school cost data. Household cost-of living-data has existed in some form ever since statehood, while little data has been developed on the differences in operating and staffing schools. The McDowell Group's *Alaska Geographic Differential Study of 1985* is the single study since statehood that measured geographic differences in the complete range of household expenditures. With some adjustments for political considerations, this study is the basis for the personnel side of the current ACDs paid to school districts. Other studies have been largely confined to either food or housing and did not address transportation, medical, recreation and other significant household costs.

The second reason for using household cost of living as a measure of most of the cost of operating a school was the thinking by some that salary equity – regardless of other factors such as market demand and supply, lifestyle preference, local economic conditions, presence or absence of amenities, and cultural consideration – was a bottom line for school district personnel. Under the terms of the RFP, this study is required to address and offer alternatives to “existing practices.”

Study Results of Salary Differential Research

In an effort to identify actual school costs, several research tasks were undertaken by the McDowell Group. These included an analysis of actual instructional salaries paid by districts and schools of all sizes, an analysis of district pay scales at all levels of experience and education, an Occupational Data Base research effort comparing salaries of 25 different occupations in all areas of Alaska, research on pay practices by private sector firms with multiple locations, and review of recent cost-of-living research in Alaska.

Two conclusions were obvious. First, the research found that school districts do not typically pay salary differentials as high as the district Area Cost Differentials, and some districts with high differentials pay less than the statewide average. Some districts do have higher starting salaries, but their scales and actual pay practices do not generally reflect the personnel differential incorporated into the district ACD.

Further, most other entities – both private sector and government – do not provide a differential. Only the State of Alaska has a formal pay differential based on the estimated household cost of living. The federal government pays no differential within Alaska (though it pays 25 percent more than in the “Lower 48”). More conclusive are private sector practices. If anything, the private sector pays a reverse differential with wages lower in rural areas than in Anchorage for a wide range of 25 occupations ranging from bartender to engineer. The exception was one statewide company that paid differentials in two remote locations (out of over 100) for housing. The amount of the differential was about half that of the State of Alaska differential in these two locations.

Household Cost of Living Research

The second conclusion of this study's personnel cost research was that true differences in cost of living still exist and have probably not declined since the 1985 McDowell Group study, the *Alaska Geographic Differential Study*. The most reliable indicator since statehood has been the University of Alaska Cooperative Extension Service's Cost of Food at Home Index, which shows little change over the past twelve years.

Alaska's economic maturity following the trans-Alaska pipeline construction brought modern merchandising to urban Alaska and actually accentuated the price differences between urban and remote Alaska when compared to pre-pipeline days. A review of sound cost-of-living research shows little change in these price differences from the early 1980's to the present day.

We are left with the paradox that groceries and many other household items continue to cost more in outlying (no road access) areas but – apart from state government – little differential compensation is paid in Alaska, including in school districts. Clearly, the predominant private and public policy is to pay what is necessary to attract and retain employees but not to compensate specifically for household cost of living differences.

In other states, living costs are generally lower in rural areas and cost differential policies in most states compensate urban personnel for higher living costs. In Alaska, some costs in road-accessible rural areas are lower. Historically, housing in many districts (even in a number of remote districts) has been less expensive than in Anchorage. However, retail prices are obviously lower in Anchorage than in rural areas of the state.

Generally, urban costs throughout Alaska are similar to those in Anchorage. In smaller urban communities that benefit from road, air and rail access to urban centers, costs appear to be the same or a bit higher than Anchorage. In the truly remote areas of Alaska, virtually all costs are higher, except housing in some cases.

Compensation Choices Made by School Districts

The salary levels of instructional personnel are a far more complex issue than simply stating that most districts that receive additional aid due to an ACD do not typically pass the money on to instructional personnel. One reason for urban districts paying as much or more than districts with higher ACDs may be a desire to recruit and retain superior instructional personnel. Districts are clearly free to make these choices. A district can choose either a generous or budget-minded negotiating policy. Districts can also offer higher pay scales under the assumption that higher pay would help attract high quality personnel.

Thus, the issue is not that smaller districts are paying too little or urban districts paying too much. Neither is the case. Instead they simply are paying what they have chosen to pay.

In summary, it is clear that market forces and district policy choices, not household cost of living, already determine the cost of instructional staffing. It is also clear that this cost is only slightly related to the cost of

operating a household. Our study recommendation is to fund a *level of staffing* adjusted for school size as calculated in the body of this report. Granting similar dollar allocations for similar staffing levels appears to be a step toward equity.

Alaska School Operating Cost Study

Supplemental Summary

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Alaska School Operating Cost Study Supplemental Summary

Purpose

The purpose of this *Supplemental Summary* is to explain, briefly and clearly, how to apply the methods and results of the *Alaska School Operating Cost Study*. The study was prepared by the McDowell Group under contract to the Legislative Budget and Audit Committee and was completed on January 31, 1998.

Readers of the study may have some difficulty in pulling together pieces from the separate chapters addressing the complex school cost issues. This supplement is intended as a user-friendly guide to seeing "the big picture" that may be hidden in the technical detail in the study.

The purpose of the full *Alaska School Operating Cost Study* is to determine adjustment factors that compensate for the impact of *school size* and *geographic location* on school operating costs.

The study was confined to determining the cost of basic educational need – known officially as Basic Need – and did not address or include local contributions, federal impact aid, categorical aid, or other factors that affect the amount of state aid allocated to each school district. Basic Need is simply the amount of money needed to provide basic education to students.

The Current Situation

Incredibly, this *Alaska School Operating Cost Study* is the first study of real school costs in the thirty-nine years of Alaska statehood. School operating cost allocations are not currently based on actual school costs. Instead, the distribution of billions of dollars in state aid to public education has been based on three unsatisfactory and outdated proxies in lieu of real school cost data.

Current Area Cost Differentials (ACDs) are based on two proxies. Most funding (about 80%) is based on the 1985 cost of operating a personal household (not a school) in various locations in Alaska, and the remaining 20% is based on the 1988 shelf prices of 34 items commonly purchased by schools. However, shelf price is just one factor that affects the per student cost of operating a school in different locations. Without a method that considers such geographic location factors as climate, building quality, the quantity of each item purchased and local district policies – just to name a few – simply comparing shelf prices is meaningless.

The third proxy in the formula is for school size. Current school size factors are based on past educators' best subjective opinions on the inefficiency of small schools compared to larger schools, with no supporting factual data.

The Communications Problem

Any new method of allocation for school operating costs will certainly result in changes in allocation among districts. Further, a new method based on actual school costs is certain to improve accuracy and equity compared to a method not based on school costs. Yet, for those familiar with the workings of the current method, changing to another method can be confusing. This Supplemental Summary intends to bridge the communications gap between our recommended statistical method and the current method of allocation.

The "Statistical Method"

Under the legislative directive to develop a new basis for determining Basic Need, the McDowell Group designed a "statistical method" that made three major advances.

- The "size formula" applies at the school level rather than to groups of schools known in the current method as "funding communities." This assures that each school is treated equitably regardless of its location or past levels of funding.
- Size adjustments are based on actual staffing levels in schools rather than on subjective factors.
- ACDs are based on actual expenditures rather than on a combination of outdated household cost-of-living data and subjective adjustment.

In addition, the statistical approach bases computation of Basic Need on student counts rather than converting to instructional units. This is mathematically identical to the current formula (and it would be easy to convert to "units" if desired).

The study identifies three categories of school costs - instruction, non-personal services and administration - and analyzes them separately because their responses to size and geographic location vary. Later in the study process, these costs were placed into two groups - *school level* costs (instruction) and *district level* costs (non-personal services and administration combined) to simplify the analysis. In this summary, we discuss the simplified, two-category approach.

The study relied on FY 1996 data as that was the last year of complete data available for all districts and for school-specific staffing. The statistical method is designed so that existing data bases - provided their quality is improved - will supply increasingly accurate adjustments for school size and geographic location. In other words, the state of Alaska will no longer have to go thirteen years and to considerable expense before updating and improving the system for allocation of aid for education.

Our proposal has its faults, primarily due to the obvious limitations of existing school cost data for administration and non-personal services. However, in our opinion, the advantages of basing school cost allocations on real school costs, and of having an unquestionably sound basis for the dominant cost of instruction, vastly outweigh the temporary deficiencies of the statistical method.

Two Steps to the Bottom Line

Using the statistical method, Basic Need is simply the sum of each district's allocations for the two categories of school costs – school level (instructional) needs and district level (non-personal services and administration) needs. School level costs are adjusted for school size and district level costs are adjusted by each district's Area Cost Differential (ACD). The following two steps explain the procedures and provide the allocation results by district.

Step 1: School Level (Instructional) Costs and the Impact of School Size

First, the school size factor was determined. In this study, the dominant school operating cost – instructional staffing – is treated on a school by school basis, depending on school size. *School level* staffing costs account for 70% to 80% of total Alaska school operating costs, depending on how administration costs are defined. The remaining 20% or 30% of operating costs are *district level* costs (non-personal services and administration) costs. In the example used in this Supplemental Summary, a broad definition of administration is used resulting in an allocation split of 70% school level costs and 30% district level costs. The priority of the study team was to develop appropriate school level staffing requirements for schools of all sizes.

School Size Distribution

Table I shows the distribution of Alaska's schools by size of school.

Table I.
Alaska School Size Distribution

Number of Students		Number of Schools
From	To	
-	20	49
20	30	35
30	75	69
75	150	83
150	250	53
250	400	47
400	750	102
750	2,500	22

Developing a School Size Formula

The statistical method grouped schools throughout the state into similar size categories, studied their staffing patterns (regardless of the funding level of the districts) and developed a staffing model for every size school in Alaska. This process was complemented by a team of school experts with decades of experience in both rural and urban areas of the state. They developed a professionally-determined model for school staffing for all sizes of Alaska schools. The statistical and professional models were strikingly similar, lending support to the overall study method.

The result of the school-staff model is a formula that compensates for small school size by adjusting the student count upward in small schools so that each student generates more revenue than students in larger schools do. This is identical (in concept) to the current formula for determining the number of "instructional units" which define Basic Need.

Study results show that school size factors vary from 1.98 for the smallest schools to 0.84 for the largest schools. The base 1.00 is simply the statewide average school size factor.

These school size factors are exhibited Table II, which reads like an income tax table. The formula in Table II could replace the "instructional unit computation" in AS 14.17.041. This table insures that a district is compensated for every student in every school.

For example, a small school of 80 students receives an adjusted student count of the base of 122.85 (for schools in the 75 to 150 size category), plus 1.49 for each student over 75, or 7.45. The total adjusted student count for this small school of 80 students is then 130. The size factor for that school is then 1.63 (the ratio of 80 actual students to 130.30 adjusted students).

Table II
School Size Adjustment Formula
 (for the Conversion of Actual to Adjusted Student Count)

If The Student Count is		The Adjusted Student Count is				
At Least:	But Less Than	Base	plus	Multiplier	Times	The Number of Students in Excess of
-	20	39.6	•	0	X	0
20	30	39.6	•	1.62	X	20
30	75	55.8	•	1.49	X	30
75	150	122.85	•	1.27	X	75
150	250	215.1	•	1.08	X	150
250	400	326.1	•	0.97	X	250
400	750	471.6	•	0.92	X	400
750	5,000	793.5	•	0.84	X	750

Computing District School Size Factors

Once each school is assigned its size factor in the formula in Table II, the school factors result in a district size factor. In the case of the following example in Table III - Kenai School District - each of 36 schools gets credit for every student with size factors ranging just 1.09 for the 594-student Soldotna Middle School to 1.81 for the 35-student Port Graham School. In total, the Kenai School District has a resulting district size factor of 1.21, meaning that 10,282 actual students become 12,431 adjusted students. When the legislature determines a basic need amount for school level (instructional) the Kenai School District receives school level funding for 12,431 adjusted students as compensation for school size throughout the district.

Table III demonstrates that the dominant school operating cost - instructional staffing - is addressed on a school-by-school basis. The "boost" in adjusted student counts decreases as school size (and therefore, efficiency) increases.

Composite district size factors (the result of applying the school size formula to all schools in a district) range from 1.07 in Anchorage to 2.04 for the Southeast Island district and are shown in Table IV.

Readers should recognize that the school - and therefore, the district - size factor changes when the number of students changes. In most cases the size factor changes will be slight, but each district will have a different size factor each year unless enrollment remains exactly the same. The formula adjusts for year-to-year variation in school enrollment and the most recent enrollment will be used to determine actual funding each year.

Table III
 Sample District School Size Factor Computation
 Kenai School District

School	Students	Grades	School Size Factor	Adjusted Student Count
Chapman Elementary School	262	k 8	1.29	338
Cooper Landing School	40	k 8	1.77	70
Homer Middle School	253	7 8	1.30	329
Homer Intermediate School	259	4 6	1.29	335
Paul Banks Elementary School	310	p 3	1.24	384
Homer High School	518	9 12	1.12	580
Hope Elementary School	33	k 10	1.83	60
Kachemak Selo School	54	k 8	1.70	92
Tustumena Elementary School	282	k 6	1.27	357
Mt View Elementary School	417	3 5	1.17	487
Sears Elementary School	435	p 2	1.16	504
Kenai Middle School	457	6 8	1.15	524
Kenai Central High School	458	9 12	1.15	525
McNeil Canyon Elementary School	198	k 6	1.36	270
Moose Pass School	39	k 7	1.77	69
Nanwalek School	53	k 12	1.70	90
Nikiski Elementary School	313	p 6	1.24	387
North Star Elementary School	336	k 6	1.22	410
Nikiski Middle/Senior High School	478	7 12	1.14	543
Nikolaevsk School	135	k 12	1.47	199
Ninilchik School	223	k 12	1.33	297
Port Graham School	35	k 10	1.81	63
Razdolna Elementary	36	k 8	1.80	65
Susan B English School	99	k 12	1.55	152
Seward High School	441	7 12	1.15	509
Seward Elementary School	459	p 6	1.15	526
Alternative School/Bilingual	104	k 12	1.54	160
Soldotna Elementary School	413	k 5	1.17	488
Redoubt Elementary School	424	p 6	1.16	503
Kalifornsky Beach Elementary	436	k 6	1.16	505
Soldotna High School	547	9 12	1.11	607
Skyview High School	568	9 12	1.10	626
Soldotna Middle School	594	7 8	1.09	650
Sterling Elementary School	382	k 6	1.19	454
Bartlett Elem/High School	43	k 12	1.75	75
Voznesenka Elementary School	134	k 10	1.48	188
Kenai Total	10,262		1.21	12,431

Computing School Level (Instructional) Basic Need

Table IV shows the bottom-line impacts of school size on district allocations for school level (instructional) Basic Need. Following the columns from left to right for the Alaska Gateway School District we see that a student count of 552 becomes an adjusted student count of 835 when the district school size factor of 1.51 is applied.

School level Basic Need is proportional to adjusted student counts. In the Alaska Gateway example, the district has 0.58% of the statewide adjusted student count (835 out of 144,819), so has 0.58% of total school level Basic Need. In the example used for Table IV, the basic need for school level (instructional) costs is assumed to be \$560 million. Alaska Gateway gets 0.58% of that amount, or \$3.2 million.

School Level (Instructional) ACD

The dominant cost of basic education – school level instructional costs – is dealt with through the preceding size formula. The question then is “Shouldn’t there also be an ACD for instructional personnel?” The study does not recommend an ACD for instructional staffing.

A surprising finding of this study is that most districts pay instructional personnel approximately the same (within 5%) as Anchorage pays. Therefore, the actual per teacher instructional costs of most districts are remarkably similar, regardless of geographic location. All other 52 districts combined pay an average salary less than 1% above Anchorage. Further, the districts that do pay significantly higher or lower appear to be doing so out of local choice (i.e., district policy) rather than in direct response to higher or lower household costs of living.

The analysis leads to the conclusion that typical instructional costs are not the result primarily of geographic location but are more strongly determined by market forces including district choice. At the same time, household cost of living clearly is higher in some areas than in others. Just as clearly, districts appear able to staff their schools with little variation in average cost. Thus, the cost of staffing a school in Alaska is not the cost of operating a household – a proxy upon which most of the current ACD is based.

Because the cost of staffing a school does not vary with the cost of operating a household, the study team recommends compensating districts for instructional costs only through the school size factor (which can be substantial) but not with a personnel ACD. By recommending no ACD for instructional staffing, districts that have been frugal are not penalized and districts that have chosen to pay more are not rewarded at the expense of others.

**Table IV
District Allocations of School Level (Instructional) Need**

School District	Student Count	District School Size Factor (See Table III)	Adjusted Student Count	Proportion of Adjusted State Total	School Level (Instruction) Need
Total	122,887		144,819	100.00%	\$60,000,000
Alaska Gateway	552	1.51	836	0.58%	\$3,229,088
Aleutian Region	21	1.98	41	0.03%	\$189,393
Aleutians East	355	1.52	574	0.40%	\$2,320,332
Anchorage	48,178	1.07	49,382	34.10%	\$190,964,969
Annette Island	444	1.33	592	0.41%	\$2,288,119
Bering Strait	1,878	1.49	2,802	1.73%	\$9,876,593
Bristol Bay	301	1.50	450	0.31%	\$1,740,489
Chatham	337	1.72	582	0.40%	\$2,248,847
Chugach	131	1.95	254	0.18%	\$990,814
Cooper River	839	1.58	1,326	0.92%	\$5,860,972
Cordova	519	1.28	667	0.46%	\$2,178,538
Craig City	424	1.34	570	0.39%	\$2,204,134
Delta Group	910	1.39	1,267	0.87%	\$4,898,387
Denali	378	1.41	533	0.37%	\$2,067,435
Dillingham	524	1.29	673	0.46%	\$2,602,227
Fairbanks	15,818	1.09	17,297	11.94%	\$66,883,858
Galena	150	1.56	234	0.16%	\$988,047
Haines	430	1.51	649	0.45%	\$2,609,816
Hoonah	273	1.47	402	0.28%	\$1,864,144
Hydaburg	114	1.68	192	0.13%	\$742,678
Island	422	1.86	788	0.54%	\$3,038,276
Juneau	5,525	1.06	5,844	4.04%	\$22,599,291
Kake	180	1.55	279	0.20%	\$1,142,281
Kashunami	244	1.31	320	0.22%	\$1,238,937
Ketchikan	10,282	1.21	12,431	8.58%	\$48,970,684
Ketchikan	2,830	1.19	3,368	2.32%	\$12,983,838
Klawock	220	1.52	338	0.23%	\$1,293,863
Kodiak	2,972	1.24	3,571	2.47%	\$13,809,049
Kutikuk	468	1.72	806	0.56%	\$3,116,771
Lake & Peninsula	498	1.86	929	0.64%	\$3,891,328
Lower Kuskokwim	3,275	1.41	4,631	3.20%	\$17,908,893
Lower Yukon	1,885	1.38	2,588	1.83%	\$9,107,140
Matanuska	12,024	1.12	13,493	9.32%	\$52,174,841
Nenana	161	1.43	230	0.16%	\$889,308
Nome	773	1.23	951	0.66%	\$3,499,248
North Slope	1,808	1.22	2,206	1.54%	\$9,186,444
Northwest Arctic	1,952	1.33	2,596	1.79%	\$9,883,844
Peckah	58	1.78	104	0.07%	\$461,844
Penikese	754	1.29	979	0.67%	\$2,748,242
Prudhoe	213	1.52	322	0.22%	\$1,338,180
Seward	171	1.24	212	0.15%	\$872,793
Skagway	131	1.48	194	0.13%	\$768,042
Southeast Island	350	2.04	713	0.49%	\$2,716,868
Southeast	818	1.57	1,284	0.89%	\$4,734,498
St. Marys	129	1.84	239	0.17%	\$1,116,348
Tanana	34	1.58	54	0.04%	\$248,316
Unalaska	353	1.58	559	0.39%	\$2,048,978
Valdez	898	1.22	1,096	0.76%	\$3,243,994
Wrangell	532	1.28	681	0.47%	\$2,328,832
Yakutat	187	1.48	277	0.19%	\$1,211,923
Yukon Flats	412	1.81	743	0.51%	\$2,878,488
Yukon-Koyukuk	825	1.63	1,334	0.91%	\$3,994,988
Yupik	381	1.63	622	0.43%	\$2,694,474
Basic Need				\$	\$60,000,000
Factor is School Level (Instruction)					79.0%
Amount Allocated in Instructional Component				\$	\$60,000,000
Statewide Adjusted Student Count			144,819		
Allocation per Adjusted Student Count				\$	\$414

Step 2 District Level (Non-personal Services and Administration) Costs and the Impact of Area Cost Differentials

In contrast to instructional costs by school, district level (non-personal services costs and administration) costs vary widely depending on geographic location. However, separating the influence of location and size in the non-instructional district level cost categories is very difficult and is not attempted in this study. The ACDs for district level costs compensate for both size and location.

To illustrate, a remote district with several small schools may pay eight times as much per student for heating oil as does a large urban district, although the shelf price of oil is only twice as high in the remote district. Both school size (small schools cost more per student to heat) and geographic location (high shelf price, building quality, harsh climate, etc.) combine to increase costs.

The same blurring of the influence of location and size exists when analyzing administration costs. Every district, no matter how small, must have some administrative structure. A small district may be administered as efficiently as possible, but it will still have high per student administration costs simply because it has fewer students over which to spread costs. Consolidation of small districts and/or of administrative functions could result in significant administration cost savings.

Study Conclusions Concerning District Level ACDs

Analysis of administrative and non-personal services costs points to the following conclusions:

- Administration staffing and cost differences were so variable, even among similar districts, that no consistent standard could be applied for computing a relationship between enrollment and administration costs. The long run solution is more accurate administration data, uniform accounting practices, a clear definition of administration and a general district staffing standard for size similar to that for school level instructional staffing. The short run solution is to compensate districts based on their actual costs.
- Non-personal services costs varied among districts, but not to the extent that administration costs varied. Many districts have been under-compensated for non-personal services costs by the current method of allocation. As in administration costs, better district non-personal services data is essential before formulating policy.
- Finally, for simplicity, the study team recommends a single blended ACD for district level costs, combining administration and non-personal services. Districts are then compensated for costs according to their financial statements. If such statements are inaccurate, then future allocation refinements should allow for improved data.

Our recommendation is to compensate districts for actual costs incurred. This is an unsatisfactory long run solution, but basing the district level ACD on actual costs is an improvement over the current method.

Calculating District ACDs

The method for calculating the district level ACD, or multiplier, is not complex. Total actual district level costs are divided by the total number of actual students. The result is a per student district level cost. This district level cost is then compared to the statewide per student cost. This ratio becomes the district level ACD. Using Alaska Gateway as an example, the district's per-student district level (non-personal services and administration) expenditures were \$3,326 and the average for Alaska was \$1,056. The district's ACD then is 3.15 ($3,326/1,056$).

Table V shows how the ACD is used. Each district's actual student count is multiplied by the ACD to produce an adjusted student count. Again using Alaska Gateway as an example, 552 actual students (times the ACD of 3.15) gives an adjusted student count of 1,739 for purposes of allocating district level costs. When all adjusted student counts are totaled, Alaska Gateway's proportion of statewide adjusted student count is 0.91%, so their slice of the district level cost allocation pie is 0.91%, significantly greater than the district's school level cost allocation pie slice of 0.58%.

The Alaska Gateway School District has significantly higher-than-average district level costs per student. As a result, the district receives 0.91% of the total district level cost allocation of \$240 million, or \$2.2 million.

Readers should remember that the district level ACDs apply only to district level (non-personal services and administration) costs.

Table V
 District Allocations of District Level (Nonpersonal Services and
 Administrative) Need

School District	Student Count	District Level ACD	Adjusted Student Count	Proportion of Adjusted State Total	District Level (NPS & Admin.) Need
Total	122,857		190,569	100.00%	240,000,000
Alaska Gateway	552	3,152	1,740	0.91%	2,191,207
Aleutian Region	21	7,532	158	0.08%	199,199
Aleutians East	355	4,209	1,494	0.78%	1,881,765
Anchorage	46,175	1,002	46,175	24.23%	58,151,802
Annette Island	444	1,307	580	0.30%	730,831
Benng Strait	1,879	4,475	7,515	3.94%	9,464,385
Bristol Bay	301	2,941	885	0.46%	1,114,858
Chatham	337	2,427	819	0.43%	1,030,968
Chugach	131	4,098	537	0.28%	678,085
Copper River	839	2,538	1,621	0.85%	2,041,647
Cordova	519	1,687	876	0.46%	1,102,657
Craig City	424	1,311	556	0.29%	700,046
Delta/Greely	910	1,384	1,714	0.90%	2,158,308
Denali	378	3,065	1,159	0.61%	1,459,084
Dillingham	524	2,488	1,304	0.68%	1,641,874
Fairbanks	15,816	1,190	18,820	9.88%	23,702,166
Galena	150	3,599	540	0.28%	679,878
Haines	430	1,457	627	0.33%	789,017
Hoonah	273	1,896	483	0.24%	583,105
Hydaburg	114	2,137	244	0.13%	306,809
Igitarod	422	5,192	2,189	1.15%	2,757,379
Juneau	5,525	1,010	5,580	2.93%	7,027,677
Kake	190	1,607	305	0.16%	384,528
Kashunamut	244	3,236	790	0.41%	994,389
Kenai	10,292	1,148	11,803	6.19%	14,065,002
Ketchikan	2,850	1,008	2,873	1.51%	3,618,466
Klawock	220	1,527	336	0.18%	423,077
Kodiak	2,872	1,521	4,655	2.44%	5,862,261
Kuspuk	468	4,557	2,131	1.12%	2,683,849
Lake & Peninsula	498	5,347	2,913	1.53%	3,668,186
Lower Kuskokwim	3,275	4,257	13,287	6.97%	16,733,281
Lower Yukon	1,595	3,695	6,264	3.29%	7,888,484
Matanuska	12,024	1,092	13,130	6.89%	16,538,317
Nenana	161	2,358	460	0.24%	579,490
Nome	733	2,706	1,983	1.04%	2,497,986
North Slope	1,805	3,446	6,944	3.64%	8,745,735
Northwest Arctic	1,892	4,136	7,924	4.16%	9,979,239
Pelican	38	3,704	141	0.07%	177,261
Petersburg	754	1,077	612	0.31%	1,022,693
Prudhoe	213	3,886	829	0.43%	1,042,419
Sitka	1,402	1,259	1,926	1.01%	2,425,999
Skagway	131	2,219	291	0.15%	366,089
Southeast Island	350	2,900	1,015	0.53%	1,277,727
Southwest	618	4,080	2,514	1.32%	3,165,698
St. Mary's	129	3,797	490	0.26%	616,863
Tanana	94	4,917	425	0.22%	534,732
Unalaska	753	2,531	929	0.49%	1,162,644
Valdez	876	1,606	1,439	0.76%	1,812,233
Wrangell	650	1,136	625	0.33%	786,863
Yakutat	187	1,871	380	0.18%	440,629
Yukon Flats	410	6,466	2,649	1.39%	3,336,259
Yukon Koyukuk	625	4,820	3,013	1.58%	3,794,501
Yupik	381	4,542	1,731	0.91%	2,179,366
Basic Needs				\$ 800,000,000	
Percent to District Level				30.0%	
Amount Allocated to District Level				\$ 240,000,000	

Summary Computation of Total District Basic Need Allocations

Table VI identifies each district's Basic Need allocation. The statistical method for computing total Basic Need is simply addition. Table VI adds the school level cost component (from Table IV) and the district level cost component (from Table V) of Basic Need, resulting in total Basic Need allocation. In the example of the Alaska Gateway School District, the \$3.2 million in school level cost need plus the \$2.3 million in district level cost need total the district's \$5.5 million Basic Need allocation.

Discussion of Basic Need

Definition of Basic Need

Basic Need is simply an estimate of the amount of money required to educate students. It is currently set at \$61,000 per instructional unit. We recommend not using the term instructional unit due to common difficulty in understanding the concept. In its place we suggest the simple concept of cost per student as applied in this report. Thus, under the statistical approach developed in the study, Basic Need would be stated in terms of dollars per student. In the calculations used in this study, the actual unadjusted per-student Basic Need is about \$5,500, 70% of it for school level (instructional) costs and 30% for district level (non-personal services and administration) costs. This split reflects expenditures shown in district financial reports.

Just as under current law, the requested level of funding will be driven by Basic Need. Basic Need is set by statute in terms of dollars per (adjusted) student, so that additional students increase Basic Need. Just as under current law, state aid is equal to Basic Need less local contributions and a portion of federal impact aid. Therefore, Basic Need is only the starting point for determining state aid - it is not the final level of funding.

Formula for Basic Need

The current formula for determining Basic Need is:

Students (adjusted by a formula that adjusts for school size and converts to "instructional units")

x ACD (which is a fixed "multiplier" that is based on differences in the cost of living and prices of certain school supplies and services)

x S/Instructional Unit (which is an amount determined by the legislature).

= Basic Need

The statistical method formula for determining Basic Need is:

Students (adjusted for School Size) x School Level - i.e., instructional - Cost Allocation per adjusted student (an amount determined by the legislature).

+

Students (adjusted for ACD) x District Level - i.e., non-personal services and administration - Cost Allocation per adjusted student (a second, separate amount determined by the legislature).

= Basic Need

Table VI
Summary Computation of Basic Educational Need
 Based on Total Basic Need of \$800million

School District	Actual Number of Students FY86	School Level Component of Basic Need		District Level Component of Basic Need	Total Basic Need
		70%	30%		
Source	DOE	See Table IV	See Table V	Computation	
Alaska Gateway	552 \$	3 229 089 \$	2 191 207 \$		8 420 296
Aleutian Region	21 \$	159 393 \$	199 199 \$		358 593
Aleutians East	355 \$	2 220 332 \$	1 841 765 \$		4 162 097
Anchorage	48 175 \$	190 954 989 \$	58 151 902 \$		249 106 891
Annette Island	444 \$	2 288 119 \$	730 831 \$		3 018 950
Bering Strait	1 079 \$	8 679 593 \$	9 464 365 \$		19 143 958
Bristol Bay	301 \$	1 740 489 \$	1 114 858 \$		2 855 348
Chatham	337 \$	2 248 847 \$	1 000 956 \$		3 249 803
Chugach	131 \$	990 814 \$	676 085 \$		1 666 900
Copper River	619 \$	3 850 982 \$	2 241 647 \$		6 092 629
Corдова	519 \$	2 378 368 \$	1 122 857 \$		3 501 225
Craig City	424 \$	2 204 584 \$	700 048 \$		2 904 632
Delta/Grady	910 \$	4 828 389 \$	2 158 708 \$		7 087 097
Denali	378 \$	2 087 435 \$	1 459 084 \$		3 546 519
Delphian	524 \$	2 862 227 \$	1 641 874 \$		4 504 101
Fairbanks	18 818 \$	68 983 958 \$	23 702 186 \$		92 686 144
Galena	150 \$	903 047 \$	679 678 \$		1 582 725
Haines	450 \$	2 509 615 \$	789 017 \$		3 298 632
Healy	273 \$	1 354 144 \$	583 105 \$		1 937 249
Hydaburg	114 \$	742 978 \$	308 929 \$		1 051 907
Iditarod	422 \$	3 035 276 \$	2 757 379 \$		5 792 655
Juneau	5 325 \$	22 998 291 \$	7 027 677 \$		29 025 968
Kake	190 \$	1 142 281 \$	384 528 \$		1 526 809
Kashunami	244 \$	1 233 837 \$	984 389 \$		2 218 226
Ketchikan	10 282 \$	48 070 688 \$	14 985 002 \$		63 055 690
Ketchikan	2 950 \$	12 383 935 \$	3 818 486 \$		16 202 421
Kilbuck	220 \$	1 293 863 \$	423 077 \$		1 716 940
Kodiak	2 872 \$	13 809 048 \$	5 882 251 \$		19 691 319
Kudluk	468 \$	3 118 771 \$	2 683 849 \$		5 802 620
Lower Peninsula	498 \$	3 581 228 \$	3 068 188 \$		6 649 416
Lower Kuskokwim	3 219 \$	17 268 853 \$	19 753 281 \$		34 022 134
Lower Yukon	1 955 \$	8 107 140 \$	7 938 484 \$		16 045 624
Marina	10 224 \$	52 174 541 \$	19 828 317 \$		72 002 858
Merida	161 \$	883 308 \$	579 430 \$		1 462 738
Nome	723 \$	3 498 346 \$	2 437 386 \$		5 935 732
North Slope	1 808 \$	8 188 444 \$	8 743 735 \$		17 932 179
Northwest Arctic	1 892 \$	6 983 846 \$	9 879 239 \$		16 863 085
Pacifi	38 \$	291 854 \$	177 251 \$		469 105
Petersburg	754 \$	3 743 242 \$	1 022 683 \$		4 765 925
Prudhoe	213 \$	1 738 180 \$	1 342 415 \$		3 080 595
Saga	1 802 \$	8 752 783 \$	2 423 899 \$		11 176 682
Skagway	131 \$	790 061 \$	386 389 \$		1 176 450
Southeast Island	352 \$	2 736 158 \$	1 277 727 \$		4 013 885
Southwest	618 \$	3 734 490 \$	3 161 198 \$		6 895 688
St. Marys	129 \$	618 340 \$	618 863 \$		1 237 203
Terrace	34 \$	148 298 \$	824 732 \$		1 073 030
Unalakleet	353 \$	1 848 878 \$	1 183 644 \$		3 032 522
Valdez	898 \$	4 243 964 \$	1 612 223 \$		5 856 217
Wrangell	830 \$	2 928 853 \$	788 863 \$		3 717 716
Yakutat	187 \$	1 211 823 \$	642 829 \$		1 854 652
Yukon Flats	415 \$	2 873 600 \$	3 328 289 \$		6 201 889
Yukon-Flats West	629 \$	2 128 119 \$	1 734 501 \$		3 862 620
Yukon	381 \$	2 424 674 \$	2 173 266 \$		4 597 940
TOTALS	122 817 \$	548 888 888 \$	348 888 888 \$		897 777 776

Summary

In general, the statistical method has these impacts compared to the current funding formula:

- Most of the shift in allocation dollars from the current method to the statistical method is due to the recommended change from "funding community" to "school" as the basic unit for cost, and not to the change in the method of calculating school size factors and ACDs. The loss of an ACD for school level personnel costs may be more than offset by higher ACDs for district level costs.
- Districts currently disadvantaged by having more than one school per funding community would be on an equal basis with communities with one school per funding community. School size is a significant determining factor for cost. For example, when a district with three school with 200 student each in one community receives funding for only one school of 600, the community is deprived of compensation for smaller school size. Funding on a school basis provides equity. Administrative inefficiencies created by administering a district consisting of several communities are compensated for in the statistical method by rewarding for actual cost of administration.
- The range of allocations becomes more moderate. The districts with the highest per student allocations will receive slightly to moderately less and those with the lowest per student allocations receive slightly to moderately more.
- The rank order of per-student Basic Need remains nearly the same as under the current system. In almost all cases, the highest compensated districts remain the highest and the lowest compensated remain the lowest.
- Districts are compensated for actual operating costs, not proxies. If a district has exceptionally high non-personal services costs and moderate administration costs, for example, the statistical method compensates for the reality of both costs.
- A transitional period is strongly recommended by the study team to prevent any district from receiving less than their current dollar allocation due to changing the statistical method of computing Basic Need. The amount needed in the first year would be about \$16 million to \$20 million, depending on the total Basic Need allocation determined by the legislature. As the total allocation pie increases over time, transition compensation will decrease and be eliminated.

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the public school funding program; relating to the definition
2 of a school district, to the transportation of students, to school district layoff
3 plans, to the special education service agency, to the child care grant program,
4 and to compulsory attendance in public schools; and providing for an effective
5 date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * Section 1. PURPOSE OF SECTION 2. The purpose of sec. 2 of this Act is to provide
8 a level of funding through the public school funding program that allows for an equitable level
9 of educational opportunities and outcomes for those students attending the public schools of
10 the state, to promote local decision-making, and, through increased control of funding, to
11 provide more local responsibility and accountability for decisions affecting public schools.

12 * Sec. 2. AS 14.17 is amended by adding new sections to read:

13 **Article 1. State Funding to Public Schools.**

1 **Sec. 14.17.300. Public school account.** (a) The public school account is
2 established. The account consists of appropriations for distribution to school districts,
3 state boarding schools, and for the centralized correspondence study program under
4 this chapter.

5 (b) The money in the account may be used only in aid of public schools,
6 including community school programs, and for centralized correspondence study
7 programs under this chapter.

8 **Sec. 14.17.400. State funding for districts.** (a) The state funding for which
9 a school district is eligible in a fiscal year is equal to the amount for which a district
10 qualifies under AS 14.17.410 (equalization funding).

11 (b) If the amount in the public school account is insufficient to meet the
12 amounts authorized under (a) of this section for a fiscal year, the department shall
13 reduce pro rata the state share of equalization funding for which districts are eligible
14 by the necessary percentage as determined by the department. If the state share of
15 equalization funding is reduced under this subsection, the department shall also reduce
16 state funding for centralized correspondence study and state boarding schools by the
17 same percentage.

18 **Sec. 14.17.410. Equalization funding.** (a) A district is eligible for
19 equalization funding in an amount equal to the sum calculated under this section.

20 (b) Except as provided in (d) of this section, equalization funding consists of
21 a state share and a local contribution, determined as follows:

22 (1) the state share equals need minus local contribution; need equals
23 the district adjusted ADM, multiplied by the base student allocation set out at
24 AS 14.17.475, plus any intensive services funding for which the district qualifies under
25 AS 14.17.420(a)(2); district adjusted ADM is calculated as follows:

26 (A) the ADM of a funding community is multiplied by the
27 funding community size factor set out in AS 14.17.460;

28 (B) the product obtained under (A) of this paragraph is
29 multiplied by the funding community area cost factor described in
30 AS 14.17.470(a) and set out in regulations adopted by the department;

31 (C) if a funding community is the only funding community in

1 a district with an ADM of 900 or less, the product obtained under (B) of this
2 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

3 (D) the ADMs of each funding community in a district, as
4 adjusted according to (A) - (C) of this paragraph, are added; the sum is then
5 multiplied by the special needs factor set out in AS 14.17.420(a)(1);

6 (E) the product obtained under (D) of this paragraph is
7 multiplied by a district's student transportation factor described in
8 AS 14.17.470(b) and set out in regulations by the department; the resulting
9 product is the district's adjusted ADM;

10 (2) for the fiscal year beginning July 1, 1998, the local contribution is
11 the equivalent of a three mill tax levy on the full and true value of the taxable real and
12 personal property in the district as of January 1 of the second preceding fiscal year,
13 as determined by the Department of Community and Regional Affairs under
14 AS 14.17.510 and AS 29.45.110, not to exceed 35 percent of a district's need as
15 determined under (1) of this subsection for the preceding fiscal year; for the fiscal year
16 beginning July 1, 1999, and subsequent fiscal years, the required mill equivalent shall
17 be increased by one-fourth of a mill each year until the local contribution is the
18 equivalent of a four mill tax levy, but, in each year, a district's local contribution may
19 not exceed 35 percent of the district's need for the preceding fiscal year, as determined
20 under (1) of this subsection.

21 (c) Equalization funding may not be provided to a city or borough school
22 district if the local contributions required under (b) of this section have not been made.

23 (d) In a regional educational attendance area, funding consists of need,
24 calculated under (b)(1) of this section for that regional educational attendance area.

25 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
26 component of equalization funding, a district is eligible for special needs funding and
27 may be eligible for intensive services funding as follows:

28 (1) special needs funding is available to a district to assist the district
29 in providing special education, gifted and talented education, vocational education, and
30 bilingual education to its students; a special needs funding factor of 1.20 shall be
31 applied as set out in AS 14.17.410(b)(1);

1 (2) in addition to the special needs funding for which a district is
2 eligible under (1) of this subsection, a district is eligible for intensive services funding
3 for each special education student who needs and receives intensive services and is
4 enrolled on the last day of the count period; for each such student, intensive services
5 funding is equal to \$22,500 multiplied by the area cost factor of the funding
6 community in which the student is enrolled.

7 (b) In this section, "intensive services" has the meaning given by the
8 department by regulation adopted under AS 14.30.180 - 14.30.350.

9 **Sec. 14.17.430. State funding for correspondence study.** Except as provided
10 in AS 14.17.400(b), funding for the state centralized correspondence study program or
11 a district correspondence program includes an allocation from the public school
12 account in an amount calculated by multiplying the ADM of the correspondence
13 program by the base student allocation and multiplying that product by 65 percent.

14 **Sec. 14.17.435. State funding for state boarding schools.** Except as provided
15 in AS 14.17.400(b), funding for a state boarding school established under
16 AS 14.16.010 includes an allocation from the public school account in an amount
17 calculated by multiplying the ADM of the state boarding school by the special needs
18 factor in AS 14.17.420(a)(1) and multiplying that product by the base student
19 allocation. A state boarding school is also eligible for intensive services funding under
20 AS 14.17.420(a)(2).

21 **Sec. 14.17.440. Local contribution.** (a) The required local contribution to
22 a city or borough school district is a district's local contribution as calculated
23 according to AS 14.17.410(b)(2).

24 (b) Nothing in this section prohibits a city or borough from contributing to its
25 district amounts in excess of the local contribution required under this section if the
26 local contribution is also in compliance with federal law.

27 **Sec. 14.17.450. Funding communities.** The department shall adopt
28 regulations defining funding communities within each district that reflect geographic
29 and attendance area factors. The regulations may not allow for funding communities
30 smaller than 10 ADM.

31 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of

1 calculating a district's adjusted ADM to determine equalization funding, the ADM of
 2 each funding community in a district shall be multiplied by a funding community size
 3 factor as set out in the following table:

ADM	Funding Community Size Factor
10 - 20	2.75
21 - 40	2.20
41 - 80	1.90
81 - 160	1.55
161 - 400	1.40
401 - 1,000	1.10
over 1,000	1.00.

12 (b) For a district that consists of one funding community with an ADM of 900
 13 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
 14 appropriate factor as set out in the following table:

ADM	Factor
10 - 250	1.12
251 - 525	1.08
526 - 900	1.06

19 **Sec. 14.17.470. Area cost and transportation factors.** (a) For purposes of
 20 calculating a district's adjusted ADM under AS 14.17.410(b)(1), the department shall
 21 adopt in regulation an area cost factor for each funding community. In adopting the
 22 regulations, the department shall consider factors that affect the cost of providing
 23 public educational services in a funding community, including student transportation.

24 (b) For purposes of calculating a district's adjusted ADM under
 25 AS 14.17.410(b)(1), the department shall adopt by regulation a transportation factor
 26 for each district.

27 **Sec. 14.17.475. Base student allocation.** The base student allocation is
 28 \$4,150.

29 **Article 2. Preparation of Public School Funding Budget.**

30 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
 31 submit to the department by October 15 of each fiscal year, in the manner and on

1 forms prescribed by the department, an estimate of its ADM and other student count
 2 data for the succeeding fiscal year upon which computations can be made to estimate
 3 the amount of public school funding for which the district may be eligible under
 4 AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall
 5 consider its ADM, other student count data, the pattern of growth or decline of the
 6 student population in preceding years, and other pertinent information available to the
 7 district.

8 (b) Part-time students and district correspondence students shall be included
 9 in the student count data in accordance with regulations adopted by the department.

10 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
 11 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
 12 its school operating fund, as defined by department regulations, that is greater than 10
 13 percent of its expenditures for that fiscal year.

14 (b) The department shall review each district's annual audit under
 15 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
 16 balance. The amount by which the unreserved portion of that balance exceeds the
 17 amount permitted in (a) of this section shall be deducted from the public school
 18 funding that would otherwise be paid to the district in the current fiscal year.

19 **Sec. 14.17.510. Determination of full and true value by Department of**
 20 **Community and Regional Affairs.** (a) To determine the amount of required local
 21 contribution under AS 14.17.440 and to aid the department and the legislature in
 22 planning, the Department of Community and Regional Affairs, in consultation with the
 23 assessor for each district in a city or borough, shall determine the full and true value
 24 of the taxable real and personal property in each district in a city or borough. If there
 25 is no local assessor or current local assessment for a city or borough school district,
 26 then the Department of Community and Regional Affairs shall make the determination
 27 of full and true value from information available. In making the determination, the
 28 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
 29 The determination of full and true value shall be made by October 1 and sent by
 30 certified mail, return receipt requested, on or before that date to the president of the
 31 school board in each city or borough school district. Duplicate copies shall be sent to

1 the commissioner. The governing body of a city or borough that is a school district
2 may obtain judicial review of the determination. The superior court may modify the
3 determination of the Department of Community and Regional Affairs only upon a
4 finding of abuse of discretion or upon a finding that there is no substantial evidence
5 to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax under
7 AS 28.10.431 shall be treated as taxable property under this section.

8 Article 3. Procedure for Payments of Public School Funding.

9 Sec. 14.17.600. Student counting periods. (a) Within two weeks after the
10 end of the 20-school-day periods ending the fourth Friday in October and the second
11 Friday in February, each district shall transmit a report to the department that, under
12 regulations adopted by the department, reports its ADM for that counting period and
13 other student count information that will aid the department in making a determination
14 of its state aid under the public school funding program. For centralized
15 correspondence study, the October report shall be based on the period from July 1
16 through the fourth Friday in October, except that summer school students shall be
17 counted as a proportionate fraction as determined by the department. The department
18 may make necessary corrections in the report submitted and shall notify the district of
19 changes made. The commissioner shall notify the governor of additional
20 appropriations the commissioner estimates to be necessary to fully finance the public
21 school funding program for the current fiscal year.

22 (b) Upon written request and for good cause shown, the commissioner may
23 permit a district to use a 20-school-day counting period other than the periods set out
24 in (a) of this section. However, a counting period approved under this subsection must
25 be 20 consecutive school days unless one or more alternate counting periods are
26 necessary to permit a district to implement flexible scheduling that meets the district's
27 needs and goals without jeopardizing the public school funding for which the district
28 would be ordinarily be eligible under this chapter.

29 Sec. 14.17.610. Distribution of public school funding. (a) The department
30 shall determine the public school funding for each school district in a fiscal year on
31 the basis of the district's student count data reported under AS 14.17.600. On or

1 before the 15th day of each of the first nine months of each fiscal year, one-twelfth
 2 of each district's public school funding shall be distributed on the basis of the data
 3 reported for the preceding fiscal year. On or before the 15th day of each of the last
 4 three months of each fiscal year, one-third of the balance of each district's public
 5 school funding shall be distributed, after the balance has been recomputed on the basis
 6 of student count and other data reported for the current fiscal year.

7 (b) If a district receives more public school funding than it is entitled to
 8 receive under this chapter, the district shall immediately remit the amount of
 9 overpayment to the commissioner, to be returned to the public school account.

10 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
 11 discretion of the commissioner, the department may make advance payments to a
 12 district. The total of advance payments may not exceed the amount of public school
 13 funding for which the district is eligible for the fiscal year.

14 Article 4. General Provisions.

15 **Sec. 14.17.900. Construction and implementation of chapter.** (a) This
 16 chapter does not create a debt of the state. Each district shall establish, maintain, and
 17 operate under a balanced budget. The state is not responsible for the debts of a school
 18 district.

19 (b) Money to carry out the provisions of this chapter may be appropriated
 20 annually by the legislature into the public school account. If the amount in the
 21 account is insufficient to meet the allocations authorized under AS 14.17.400 -
 22 14.17.475 for a fiscal year, public school funding shall be reduced according to
 23 AS 14.17.400(b).

24 **Sec. 14.17.910. Restrictions governing receipt and expenditure of district**
 25 **money.** (a) Each district shall maintain complete financial records of the receipt and
 26 disbursement of public school funding, money acquired from local effort, and other
 27 money received or held by the district. The records must be in the form required by
 28 the department and are subject to audit by the department at a time and place
 29 designated by the department.

30 (b) Public school funding provided under this chapter is for general operational
 31 purposes of the district. All district money, including public school funding, shall be

1 received, held, allocated, and expended by the district under applicable local law and
 2 state and federal constitutional provisions, statutes, and regulations, including those
 3 related to ethical standards and accounting principles.

4 (c) The department may conduct an audit in a district to determine compliance
 5 with this section.

6 **Sec. 14.17.920. Regulations.** The department shall adopt regulations to
 7 interpret and implement this chapter.

8 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
 9 otherwise,

10 (1) "ADM or average daily membership" means the aggregate number
 11 of full-time equivalent students enrolled in a funding community during the student
 12 count period for which a determination is being made, divided by the actual number
 13 of days that school is in session for the student count period for which the
 14 determination is being made;

15 (2) "district" means a city or borough school district or a regional
 16 educational attendance area;

17 (3) "district adjusted ADM" means the number resulting from the
 18 calculations under AS 14.17.410(b)(1);

19 (4) "district ADM" means the sum of the ADMs in a district;

20 (5) "local contribution" means appropriations and the value of in-kind
 21 services made by a city or borough to its district;

22 (6) "public school funding" means money provided under the public
 23 school funding program established in this chapter;

24 (7) "taxable real and personal property" means all real and personal
 25 property taxable under the laws of the state.

26 * Sec. 3. AS 14.03.120(g) is amended to read:

27 (g) In this section, "district" has the meaning given in AS 14.17.990
 28 [AS 14.17.250].

29 * Sec. 4. AS 14.03.125(e) is amended to read:

30 (e) In this section, "district" has the meaning given in AS 14.17.990
 31 [AS 14.17.250].

1 * Sec. 5. AS 14.03.150(c) is amended to read:

2 (c) The department may not award a school construction or major maintenance
3 grant under AS 14.11 to a municipality that is a school district or a regional
4 educational attendance area that is not in compliance with (a) of this section. The
5 department shall reduce the amount of public school funding [STATE FOUNDATION
6 AID] under AS 14.17.400 [AS 14.17.021] for which a school district may qualify [,]
7 by the amount, if any, paid by the department under (b) of this section.

8 * Sec. 6. AS 14.03.160(f)(2) is amended to read:

9 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

10 * Sec. 7. AS 14.03.260(c) is amended to read:

11 (c) The charter school shall provide the financial and accounting information
12 requested by the local school board or the Department of Education [,] and shall
13 cooperate with the local school district or the department in complying with the
14 requirements of AS 14.17.910 [AS 14.17.190].

15 * Sec. 8. AS 14.09.010 is repealed and reenacted to read:

16 Sec. 14.09.010. Transportation of students. (a) A district may provide for
17 the transportation of students.

18 (b) A district that provides for the transportation of students is eligible for
19 adjustments in public school funding as set out in AS 14.17.470(b).

20 (c) A district that provides for the transportation of students may determine
21 and establish a system for the transportation of students to address needs and priorities
22 of the district. However, the district shall comply with applicable statutes, regulations,
23 and local laws related to minimum standards for school buses, school bus driver
24 training courses, certification of course instructors, certification of bus drivers, and
25 other safety concerns related to the transportation of students.

26 * Sec. 9. AS 14.11.008(b) is amended to read:

27 (b) The required participating share for a municipal school district is based on
28 the district's full value per average daily membership (ADM), which is calculated
29 by dividing the full and true value of the taxable real and personal property in the
30 district, calculated as described in AS 14.17.510 [AS 14.17.025(a)(1),] by the district
31 ADM [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in AS 14.17.990

1 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
 2 municipal district's full value per ADM determines the district's required participating
 3 share, as follows:

4 Full Value Per ADM	District Participating Share
5 \$1 - \$100,000	5 percent
6 100,001 - 200,000	10 percent
7 200,001 - 600,000	30 percent
8 over 600,000	35 percent.

9 * Sec. 10. AS 14.14.115(c)(2) is amended to read:

10 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

11 * Sec. 11. AS 14.16.050(a)(2) is amended to read:

12 (2) requirements relating to the public school funding program
 13 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
 14 expenditure of that funding [ASSISTANCE]:

15 (A) AS 14.17.500 [AS 14.17.080] (relating to student count
 16 estimates);

17 (B) AS 14.17.505 [AS 14.17.082] (relating to school operating
 18 fund balances);

19 (C) AS 14.17.500 - 14.17.910 [AS 14.17.160 - 14.17.220]
 20 (setting out the procedure for payment of public school funding [FINANCIAL
 21 ASSISTANCE.] and imposing general requirements and limits on money paid);

22 * Sec. 12. AS 14.16.080(a) is amended to read:

23 (a) AS 14.17.435 [AS 14.17.024] applies to the calculation of public school
 24 funding [STATE AID] payable for operation of a state boarding school.

25 * Sec. 13. AS 14.20.177(a) is amended to read:

26 (a) A school district may implement a layoff plan under this section if it is
 27 necessary for the district to reduce the number of tenured teachers because

28 (1) school attendance in the district has decreased; [OR]

29 (2) the state support for [BASIC NEED OF] the school district
 30 determined under AS 14.17.410(b)(1) [AS 14.17.021(c) AND ADJUSTED UNDER
 31 AS 14.17.225(b)] decreases by three percent or more from the previous year; OR

1 **(3) the state share of equalization funding is reduced under**
 2 **AS 14.17.400(b) by three percent or more in a fiscal year.**

3 * Sec. 14. AS 14.30.305 is amended to read:

4 **Sec. 14.30.305. State support of programs for children hospitalized or**
 5 **confined to their homes. A child who is hospitalized or confined to home and who**
 6 **receives at least 10 hours of special education and related services per week may be**
 7 **counted as a pupil in average daily membership when computing state support under**
 8 **the public school funding [FOUNDATION] program.**

9 * Sec. 15. AS 14.30.315(a) is amended to read:

10 **(a) To be eligible for state support under the public school funding**
 11 **[FOUNDATION] program, special education and related services for gifted children**
 12 **must be provided in a program that has been approved in advance by the department.**

13 * Sec. 16. AS 14.30.347 is amended to read:

14 **Sec. 14.30.347. Transportation of exceptional children. When transportation**
 15 **is required to be provided as related services, an exceptional child [CHILDREN] shall**
 16 **be carried with other children if the district provides transportation to other**
 17 **children in the district [,] except when the nature of the [THEIR] physical or mental**
 18 **disability [DISABILITIES] is such that it is in the best interest of the exceptional**
 19 **child [CHILDREN], as determined by the school district, that the child [THEY] be**
 20 **transported separately. A district is responsible for the costs associated with**
 21 **providing transportation as a related service to an exceptional child [STATE**
 22 **REIMBURSEMENT FOR TRANSPORTATION OF EXCEPTIONAL CHILDREN**
 23 **SHALL BE AS PROVIDED FOR TRANSPORTATION OF ALL OTHER PUPILS**
 24 **EXCEPT THAT ELIGIBILITY FOR REIMBURSEMENT IS NOT SUBJECT TO**
 25 **RESTRICTION BASED ON THE MINIMUM DISTANCE BETWEEN THE**
 26 **SCHOOL AND THE RESIDENCE OF THE EXCEPTIONAL CHILD].**

27 * Sec. 17. AS 14.30.650 is repealed and reenacted to read:

28 **Sec. 14.30.650. Funding. (a) Subject to legislative appropriation, each fiscal**
 29 **year the department may allocate to the agency an amount equal to 18 percent of the**
 30 **unadjusted statewide ADM multiplied by \$85.**

31 **(b) In this section, "statewide ADM" means the sum of all district ADMs in**

1 the state as calculated under AS 14.17.

2 * Sec. 18. AS 14.36.030(a) is amended to read:

3 (a) A district operating a community school program under an approved plan
 4 of operation may receive an annual grant from the state of one-half of one percent of
 5 its public school funding [FOUNDATION SUPPORT] or \$10,000, whichever is
 6 greater.

7 * Sec. 19. AS 29.45.020(a) is amended to read:

8 (a) If a municipality levies and collects property taxes, the governing body
 9 shall provide the following notice:

10 "NOTICE TO TAXPAYER

11 For the current fiscal year the (city)(borough) has been allocated the following amount
 12 of state aid for school and municipal purposes under the applicable financial assistance
 13 Acts:

14	PUBLIC SCHOOL <u>FUNDING</u> [FOUNDATION]	
15	PROGRAM [ASSISTANCE] (AS 14.17)	\$
16	STATE AID FOR RETIREMENT OF SCHOOL	
17	CONSTRUCTION DEBT (AS 14.11.100)	\$
18	MUNICIPAL TAX RESOURCE EQUALIZATION	
19	(AS 29.60.010 - 29.60.080)	\$
20	PRIORITY REVENUE SHARING FOR	
21	MUNICIPAL SERVICES (AS 29.60.100 - 29.60.180)	\$
22	REVENUE SHARING FOR SAFE COMMUNITIES	
23	(AS 29.60.350 - 29.60.375)	\$
24	TOTAL AID	\$

25 The millage equivalent of this state aid, based on the dollar value of a mill in the
 26 municipality during the current assessment year and for the preceding assessment year,
 27 is:

		MILLAGE EQUIVALENT
		PREVIOUS YEAR THIS YEAR
30	PUBLIC SCHOOL <u>FUNDING</u>	
31	[FOUNDATION] PROGRAM	

1	ASSISTANCE	.... MILLS	.... MILLS
2	STATE AID FOR RETIREMENT		
3	OF SCHOOL CONSTRUCTION		
4	DEBT	... .MILLS	... .MILLS
5	MUNICIPAL TAX RESOURCE		
6	EQUALIZATION	... .MILLS	... .MILLS
7	PRIORITY REVENUE FOR SHARING		
8	MUNICIPAL SERVICES	... .MILLS	... .MILLS
9	REVENUE SHARING FOR SAFE		
10	COMMUNITIES	... .MILLS	... .MILLS
11	TOTAL MILLAGE		
12	EQUIVALENT	... .MILLS	... .MILLS"

13 Notice shall be provided by

14 (1) [BY] furnishing a copy of the notice with tax statements mailed for
 15 the fiscal year for which aid is received; or

16 (2) [BY] publishing in a newspaper of general circulation in the
 17 municipality a copy of the notice once each week for a period of three successive
 18 weeks, with publication to occur not later than 45 days after the final adoption of the
 19 municipality's budget.

20 * Sec. 20. AS 29.60.030(d) is amended to read:

21 (d) The full and true assessed property value shall be determined by the
 22 department in the manner provided for the computation of state aid to education under
 23 AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue
 24 includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true
 25 assessed prop ty value must include the computed assessed value of the utility,
 26 determined by dividing the amount of the payment in place of taxes made by the
 27 utility by the millage rate that would apply to the utility if the utility were subject to
 28 levy and collection of taxes under AS 29.45.

29 * Sec. 21. AS 36.10.090(b) is amended to read:

30 (b) A local government or school district covered by the provisions of this
 31 chapter that is found to be in violation of these provisions may be required to forfeit

1 all or part of the state aid made available for the project in which the violation occurs
 2 and in addition may be denied up to 12 months of state revenue sharing or public
 3 school funding [FOUNDATION MONEY]. A state department or agency head found
 4 to be in violation of this chapter may be required to forfeit the position of department
 5 or agency head.

6 * Sec. 22. AS 36.10.125(c) is amended to read:

7 (c) In an action brought under (b) of this section, the court may, in its
 8 discretion, order denial of state revenue sharing or public school funding
 9 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
 10 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
 11 it may award the plaintiff an amount equal to the actual costs and attorney fees
 12 incurred by the plaintiff.

13 * Sec. 23. AS 44.47.305(c) is amended to read:

14 (c) A grant under (a) of this section may not exceed \$50 per month for each
 15 child the child care facility cares for, or for each full-time equivalent, as determined
 16 by the department. The grant shall be adjusted on a geographic basis by the same
 17 percentages as funding communities [INSTRUCTIONAL UNIT ALLOTMENTS] are
 18 adjusted under AS 14.17.470 [AS 14.17.051].

19 * Sec. 24. AS 14.09.020; AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025,
 20 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056,
 21 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210,
 22 14.17.220, 14.17.225, 14.17.250; and AS 14.30.010(b)(7) are repealed.

23 * Sec. 25. TRANSITION: AREA COST FACTORS. (a) Notwithstanding AS 14.17.470,
 24 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1998, and July 1, 1999,
 25 and for the purposes of calculating public school funding under AS 14.17, as enacted by sec. 2
 26 of this Act, the area cost factor of a funding community of a school district is as follows:

DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
Alaska Gateway	Alcan Border	1.14
Alaska Gateway	Dot Lake	1.14
Alaska Gateway	Eagle	1.14
Alaska Gateway	Mentasta	1.14

1	Alaska Gateway	Northway	1.14
2	Alaska Gateway	Tanacross	1.14
3	Alaska Gateway	Tetlin	1.14
4	Alaska Gateway	Tok	1.14
5	Aleutians East	Akutan	1.32
6	Aleutians East	Cold Bay	1.32
7	Aleutians East	False Pass	1.32
8	Aleutians East	King Cove	1.32
9	Aleutians East	Nelson Lagoon	1.32
10	Aleutians East	Sand Point	1.32
11	Aleutians Region	Atka	1.32
12	Alyeska Central School	Alyeska Central School	1.00
13	Anchorage	Anchorage	1.00
14	Anchorage	Eagle River	1.00
15	Anchorage	Girdwood	1.00
16	Annette Island	Annette	1.05
17	Bering Strait	Brevig Mission	1.40
18	Bering Strait	Diomede	1.55
19	Bering Strait	Elim	1.40
20	Bering Strait	Gambell	1.55
21	Bering Strait	Golovin	1.40
22	Bering Strait	Koyuk	1.40
23	Bering Strait	Savoonga	1.55
24	Bering Strait	Shaktoolik	1.40
25	Bering Strait	Shishmaref	1.40
26	Bering Strait	St. Michael	1.40
27	Bering Strait	Stebbins	1.40
28	Bering Strait	Teller	1.40
29	Bering Strait	Unalakleet	1.40
30	Bering Strait	Wales	1.40
31	Bering Strait	White Mountain	1.40

1	Bristol Bay	Bristol Bay	1.40
2	Bristol Bay	South Naknek	1.40
3	Chatham	Angoon	1.05
4	Chatham	Cube Cove	1.05
5	Chatham	Elfin Cove	1.05
6	Chatham	Gustavus	1.05
7	Chatham	Hobart Bay	1.05
8	Chatham	Klukwan	1.05
9	Chatham	Tenakee Springs	1.05
10	Chugach	Chenega Bay	1.14
11	Chugach	Icy Bay	1.14
12	Chugach	Tatitlek	1.14
13	Chugach	Whittier	1.05
14	Chugach	Yakataga	1.14
15	Copper River	Chistochina	1.05
16	Copper River	Copper Center	1.05
17	Copper River	Gakona	1.05
18	Copper River	Glennallen	1.05
19	Copper River	Kenny Lake	1.05
20	Copper River	Lottie Sparks	1.05
21	Copper River	Slana	1.05
22	Cordova	Cordova	1.14
23	Craig	Craig	1.05
24	Delta/Greely	Delta Junction	1.14
25	Delta/Greely	Healy Lake	1.14
26	Denali	Anderson	1.14
27	Denali	Cantwell	1.14
28	Denali	Healy	1.14
29	Dillingham	Dillingham	1.32
30	Fairbanks	Eielson	1.00
31	Fairbanks	Fairbanks	1.00

1	Fairbanks	North Pole	1.00
2	Fairbanks	Salcha	1.05
3	Fairbanks	Two Rivers	1.05
4	Galena	Galena	1.32
5	Haines	Haines	1.05
6	Haines	Mosquito Lake	1.05
7	Hoonah	Hoonah	1.05
8	Hydaburg	Hydaburg	1.05
9	Iditarod	Anvik	1.32
10	Iditarod	Grayling	1.32
11	Iditarod	Holy Cross	1.32
12	Iditarod	Lake Minchumina	1.32
13	Iditarod	Lime Village	1.32
14	Iditarod	McGrath	1.32
15	Iditarod	Nikolai	1.32
16	Iditarod	Shageluk	1.32
17	Iditarod	Takotna	1.32
18	Iditarod	Telida	1.32
19	Juneau	Juneau	1.00
20	Kake	Kake	1.05
21	Kashunamiut	Chevak	1.32
22	Kenai Peninsula	Anchor Point	1.00
23	Kenai Peninsula	Cooper Landing	1.00
24	Kenai Peninsula	Homer	1.00
25	Kenai Peninsula	Hope	1.00
26	Kenai Peninsula	Kachemak Selo	1.05
27	Kenai Peninsula	Kasilof	1.00
28	Kenai Peninsula	Kenai	1.00
29	Kenai Peninsula	McNeil Canyon	1.00
30	Kenai Peninsula	Moose Pass	1.00
31	Kenai Peninsula	Nanwalek	1.05

1	Kenai Peninsula	Nikiski	1.00
2	Kenai Peninsula	Nikolaevsk	1.05
3	Kenai Peninsula	Ninilchik	1.00
4	Kenai Peninsula	Port Graham	1.05
5	Kenai Peninsula	Razdolna	1.05
6	Kenai Peninsula	Seldovia	1.05
7	Kenai Peninsula	Seward	1.00
8	Kenai Peninsula	Soldotna	1.00
9	Kenai Peninsula	Sterling	1.00
10	Kenai Peninsula	Tyonek	1.05
11	Kenai Peninsula	Voznesenka	1.05
12	Ketchikan	Ketchikan	1.00
13	Klawock	Klawock	1.05
14	Kodiak Island	Akhiok	1.14
15	Kodiak Island	Big Sandy Lake	1.14
16	Kodiak Island	Chiniak	1.05
17	Kodiak Island	Danger Bay	1.14
18	Kodiak Island	Karluk	1.14
19	Kodiak Island	Kodiak	1.05
20	Kodiak Island	Larsen Bay	1.14
21	Kodiak Island	Old Harbor	1.14
22	Kodiak Island	Ouzinkie	1.14
23	Kodiak Island	Port Lions	1.14
24	Kuspuk	Aniak	1.32
25	Kuspuk	Chuathbaluk	1.32
26	Kuspuk	Crooked Creek	1.32
27	Kuspuk	Lower Kalskag	1.32
28	Kuspuk	Red Devil	1.32
29	Kuspuk	Sleetmute	1.32
30	Kuspuk	Stony River	1.32
31	Kuspuk	Upper Kalskag	1.32

1	Lake and Peninsula	Chignik Bay	1.32
2	Lake and Peninsula	Chignik Lagoon	1.32
3	Lake and Peninsula	Chignik Lake	1.32
4	Lake and Peninsula	Egegik	1.32
5	Lake and Peninsula	Igiugig	1.32
6	Lake and Peninsula	Ivanof Bay	1.32
7	Lake and Peninsula	Kokhanok	1.32
8	Lake and Peninsula	Levelok	1.32
9	Lake and Peninsula	Newhalen	1.32
10	Lake and Peninsula	Nondalton	1.32
11	Lake and Peninsula	Pedro Bay	1.32
12	Lake and Peninsula	Perryville	1.32
13	Lake and Peninsula	Pilot Point	1.32
14	Lake and Peninsula	Port Alsworth	1.32
15	Lake and Peninsula	Port Heiden	1.32
16	Lower Kuskokwim	Akiuk	1.32
17	Lower Kuskokwim	Akula	1.32
18	Lower Kuskokwim	Atmaultluk	1.32
19	Lower Kuskokwim	Bethel	1.32
20	Lower Kuskokwim	Cheformak	1.32
21	Lower Kuskokwim	Eek	1.32
22	Lower Kuskokwim	Goodnews Bay	1.32
23	Lower Kuskokwim	Kipnuk	1.32
24	Lower Kuskokwim	Kongiganak	1.32
25	Lower Kuskokwim	Kwethluk	1.32
26	Lower Kuskokwim	Kwigillingok	1.32
27	Lower Kuskokwim	Mekoryuk	1.40
28	Lower Kuskokwim	Napakiak	1.32
29	Lower Kuskokwim	Napaskiak	1.32
30	Lower Kuskokwim	Newtok	1.32
31	Lower Kuskokwim	Nightmute	1.32

1	Lower Kuskokwim	Nunapitchuk	1.32
2	Lower Kuskokwim	Oscarville	1.32
3	Lower Kuskokwim	Platinum	1.32
4	Lower Kuskokwim	Quinhagak	1.32
5	Lower Kuskokwim	Toksook Bay	1.32
6	Lower Kuskokwim	Tuntutuliak	1.32
7	Lower Kuskokwim	Tununak	1.32
8	Lower Yukon	Alakanak	1.32
9	Lower Yukon	Emmonak	1.32
10	Lower Yukon	Hooper Bay	1.32
11	Lower Yukon	Kotlik	1.32
12	Lower Yukon	Marshall	1.32
13	Lower Yukon	Mountain Village	1.32
14	Lower Yukon	Pilot Station	1.32
15	Lower Yukon	Pitkas Point	1.32
16	Lower Yukon	Russian Mission	1.32
17	Lower Yukon	Scammon Bay	1.32
18	Lower Yukon	Sheldon Point	1.32
19	Matanuska-Susitna	Beryozava	1.05
20	Matanuska-Susitna	Big Lake	1.00
21	Matanuska-Susitna	Butte	1.00
22	Matanuska-Susitna	Colony	1.00
23	Matanuska-Susitna	Glacier View	1.00
24	Matanuska-Susitna	Houston	1.00
25	Matanuska-Susitna	Matanuska-Susitna Valley	1.00
26	Matanuska-Susitna	Palmer	1.00
27	Matanuska-Susitna	Pt. McKenzie	1.00
28	Matanuska-Susitna	Skwentna	1.05
29	Matanuska-Susitna	Sutton	1.00
30	Matanuska-Susitna	Talkeetna	1.00
31	Matanuska-Susitna	Trapper Creek	1.00

1	Matanuska-Susitna	Wasilla	1.00
2	Matanuska-Susitna	Willow	1.00
3	Mt. Edgecumbe	Mt. Edgecumbe	1.00
4	Nenana	Nenana	1.14
5	Nome	Nome	1.32
6	North Slope	Anaktuvuk Pass	1.55
7	North Slope	Atkasuk	1.55
8	North Slope	Barrow	1.55
9	North Slope	Kaktovik	1.55
10	North Slope	Nuiqsut	1.55
11	North Slope	Point Hope	1.55
12	North Slope	Point Lay	1.55
13	North Slope	Wainwright	1.55
14	Northwest Arctic	Ambler	1.45
15	Northwest Arctic	Buckland	1.45
16	Northwest Arctic	Deering	1.45
17	Northwest Arctic	Kiana	1.45
18	Northwest Arctic	Kivalina	1.45
19	Northwest Arctic	Kobuk	1.45
20	Northwest Arctic	Kotzebue	1.45
21	Northwest Arctic	Noatak	1.45
22	Northwest Arctic	Noorvik	1.45
23	Northwest Arctic	Selawik	1.45
24	Northwest Arctic	Shungnak	1.45
25	Pelican	Pelican	1.05
26	Petersburg	Petersburg	1.00
27	Pribilof	St. George	1.40
28	Pribilof	St. Paul	1.40
29	Sitka	Sitka	1.00
30	Skagway	Skagway	1.05
31	Southeast Island	Craig	1.05

1	Southeast Island	Edna Bay	1.05
2	Southeast Island	Hollis	1.05
3	Southeast Island	Howard Valentine	1.05
4	Southeast Island	Jr. Gildersleeve	1.05
5	Southeast Island	Kasaan	1.05
6	Southeast Island	Naukati	1.05
7	Southeast Island	Polk Inlet	1.05
8	Southeast Island	Port Alexander	1.05
9	Southeast Island	Port Protection	1.05
10	Southeast Island	Thorne Bay	1.05
11	Southeast Island	Whale Pass	1.05
12	Southwest Region	Aleknagik North	1.32
13	Southwest Region	Clarks Point	1.32
14	Southwest Region	Ekwok	1.32
15	Southwest Region	Koliganek	1.32
16	Southwest Region	Manokotak	1.32
17	Southwest Region	New Stuyahok	1.32
18	Southwest Region	Portage	1.32
19	Southwest Region	Togiak	1.32
20	Southwest Region	Twin Hills	1.32
21	St. Mary's	St. Mary's	1.32
22	Tanana	Tanana	1.40
23	Unalaska	Unalaska	1.32
24	Valdez	Valdez	1.05
25	Wrangell	Wrangell	1.00
26	Yakutat	Yakutat	1.14
27	Yukon Flats	Arctic Village	1.45
28	Yukon Flats	Beaver	1.45
29	Yukon Flats	Birch Creek	1.45
30	Yukon Flats	Central	1.32
31	Yukon Flats	Chalkyitsik	1.45

1	Yukon Flats	Circle	1.32
2	Yukon Flats	Fort Yukon	1.45
3	Yukon Flats	Northern Lights	1.32
4	Yukon Flats	Rampart	1.45
5	Yukon Flats	Stevens Village	1.45
6	Yukon Flats	Venetie	1.45
7	Yukon/Koyukuk	Allakaket	1.40
8	Yukon/Koyukuk	Bettles	1.40
9	Yukon/Koyukuk	Hughes	1.40
10	Yukon/Koyukuk	Huslia	1.40
11	Yukon/Koyukuk	Kaltag	1.40
12	Yukon/Koyukuk	Koyukuk	1.40
13	Yukon/Koyukuk	Manley Hot Springs	1.40
14	Yukon/Koyukuk	Minto	1.32
15	Yukon/Koyukuk	Nulato	1.40
16	Yukon/Koyukuk	Ruby	1.40
17	Yupiiit	Akiachak	1.32
18	Yupiiit	Akiak	1.32
19	Yupiiit	Tuluksak	1.32

20 (b) For the period during which the area cost factors set out in (a) of this section serve
 21 as the public school funding area cost factors under AS 14.17, as amended by this Act, those
 22 area cost factors apply for purposes of geographic adjustments to child care grants under
 23 AS 44.47.305(c), as amended by sec. 23 of this Act.

24 • Sec. 26. TRANSITION: STUDENT TRANSPORTATION. Notwithstanding
 25 AS 14.09.010(b), as repealed and reenacted by sec. 8 of this Act, and AS 14.17.470(b),
 26 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1998, and July 1, 1999,
 27 and for the purposes of calculating public school funding under AS 14.17, as amended by this
 28 Act, a school district that provides student transportation shall have its adjusted ADM
 29 multiplied by a transportation factor as follows:

30	DISTRICT	TRANSPORTATION FACTOR
31	Alaska Gateway	1.07

1	Aleutian Region	1.00
2	Aleutians East	1.01
3	Anchorage	1.04
4	Annette Islands	1.00
5	Bering Strait	1.00
6	Bristol Bay	1.07
7	Chatham	1.00
8	Chugach	1.00
9	Copper River	1.09
10	Cordova	1.01
11	Craig	1.00
12	Delta/Greely	1.10
13	Denali	1.07
14	Dillingham	1.04
15	Fairbanks	1.05
16	Galena	1.02
17	Haines	1.04
18	Hoonah	1.01
19	Hydaburg	1.00
20	Iditarod	1.01
21	Juneau	1.04
22	Kake	1.01
23	Kashunamiut	1.00
24	Kenai Peninsula	1.05
25	Ketchikan	1.04
26	Klawock	1.00
27	Kodiak Island	1.03
28	Kuspuk	1.02
29	Lake and Peninsula	1.02
30	Lower Kuskokwim	1.01
31	Lower Yukon	1.00

1	Matanuska-Susitna	1.08
2	Nenana	1.05
3	Nome	1.03
4	North Slope	1.02
5	Northwest Arctic	1.00
6	Pelican	1.00
7	Petersburg	1.02
8	Pribilof	1.00
9	Sitka	1.04
10	Skagway	1.00
11	Southeast Island	1.03
12	Southwest Region	1.02
13	St. Mary's	1.00
14	Tanana	1.01
15	Unalaska	1.03
16	Valdez	1.04
17	Wrangell	1.03
18	Yakutat	1.03
19	Yukon Flats	1.01
20	Yukon/Koyukuk	1.01
21	Yupit	1.00

22 * Sec. 27. TRANSITION: HOLD HARMLESS. (a) Notwithstanding the provisions of
 23 secs. 1 - 26 of this Act and except as provided in (c) of this section, if, for a fiscal year
 24 beginning July 1, 1998, through July 1, 2001, a school district would receive less public
 25 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 26 received as state aid for the fiscal year beginning July 1, 1998, and if the district meets the
 27 requirements of (b) of this section, the district is eligible to receive instead a percentage of
 28 the state aid the district would have received for the fiscal year beginning July 1, 1998,
 29 according to the following table:

30	For the fiscal year beginning	Percentage of state aid for the fiscal year
31		beginning July 1, 1998

1	July 1, 1998	100
2	July 1, 1999	80
3	July 1, 2000	60
4	July 1, 2001	40
5	July 1, 2002	20

6 (b) A school district in a city or borough is not entitled to the hold harmless
7 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
8 local contribution to the district for that fiscal year as required under this subsection. For the
9 hold harmless for the fiscal year beginning July 1, 1998, the required local contribution is the
10 equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1999, the required local
11 contribution is the equivalent of a five mill tax levy; for the fiscal year beginning
12 July 1, 2000, the required local contribution is the equivalent of a six mill tax levy; and for
13 the fiscal year beginning July 1, 2001, the required local contribution is the equivalent of a
14 seven mill tax levy.

15 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by
16 sec. 2 of this Act, hold harmless funding authorized under (a) and (b) of this section is treated
17 the same as the state share of equalization funding under AS 14.17.410, enacted by sec. 2 of
18 this Act.

19 (d) For purposes of this section, "state aid" means state foundation aid distributed
20 under the provisions of AS 14.17, repealed by this Act, additional district support appropriated
21 by the legislature, and student transportation support reimbursed by the Department of
22 Education.

23 • **Sec. 28. TRANSITION: REGULATIONS.** To the extent the regulations are not
24 inconsistent with the language and purposes of this Act, regulations relating to state aid for
25 public schools adopted by the Department of Education before the effective date of this Act
26 remain in effect as valid regulations implementing this Act; all other regulations relating to
27 state aid for public schools adopted by the Department of Education before the effective date
28 of this Act are annulled. The Department of Education may administer and enforce those
29 previously adopted regulations relating to state foundation aid for public schools.

30 • **Sec. 29. TRANSITION: BASE STUDENT ALLOCATION.** Notwithstanding
31 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

	For the fiscal year beginning	Base student allocation
1		
2	July 1, 1998	\$3,840
3	July 1, 1999	4,010
4	July 1, 2000	4,060
5	July 1, 2001	4,105
6	* Sec. 30. This Act takes effect July 1, 1998.	

0-LS0605H

Ford

1/24/98

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148(HES)**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTIETH LEGISLATURE - SECOND SESSION****BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE****Offered:****Referred:****Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to the public school funding program; relating to the definition
2 of a school district, to the transportation of students, to school district layoff
3 plans, to the special education service agency, to the child care grant program,
4 and to compulsory attendance in public schools; and providing for an effective
5 date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 • **Section 1. PURPOSE OF SECTION 2.** The purpose of sec. 2 of this Act is to provide
8 a level of funding through the public school funding program that allows for an equitable level
9 of educational opportunities and outcomes for those students attending the public schools of
10 the state, to promote local decision-making, and, through increased control of funding, to
11 provide more local responsibility and accountability for decisions affecting public schools.

12 • **Sec. 2.** AS 14.17 is amended by adding new sections to read:

13 **Article 1. State Funding to Public Schools.**

1 **Sec. 14.17.300. Public school account.** (a) The public school account is
2 established. The account consists of appropriations for distribution to school districts,
3 state boarding schools, and for the centralized correspondence study program under
4 this chapter.

5 (b) The money in the account may be used only in aid of public schools,
6 including community school programs, and for centralized correspondence study
7 programs under this chapter.

8 **Sec. 14.17.400. State funding for districts.** (a) The state funding for which
9 a school district is eligible in a fiscal year is equal to the amount for which a district
10 qualifies under AS 14.17.410 (equalization funding).

11 (b) If the amount in the public school account is insufficient to meet the
12 amounts authorized under (a) of this section for a fiscal year, the department shall
13 reduce pro rata the state share of equalization funding for which districts are eligible
14 by the necessary percentage as determined by the department. If the state share of
15 equalization funding is reduced under this subsection, the department shall also reduce
16 state funding for centralized correspondence study and state boarding schools by the
17 same percentage.

18 **Sec. 14.17.410. Equalization funding.** (a) A district is eligible for
19 equalization funding in an amount equal to the sum calculated under this section.

20 (b) Except as provided in (d) of this section, equalization funding consists of
21 a state share and a local contribution, determined as follows:

22 (1) the state share equals need minus local contribution; need equals
23 the district adjusted ADM, multiplied by the base student allocation set out at
24 AS 14.17.475, plus any intensive services funding for which the district qualifies under
25 AS 14.17.420(a)(2); district adjusted ADM is calculated as follows:

26 (A) the ADM of a funding community is multiplied by the
27 funding community size factor set out in AS 14.17.460;

28 (B) the product obtained under (A) of this paragraph is
29 multiplied by the funding community area cost factor described in
30 AS 14.17.470(a) and set out in regulations adopted by the department;

31 (C) if a funding community is the only funding community in

1 a district with an ADM of 900 or less, the product obtained under (B) of this
2 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

3 (D) the ADMs of each funding community in a district, as
4 adjusted according to (A) - (C) of this paragraph, are added; the sum is then
5 multiplied by the special needs factor set out in AS 14.17.420(a)(1);

6 (E) the product obtained under (D) of this paragraph is
7 multiplied by a district's student transportation factor described in
8 AS 14.17.470(b) and set out in regulations by the department; the resulting
9 product is the district's adjusted ADM;

10 (2) for the fiscal year beginning July 1, 1998, the local contribution is
11 the equivalent of a three mill tax levy on the full and true value of the taxable real and
12 personal property in the district as of January 1 of the second preceding fiscal year,
13 as determined by the Department of Community and Regional Affairs under
14 AS 14.17.510 and AS 29.45.110, not to exceed 35 percent of a district's need as
15 determined under (1) of this subsection for the preceding fiscal year; for the fiscal year
16 beginning July 1, 1999, and subsequent fiscal years, the required mill equivalent shall
17 be increased by one-fourth of a mill each year until the local contribution is the
18 equivalent of a four mill tax levy, but, in each year, a district's local contribution may
19 not exceed 35 percent of the district's need for the preceding fiscal year, as determined
20 under (1) of this subsection.

21 (c) Equalization funding may not be provided to a city or borough school
22 district if the local contributions required under (b) of this section have not been made.

23 (d) In a regional educational attendance area, funding consists of need,
24 calculated under (b)(1) of this section for that regional educational attendance area.

25 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
26 component of equalization funding, a district is eligible for special needs funding and
27 may be eligible for intensive services funding as follows:

28 (1) special needs funding is available to a district to assist the district
29 in providing special education, gifted and talented education, vocational education, and
30 bilingual education to its students; a special needs funding factor of 1.20 shall be
31 applied as set out in AS 14.17.410(b)(1);

1 (2) in addition to the special needs funding for which a district is
2 eligible under (1) of this subsection, a district is eligible for intensive services funding
3 for each special education student who needs and receives intensive services and is
4 enrolled on the last day of the count period; for each such student, intensive services
5 funding is equal to \$22,500 multiplied by the area cost factor of the funding
6 community in which the student is enrolled.

7 (b) In this section, "intensive services" has the meaning given by the
8 department by regulation adopted under AS 14.30.180 - 14.30.350.

9 **Sec. 14.17.430. State funding for correspondence study.** Except as provided
10 in AS 14.17.400(b), funding for the state centralized correspondence study program or
11 a district correspondence program includes an allocation from the public school
12 account in an amount calculated by multiplying the ADM of the correspondence
13 program by the base student allocation and multiplying that product by 65 percent.

14 **Sec. 14.17.435. State funding for state boarding schools.** Except as provided
15 in AS 14.17.400(b), funding for a state boarding school established under
16 AS 14.16.010 includes an allocation from the public school account in an amount
17 calculated by multiplying the ADM of the state boarding school by the special needs
18 factor in AS 14.17.420(a)(1) and multiplying that product by the base student
19 allocation. A state boarding school is also eligible for intensive services funding under
20 AS 14.17.420(a)(2).

21 **Sec. 14.17.440. Local contribution.** (a) The required local contribution to
22 a city or borough school district is a district's local contribution as calculated
23 according to AS 14.17.410(b)(2).

24 (b) Nothing in this section prohibits a city or borough from contributing to its
25 district amounts in excess of the local contribution required under this section if the
26 local contribution is also in compliance with federal law.

27 **Sec. 14.17.450. Funding communities.** The department shall adopt
28 regulations defining funding communities within each district that reflect geographic
29 and attendance area factors. The regulations may not allow for funding communities
30 smaller than 10 ADM.

31 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of

1 calculating a district's adjusted ADM to determine equalization funding, the ADM of
 2 each funding community in a district shall be multiplied by a funding community size
 3 factor as set out in the following table:

ADM	Funding Community Size Factor
10 - 20	2.75
21 - 40	2.20
41 - 80	1.90
81 - 160	1.55
161 - 400	1.40
401 - 1,000	1.10
over 1,000	1.00.

12 (b) For a district that consists of one funding community with an ADM of 900
 13 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
 14 appropriate factor as set out in the following table:

ADM	Factor
1 - 250	1.12
251 - 525	1.08
526 - 900	1.06

19 **Sec. 14.17.470. Area cost and transportation factors.** (a) For purposes of
 20 calculating a district's adjusted ADM under AS 14.17.410(b)(1), the department shall
 21 adopt in regulation an area cost factor for each funding community. In adopting the
 22 regulations, the department shall consider factors that affect the cost of providing
 23 public educational services in a funding community, including student transportation.

24 (b) For purposes of calculating a district's adjusted ADM under
 25 AS 14.17.410(b)(1), the department shall adopt by regulation a transportation factor
 26 for each district.

27 **Sec. 14.17.475. Base student allocation.** The base student allocation is
 28 \$4,045.

29 **Article 2. Preparation of Public School Funding Budget.**

30 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
 31 submit to the department by October 15 of each fiscal year, in the manner and on

1 forms prescribed by the department, an estimate of its ADM and other student count
2 data for the succeeding fiscal year upon which computations can be made to estimate
3 the amount of public school funding for which the district may be eligible under
4 AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall
5 consider its ADM, other student count data, the pattern of growth or decline of the
6 student population in preceding years, and other pertinent information available to the
7 district.

8 (b) Part-time students and district correspondence students shall be included
9 in the student count data in accordance with regulations adopted by the department.

10 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
11 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
12 its school operating fund, as defined by department regulations, that is greater than 10
13 percent of its expenditures for that fiscal year.

14 (b) The department shall review each district's annual audit under
15 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
16 balance. The amount by which the unreserved portion of that balance exceeds the
17 amount permitted in (a) of this section shall be deducted from the public school
18 funding that would otherwise be paid to the district in the current fiscal year.

19 **Sec. 14.17.510. Determination of full and true value by Department of**
20 **Community and Regional Affairs.** (a) To determine the amount of required local
21 contribution under AS 14.17.440 and to aid the department and the legislature in
22 planning, the Department of Community and Regional Affairs, in consultation with the
23 assessor for each district in a city or borough, shall determine the full and true value
24 of the taxable real and personal property in each district in a city or borough. If there
25 is no local assessor or current local assessment for a city or borough school district,
26 then the Department of Community and Regional Affairs shall make the determination
27 of full and true value from information available. In making the determination, the
28 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
29 The determination of full and true value shall be made by October 1 and sent by
30 certified mail, return receipt requested, on or before that date to the president of the
31 school board in each city or borough school district. Duplicate copies shall be sent to

1 the commissioner. The governing body of a city or borough that is a school district
2 may obtain judicial review of the determination. The superior court may modify the
3 determination of the Department of Community and Regional Affairs only upon a
4 finding of abuse of discretion or upon a finding that there is no substantial evidence
5 to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax under
7 AS 28.10.431 shall be treated as taxable property under this section.

8 **Article 3. Procedure for Payments of Public School Funding.**

9 **Sec. 14.17.600. Student counting periods.** (a) Within two weeks after the
10 end of the 20-school-day periods ending the fourth Friday in October and the second
11 Friday in February, each district shall transmit a report to the department that, under
12 regulations adopted by the department, reports its ADM for that counting period and
13 other student count information that will aid the department in making a determination
14 of its state aid under the public school funding program. For centralized
15 correspondence study, the October report shall be based on the period from July 1
16 through the fourth Friday in October, except that summer school students shall be
17 counted as a proportionate fraction as determined by the department. The department
18 may make necessary corrections in the report submitted and shall notify the district of
19 changes made. The commissioner shall notify the governor of additional
20 appropriations the commissioner estimates to be necessary to fully finance the public
21 school funding program for the current fiscal year.

22 (b) Upon written request and for good cause shown, the commissioner may
23 permit a district to use a 20-school-day counting period other than the periods set out
24 in (a) of this section. However, a counting period approved under this subsection must
25 be 20 consecutive school days unless one or more alternate counting periods are
26 necessary to permit a district to implement flexible scheduling that meets the district's
27 needs and goals without jeopardizing the public school funding for which the district
28 would be ordinarily be eligible under this chapter.

29 **Sec. 14.17.610. Distribution of public school funding.** (a) The department
30 shall determine the public school funding for each school district in a fiscal year on
31 the basis of the district's student count data reported under AS 14.17.600. On or

1 before the 15th day of each of the first nine months of each fiscal year, one-twelfth
2 of each district's public school funding shall be distributed on the basis of the data
3 reported for the preceding fiscal year. On or before the 15th day of each of the last
4 three months of each fiscal year, one-third of the balance of each district's public
5 school funding shall be distributed, after the balance has been recomputed on the basis
6 of student count and other data reported for the current fiscal year.

7 (b) If a district receives more public school funding than it is entitled to
8 receive under this chapter, the district shall immediately remit the amount of
9 overpayment to the commissioner, to be returned to the public school account.

10 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
11 discretion of the commissioner, the department may make advance payments to a
12 district. The total of advance payments may not exceed the amount of public school
13 funding for which the district is eligible for the fiscal year.

14 Article 4. General Provisions.

15 Sec. 14.17.900. Construction and implementation of chapter. (a) This
16 chapter does not create a debt of the state. Each district shall establish, maintain, and
17 operate under a balanced budget. The state is not responsible for the debts of a school
18 district.

19 (b) Money to carry out the provisions of this chapter may be appropriated
20 annually by the legislature into the public school account. If the amount in the
21 account is insufficient to meet the allocations authorized under AS 14.17.400 -
22 14.17.475 for a fiscal year, public school funding shall be reduced according to
23 AS 14.17.400(b).

24 Sec. 14.17.910. Restrictions governing receipt and expenditure of district
25 money. (a) Each district shall maintain complete financial records of the receipt and
26 disbursement of public school funding, money acquired from local effort, and other
27 money received or held by the district. The records must be in the form required by
28 the department and are subject to audit by the department at a time and place
29 designated by the department.

30 (b) Public school funding provided under this chapter is for general operational
31 purposes of the district. All district money, including public school funding, shall be

1 received, held, allocated, and expended by the district under applicable local law and
2 state and federal constitutional provisions, statutes, and regulations, including those
3 related to ethical standards and accounting principles.

4 (c) The department may conduct an audit in a district to determine compliance
5 with this section.

6 Sec. 14.17.920. Regulations. The department shall adopt regulations to
7 interpret and implement this chapter.

8 Sec. 14.17.990. Definitions. In this chapter, unless the context requires
9 otherwise,

10 (1) "ADM or average daily membership" means the aggregate number
11 of full-time equivalent students enrolled in a funding community during the student
12 count period for which a determination is being made, divided by the actual number
13 of days that school is in session for the student count period for which the
14 determination is being made;

15 (2) "district" means a city or borough school district or a regional
16 educational attendance area;

17 (3) "district adjusted ADM" means the number resulting from the
18 calculations under AS 14.17.410(b)(1);

19 (4) "district ADM" means the sum of the ADMs in a district;

20 (5) "local contribution" means appropriations and the value of in-kind
21 services made by a city or borough to its district;

22 (6) "public school funding" means money provided under the public
23 school funding program established in this chapter;

24 (7) "taxable real and personal property" means all real and personal
25 property taxable under the laws of the state.

26 • Sec. 3. AS 14.03.120(g) is amended to read:

27 (g) In this section, "district" has the meaning given in AS 14.17.990
28 [AS 14.17.250].

29 • Sec. 4. AS 14.03.125(e) is amended to read:

30 (e) In this section, "district" has the meaning given in AS 14.17.990
31 [AS 14.17.250].

1 * Sec. 5. AS 14.03.150(c) is amended to read:

2 (c) The department may not award a school construction or major maintenance
3 grant under AS 14.11 to a municipality that is a school district or a regional
4 educational attendance area that is not in compliance with (a) of this section. The
5 department shall reduce the amount of public school funding [STATE FOUNDATION
6 AID] under AS 14.17.400 [AS 14.17.021] for which a school district may qualify [,]
7 by the amount, if any, paid by the department under (b) of this section.

8 * Sec. 6. AS 14.03.160(f)(2) is amended to read:

9 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

10 * Sec. 7. AS 14.03.260(c) is amended to read:

11 (c) The charter school shall provide the financial and accounting information
12 requested by the local school board or the Department of Education [,] and shall
13 cooperate with the local school district or the department in complying with the
14 requirements of AS 14.17.910 [AS 14.17.190].

15 * Sec. 8. AS 14.09.010 is repealed and reenacted to read:

16 Sec. 14.09.010. Transportation of students. (a) A district may provide for
17 the transportation of students.

18 (b) A district that provides for the transportation of students is eligible for
19 adjustments in public school funding as set out in AS 14.17.470(b).

20 (c) A district that provides for the transportation of students may determine
21 and establish a system for the transportation of students to address needs and priorities
22 of the district. However, the district shall comply with applicable statutes, regulations,
23 and local laws related to minimum standards for school buses, school bus driver
24 training courses, certification of course instructors, certification of bus drivers, and
25 other safety concerns related to the transportation of students.

26 * Sec. 9. AS 14.11.008(b) is amended to read:

27 (b) The required participating share for a municipal school district is based on
28 the district's full value per average daily membership (ADM), which is calculated
29 by dividing the full and true value of the taxable real and personal property in the
30 district, calculated as described in AS 14.17.510 [AS 14.17.025(a)(1),] by the district
31 ADM [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in AS 14.17.990

1 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
 2 municipal district's full value per ADM determines the district's required participating
 3 share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$100,000	5 percent
100,001 - 200,000	10 percent
200,001 - 600,000	30 percent
over 600,000	35 percent.

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9 • Sec. 10. AS 14.14.115(c)(2) is amended to read:

10 (2) "district" has the meaning given in AS 14.17.290 [AS 14.17.250].

11 • Sec. 11. AS 14.16.050(a)(2) is amended to read:

12 (2) requirements relating to the public school funding program
 13 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
 14 expenditure of that funding [ASSISTANCE];

15 (A) AS 14.17.500 [AS 14.17.080] (relating to student count
 16 estimates);

17 (B) AS 14.17.505 [AS 14.17.082] (relating to school operating
 18 fund balances);

19 (C) AS 14.17.500 - 14.17.910 [AS 14.17.160 - 14.17.220]
 20 (setting out the procedure for payment of public school funding [FINANCIAL
 21 ASSISTANCE.] and imposing general requirements and limits on money paid);

22 • Sec. 12. AS 14.16.080(a) is amended to read:

23 (a) AS 14.17.435 [AS 14.17.024] applies to the calculation of public school
 24 funding [STATE AID] payable for operation of a state boarding school.

25 • Sec. 13. AS 14.20.177(a) is amended to read:

26 (a) A school district may implement a layoff plan under this section, if it is
 27 necessary for the district to reduce the number of tenured teachers because

28 (1) school attendance in the district has decreased; [OR]

29 (2) the state support for [BASIC NEED OF] the school district
 30 determined under AS 14.17.410(b)(1) [AS 14.17.021(c)] AND ADJUSTED UNDER
 31 AS 14.17.225(b)] decreases by three percent or more from the previous year; or

1 (3) the state share of equalization funding is reduced under
2 AS 14.17.400(b) by three percent or more in a fiscal year.

3 • Sec. 14. AS 14.30.305 is amended to read:

4 Sec. 14.30.305. State support of programs for children hospitalized or
5 confined to their homes. A child who is hospitalized or confined to home and who
6 receives at least 10 hours of special education and related services per week may be
7 counted as a pupil in average daily membership when computing state support under
8 the public school funding [FOUNDATION] program.

9 • Sec. 15. AS 14.30.315(a) is amended to read:

10 (a) To be eligible for state support under the public school funding
11 [FOUNDATION] program, special education and related services for gifted children
12 must be provided in a program that has been approved in advance by the department.

13 • Sec. 16. AS 14.30.347 is amended to read:

14 Sec. 14.30.347. Transportation of exceptional children. When transportation
15 is required to be provided as related services, an exceptional child [CHILDREN] shall
16 be carried with other children if the district provides transportation to other
17 children in the district [.] except when the nature of the [THEIR] physical or mental
18 disability [DISABILITIES] is such that it is in the best interest of the exceptional
19 child [CHILDREN], as determined by the school district, that the child [THEY] be
20 transported separately. A district is responsible for the costs associated with
21 providing transportation as a related service to an exceptional child [STATE
22 REIMBURSEMENT FOR TRANSPORTATION OF EXCEPTIONAL CHILDREN
23 SHALL BE AS PROVIDED FOR TRANSPORTATION OF ALL OTHER PUPILS
24 EXCEPT THAT ELIGIBILITY FOR REIMBURSEMENT IS NOT SUBJECT TO
25 RESTRICTION BASED ON THE MINIMUM DISTANCE BETWEEN THE
26 SCHOOL AND THE RESIDENCE OF THE EXCEPTIONAL CHILD].

27 • Sec. 17. AS 14.30.650 is repealed and reenacted to read:

28 Sec. 14.30.650. Funding. (a) Subject to legislative appropriation, each fiscal
29 year the department may allocate to the agency an amount equal to 18 percent of the
30 unadjusted statewide ADM multiplied by \$85.

31 (b) In this section, "statewide ADM" means the sum of all district ADMs in

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the state as calculated under AS 14.17.

* Sec. 18. AS 14.36.030(a) is amended to read:

(a) A district operating a community school program under an approved plan of operation may receive an annual grant from the state of one-half of one percent of its public school funding [FOUNDATION SUPPORT] or \$10,000, whichever is greater.

* Sec. 19. AS 29.45.020(a) is amended to read:

(a) If a municipality levies and collects property taxes, the governing body shall provide the following notice:

"NOTICE TO TAXPAYER

For the current fiscal year the (city)(borough) has been allocated the following amount of state aid for school and municipal purposes under the applicable financial assistance Acts:

PUBLIC SCHOOL <u>FUNDING</u> [FOUNDATION]	
PROGRAM [ASSISTANCE] (AS 14.17)	\$
STATE AID FOR RETIREMENT OF SCHOOL	
CONSTRUCTION DEBT (AS 14.11.100)	\$
MUNICIPAL TAX RESOURCE EQUALIZATION	
(AS 29.60.010 - 29.60.080)	\$
PRIORITY REVENUE SHARING FOR	
MUNICIPAL SERVICES (AS 29.60.100 - 29.60.180)	\$
REVENUE SHARING FOR SAFE COMMUNITIES	
(AS 29.60.350 - 29.60.375)	\$
TOTAL AID	\$

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL <u>FUNDING</u>		
[FOUNDATION] PROGRAM		

1	ASSISTANCE	... MILLS	.... MILLS
2	STATE AID FOR RETIREMENT		
3	OF SCHOOL CONSTRUCTION		
4	DEBT	... MILLS	... MILLS
5	MUNICIPAL TAX RESOURCE		
6	EQUALIZATION	... MILLS	... MILLS
7	PRIORITY REVENUE FOR SHARING		
8	MUNICIPAL SERVICES	... MILLS	... MILLS
9	REVENUE SHARING FOR SAFE		
10	COMMUNITIES	... MILLS	... MILLS
11	TOTAL MILLAGE		
12	EQUIVALENT	... MILLS	... MILLS"

13 Notice shall be provided by

14 (1) [BY] furnishing a copy of the notice with tax statements mailed for
15 the fiscal year for which aid is received; or

16 (2) [BY] publishing in a newspaper of general circulation in the
17 municipality a copy of the notice once each week for a period of three successive
18 weeks, with publication to occur not later than 45 days after the final adoption of the
19 municipality's budget.

20 * Sec. 20. AS 29.60.030(d) is amended to read:

21 (d) The full and true assessed property value shall be determined by the
22 department in the manner provided for the computation of state aid to education under
23 AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue
24 includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true
25 assessed property value must include the computed assessed value of the utility,
26 determined by dividing the amount of the payment in place of taxes made by the
27 utility by the millage rate that would apply to the utility if the utility were subject to
28 levy and collection of taxes under AS 29.45.

29 * Sec. 21. AS 36.10.090(b) is amended to read:

30 (b) A local government or school district covered by the provisions of this
31 chapter that is found to be in violation of these provisions may be required to forfeit

1 all or part of the state aid made available for the project in which the violation occurs
 2 and in addition may be denied up to 12 months of state revenue sharing or public
 3 school funding [FOUNDATION MONEY]. A state department or agency head found
 4 to be in violation of this chapter may be required to forfeit the position of department
 5 or agency head.

6 * Sec. 22. AS 36.10.125(c) is amended to read:

7 (c) In an action brought under (b) of this section, the court may, in its
 8 discretion, order denial of state revenue sharing or public school funding
 9 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
 10 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
 11 it may award the plaintiff an amount equal to the actual costs and attorney fees
 12 incurred by the plaintiff.

13 * Sec. 23. AS 44.47.305(c) is amended to read:

14 (c) A grant under (a) of this section may not exceed \$50 per month for each
 15 child the child care facility cares for, or for each full-time equivalent, as determined
 16 by the department. The grant shall be adjusted on a geographic basis by the same
 17 percentages as funding communities [INSTRUCTIONAL UNIT ALLOTMENTS] are
 18 adjusted under AS 14.17.470 [AS 14.17.051].

19 * Sec. 24. AS 14.09.020; AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025,
 20 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056,
 21 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210,
 22 14.17.220, 14.17.225, 14.17.250; and AS 14.30.010(b)(7) are repealed.

23 * Sec. 25. TRANSITION: AREA COST FACTORS. (a) Notwithstanding AS 14.17.470,
 24 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1998, and July 1, 1999,
 25 and for the purposes of calculating public school funding under AS 14.17, as enacted by sec. 2
 26 of this Act, the area cost factor of a funding community of a school district is as follows:

DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
Alaska Gateway	Alcan Border	1.14
Alaska Gateway	Dot Lake	1.14
Alaska Gateway	Eagle	1.14
Alaska Gateway	Mentasta	1.14

1	Alaska Gateway	Northway	1.14
2	Alaska Gateway	Tanacross	1.14
3	Alaska Gateway	Tetlin	1.14
4	Alaska Gateway	Tok	1.14
5	Aleutians East	Akutan	1.32
6	Aleutians East	Cold Bay	1.32
7	Aleutians East	False Pass	1.32
8	Aleutians East	King Cove	1.32
9	Aleutians East	Nelson Lagoon	1.32
10	Aleutians East	Sand Point	1.32
11	Aleutians Region	Atka	1.32
12	Alyeska Central School	Alyeska Central School	1.00
13	Anchorage	Anchorage	1.00
14	Anchorage	Eagle River	1.00
15	Anchorage	Girdwood	1.00
16	Annette Island	Annette	1.05
17	Bering Strait	Brevig Mission	1.40
18	Bering Strait	Diomedede	1.55
19	Bering Strait	Elim	1.40
20	Bering Strait	Gambell	1.55
21	Bering Strait	Golovin	1.40
22	Bering Strait	Koyuk	1.40
23	Bering Strait	Savoonga	1.55
24	Bering Strait	Shaktoolik	1.40
25	Bering Strait	Shishmaref	1.40
26	Bering Strait	St. Michael	1.40
27	Bering Strait	Stebbins	1.40
28	Bering Strait	Teller	1.40
29	Bering Strait	Unalakleet	1.40
30	Bering Strait	Wales	1.40
31	Bering Strait	White Mountain	1.40

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1	Bristol Bay	Bristol Bay	1.40
2	Bristol Bay	South Naknek	1.40
3	Chatham	Angoon	1.05
4	Chatham	Cube Cove	1.05
5	Chatham	Elfin Cove	1.05
6	Chatham	Gustavus	1.05
7	Chatham	Hobart Bay	1.05
8	Chatham	Klukwan	1.05
9	Chatham	Tenakee Springs	1.05
10	Chugach	Chenega Bay	1.14
11	Chugach	Icy Bay	1.14
12	Chugach	Tatitlek	1.14
13	Chugach	Whittier	1.05
14	Chugach	Yakataga	1.14
15	Copper River	Chistochina	1.05
16	Copper River	Copper Center	1.05
17	Copper River	Gakona	1.05
18	Copper River	Glennallen	1.05
19	Copper River	Kenny Lake	1.05
20	Copper River	Lottie Sparks	1.05
21	Copper River	Slana	1.05
22	Cordova	Cordova	1.14
23	Craig	Craig	1.05
24	Delta/Greely	Delta Junction	1.14
25	Delta/Greely	Healy Lake	1.14
26	Denali	Anderson	1.14
27	Denali	Cantwell	1.14
28	Denali	Healy	1.14
29	Dillingham	Dillingham	1.32
30	Fairbanks	Eielson	1.00
31	Fairbanks	Fairbanks	1.00

1	Fairbanks	North Pole	1.00
2	Fairbanks	Salcha	1.05
3	Fairbanks	Two Rivers	1.05
4	Galena	Galena	1.32
5	Haines	Haines	1.05
6	Haines	Mosquito Lake	1.05
7	Hoonah	Hoonah	1.05
8	Hydaburg	Hydaburg	1.05
9	Iditarod	Anvik	1.32
10	Iditarod	Grayling	1.32
11	Iditarod	Holy Cross	1.32
12	Iditarod	Lake Minchumina	1.32
13	Iditarod	Lime Village	1.32
14	Iditarod	McGrath	1.32
15	Iditarod	Nikolai	1.32
16	Iditarod	Shageluk	1.32
17	Iditarod	Takoma	1.32
18	Iditarod	Telida	1.32
19	Juneau	Juneau	1.00
20	Kake	Kake	1.05
21	Kashunamiut	Chevak	1.32
22	Kenai Peninsula	Anchor Point	1.00
23	Kenai Peninsula	Cooper Landing	1.00
24	Kenai Peninsula	Homer	1.00
25	Kenai Peninsula	Hope	1.00
26	Kenai Peninsula	Kachemak Selo	1.05
27	Kenai Peninsula	Kasilof	1.00
28	Kenai Peninsula	Kenai	1.00
29	Kenai Peninsula	McNeil Canyon	1.00
30	Kenai Peninsula	Moose Pass	1.00
31	Kenai Peninsula	Nanwalek	1.05

1	Kenai Peninsula	Nikiski	1.00
2	Kenai Peninsula	Nikolaevsk	1.05
3	Kenai Peninsula	Ninilchik	1.00
4	Kenai Peninsula	Port Graham	1.05
5	Kenai Peninsula	Razdolna	1.05
6	Kenai Peninsula	Seldovia	1.05
7	Kenai Peninsula	Seward	1.00
8	Kenai Peninsula	Soldotna	1.00
9	Kenai Peninsula	Sterling	1.00
10	Kenai Peninsula	Tyonek	1.05
11	Kenai Peninsula	Voznesenka	1.05
12	Ketchikan	Ketchikan	1.00
13	Klawock	Klawock	1.05
14	Kodiak Island	Akhiok	1.14
15	Kodiak Island	Big Sandy Lake	1.14
16	Kodiak Island	Chiniak	1.05
17	Kodiak Island	Danger Bay	1.14
18	Kodiak Island	Karluk	1.14
19	Kodiak Island	Kodiak	1.05
20	Kodiak Island	Larsen Bay	1.14
21	Kodiak Island	Old Harbor	1.14
22	Kodiak Island	Ouzinkie	1.14
23	Kodiak Island	Port Lions	1.14
24	Kuspuk	Aniak	1.32
25	Kuspuk	Chuathbaluk	1.32
26	Kuspuk	Crooked Creek	1.32
27	Kuspuk	Lower Kalskag	1.32
28	Kuspuk	Red Devil	1.32
29	Kuspuk	Sleetmute	1.32
30	Kuspuk	Stony River	1.32
31	Kuspuk	Upper Kalskag	1.32

1	Lake and Peninsula	Chignik Bay	1.32
2	Lake and Peninsula	Chignik Lagoon	1.32
3	Lake and Peninsula	Chignik Lake	1.32
4	Lake and Peninsula	Egegik	1.32
5	Lake and Peninsula	Igiugig	1.32
6	Lake and Peninsula	Ivanof Bay	1.32
7	Lake and Peninsula	Kokhanok	1.32
8	Lake and Peninsula	Levelok	1.32
9	Lake and Peninsula	Newhalen	1.32
10	Lake and Peninsula	Nondalton	1.32
11	Lake and Peninsula	Pedro Bay	1.32
12	Lake and Peninsula	Perryville	1.32
13	Lake and Peninsula	Pilot Point	1.32
14	Lake and Peninsula	Port Alsworth	1.32
15	Lake and Peninsula	Port Heiden	1.32
16	Lower Kuskokwim	Akiuk	1.32
17	Lower Kuskokwim	Akula	1.32
18	Lower Kuskokwim	Atmautlauk	1.32
19	Lower Kuskokwim	Bethel	1.32
20	Lower Kuskokwim	Chefomak	1.32
21	Lower Kuskokwim	Eek	1.32
22	Lower Kuskokwim	Goodnews Bay	1.32
23	Lower Kuskokwim	Kipnuk	1.32
24	Lower Kuskokwim	Kongiganak	1.32
25	Lower Kuskokwim	Kwethluk	1.32
26	Lower Kuskokwim	Kwigillingok	1.32
27	Lower Kuskokwim	Mekoryuk	1.40
28	Lower Kuskokwim	Napakiak	1.32
29	Lower Kuskokwim	Napaskiak	1.32
30	Lower Kuskokwim	Newtok	1.32
31	Lower Kuskokwim	Nightmute	1.32

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1	Lower Kuskokwim	Nunapitchuk	1.32
2	Lower Kuskokwim	Oscarville	1.32
3	Lower Kuskokwim	Platinum	1.32
4	Lower Kuskokwim	Quinhagak	1.32
5	Lower Kuskokwim	Toksook Bay	1.32
6	Lower Kuskokwim	Tuntutuliak	1.32
7	Lower Kuskokwim	Tununak	1.32
8	Lower Yukon	Alakanak	1.32
9	Lower Yukon	Emmonak	1.32
10	Lower Yukon	Hooper Bay	1.32
11	Lower Yukon	Kotlik	1.32
12	Lower Yukon	Marshall	1.32
13	Lower Yukon	Mountain Village	1.32
14	Lower Yukon	Pilot Station	1.32
15	Lower Yukon	Pitkas Point	1.32
16	Lower Yukon	Russian Mission	1.32
17	Lower Yukon	Scammon Bay	1.32
18	Lower Yukon	Sheldon Point	1.32
19	Matanuska-Susitna	Beryozava	1.05
20	Matanuska-Susitna	Big Lake	1.00
21	Matanuska-Susitna	Butte	1.00
22	Matanuska-Susitna	Colony	1.00
23	Matanuska-Susitna	Glacier View	1.00
24	Matanuska-Susitna	Houston	1.00
25	Matanuska-Susitna	Matanuska-Susitna Valley	1.00
26	Matanuska-Susitna	Palmer	1.00
27	Matanuska-Susitna	Pt. McKenzie	1.00
28	Matanuska-Susitna	Skwentna	1.05
29	Matanuska-Susitna	Sutton	1.00
30	Matanuska-Susitna	Talkeetna	1.00
31	Matanuska-Susitna	Trapper Creek	1.00

1	Matanuska-Susitna	Wasilla	1.00
2	Matanuska-Susitna	Willow	1.00
3	Mt. Edgecumbe	Mt. Edgecumbe	1.00
4	Nenana	Nenana	1.14
5	Nome	Nome	1.32
6	North Slope	Anaktuvuk Pass	1.55
7	North Slope	Atkasuk	1.55
8	North Slope	Barrow	1.55
9	North Slope	Kaktovik	1.55
10	North Slope	Nuiqsut	1.55
11	North Slope	Point Hope	1.55
12	North Slope	Point Lay	1.55
13	North Slope	Wainwright	1.55
14	Northwest Arctic	Ambler	1.45
15	Northwest Arctic	Buckland	1.45
16	Northwest Arctic	Deering	1.45
17	Northwest Arctic	Kiana	1.45
18	Northwest Arctic	Kivalina	1.45
19	Northwest Arctic	Kobuk	1.45
20	Northwest Arctic	Kotzebue	1.45
21	Northwest Arctic	Noatak	1.45
22	Northwest Arctic	Noorvik	1.45
23	Northwest Arctic	Selawik	1.45
24	Northwest Arctic	Shungnak	1.45
25	Pelican	Pelican	1.05
26	Petersburg	Petersburg	1.00
27	Pribilof	St. George	1.40
28	Pribilof	St. Paul	1.40
29	Sitka	Sitka	1.00
30	Skagway	Skagway	1.05
31	Southeast Island	Craik	1.05

1	Southeast Island	Edna Bay	1.05
2	Southeast Island	Hollis	1.05
3	Southeast Island	Howard Valentine	1.05
4	Southeast Island	Jr. Gildersleeve	1.05
5	Southeast Island	Kasaan	1.05
6	Southeast Island	Naukati	1.05
7	Southeast Island	Polk Inlet	1.05
8	Southeast Island	Port Alexander	1.05
9	Southeast Island	Port Protection	1.05
10	Southeast Island	Thorne Bay	1.05
11	Southeast Island	Whale Pass	1.05
12	Southwest Region	Aleknagik North	1.32
13	Southwest Region	Clarks Point	1.32
14	Southwest Region	Ekwok	1.32
15	Southwest Region	Koliganek	1.32
16	Southwest Region	Manokotak	1.32
17	Southwest Region	New Stuyahok	1.32
18	Southwest Region	Portage	1.32
19	Southwest Region	Togiak	1.32
20	Southwest Region	Twin Hills	1.32
21	St. Mary's	St. Mary's	1.32
22	Tanana	Tanana	1.40
23	Unalaska	Unalaska	1.32
24	Valdez	Valdez	1.05
25	Wrangell	Wrangell	1.00
26	Yakutat	Yakutat	1.14
27	Yukon Flats	Arctic Village	1.45
28	Yukon Flats	Beaver	1.45
29	Yukon Flats	Birch Creek	1.45
30	Yukon Flats	Central	1.32
31	Yukon Flats	Chalkyitsik	1.45

1	Yukon Flats	Circle	1.32
2	Yukon Flats	Fort Yukon	1.45
3	Yukon Flats	Northern Lights	1.32
4	Yukon Flats	Rampart	1.45
5	Yukon Flats	Stevens Village	1.45
6	Yukon Flats	Venetie	1.45
7	Yukon/Koyukuk	Allakaket	1.40
8	Yukon/Koyukuk	Bettles	1.40
9	Yukon/Koyukuk	Hughes	1.40
10	Yukon/Koyukuk	Huslia	1.40
11	Yukon/Koyukuk	Kaltag	1.40
12	Yukon/Koyukuk	Koyukuk	1.40
13	Yukon/Koyukuk	Manley Hot Springs	1.40
14	Yukon/Koyukuk	Minto	1.32
15	Yukon/Koyukuk	Nulato	1.40
16	Yukon/Koyukuk	Ruby	1.40
17	Yupiiit	Akiachak	1.32
18	Yupiiit	Akiak	1.32
19	Yupiiit	Tuluksak	1.32

20 (b) For the period during which the area cost factors set out in (a) of this section serve
 21 as the public school funding area cost factors under AS 14.17, as amended by this Act, those
 22 area cost factors apply for purposes of geographic adjustments to child care grants under
 23 AS 44.47.305(c), as amended by sec. 23 of this Act.

24 * Sec. 26. TRANSITION: STUDENT TRANSPORTATION. Notwithstanding
 25 AS 14.09.010(b), as repealed and reenacted by sec. 8 of this Act, and AS 14.17.470(b),
 26 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1998, and July 1, 1999,
 27 and for the purposes of calculating public school funding under AS 14.17, as amended by this
 28 Act, a school district that provides student transportation shall have its adjusted ADM
 29 multiplied by a transportation factor as follows:

30	DISTRICT	TRANSPORTATION FACTOR
31	Alaska Gateway	1.07

1	Aleutian Region	1.00
2	Aleutians East	1.01
3	Anchorage	1.04
4	Annette Islands	1.00
5	Bering Strait	1.00
6	Bristol Bay	1.07
7	Chatham	1.00
8	Chugach	1.00
9	Copper River	1.09
10	Cordova	1.01
11	Craig	1.00
12	Delta/Greely	1.10
13	Denali	1.07
14	Dillingham	1.04
15	Fairbanks	1.05
16	Galena	1.02
17	Haines	1.04
18	Hoonah	1.01
19	Hydaburg	1.00
20	Iditarod	1.01
21	Juneau	1.04
22	Kake	1.01
23	Kashunamiut	1.00
24	Kenai Peninsula	1.05
25	Ketchikan	1.04
26	Klawock	1.00
27	Kodiak Island	1.03
28	Kuspuk	1.02
29	Lake and Peninsula	1.02
30	Lower Kuskokwim	1.01
31	Lower Yukon	1.00

1	Matanuska-Susitna	1.08
2	Nenana	1.05
3	Nome	1.03
4	North Slope	1.02
5	Northwest Arctic	1.00
6	Pelican	1.00
7	Petersburg	1.02
8	Pribilof	1.00
9	Sitka	1.04
10	Skagway	1.00
11	Southeast Island	1.03
12	Southwest Region	1.02
13	St. Mary's	1.00
14	Tanana	1.01
15	Unalaska	1.03
16	Valdez	1.04
17	Wrangell	1.03
18	Yakutat	1.03
19	Yukon Flats	1.01
20	Yukon/Koyukuk	1.01
21	Yupitit	1.00

22 * Sec. 27. TRANSITION: HOLD HARMLESS. (a) Notwithstanding the provisions of
 23 secs. 1 - 26 of this Act and except as provided in (c) of this section, if, for a fiscal year
 24 beginning July 1, 1998, through July 1, 2001, a school district would receive less public
 25 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 26 received as state aid for the fiscal year beginning July 1, 1998, and if the district meets the
 27 requirements of (b) of this section, the district is eligible to receive instead a percentage of
 28 the state aid the district would have received for the fiscal year beginning July 1, 1998,
 29 according to the following table:

30	For the fiscal year beginning	Percentage of state aid for the fiscal year
31		beginning July 1, 1998

1	July 1, 1998	100
2	July 1, 1999	80
3	July 1, 2000	60
4	July 1, 2001	40
5	July 1, 2002	20

6 (b) A school district in a city or borough is not entitled to the hold harmless
7 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
8 local contribution to the district for that fiscal year as required under this subsection. For the
9 hold harmless for the fiscal year beginning July 1, 1998, the required local contribution is the
10 equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1999, the required local
11 contribution is the equivalent of a five mill tax levy; for the fiscal year beginning
12 July 1, 2000, the required local contribution is the equivalent of a six mill tax levy; and for
13 the fiscal year beginning July 1, 2001, the required local contribution is the equivalent of a
14 seven mill tax levy.

15 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by
16 sec. 2 of this Act, hold harmless funding authorized under (a) and (b) of this section is treated
17 the same as the state share of equalization funding under AS 14.17.410, enacted by sec. 2 of
18 this Act.

19 (d) For purposes of this section, "state aid" means state foundation aid distributed
20 under the provisions of AS 14.17, repealed by this Act, additional district support appropriated
21 by the legislature, and student transportation support reimbursed by the Department of
22 Education.

23 * Sec. 28. TRANSITION: REGULATIONS. To the extent the regulations are not
24 inconsistent with the language and purposes of this Act, regulations relating to state aid for
25 public schools adopted by the Department of Education before the effective date of this Act
26 remain in effect as valid regulations implementing this Act; all other regulations relating to
27 state aid for public schools adopted by the Department of Education before the effective date
28 of this Act are annulled. The Department of Education may administer and enforce those
29 previously adopted regulations relating to state foundation aid for public schools.

30 * Sec. 29. TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
31 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

1	For the fiscal year beginning	Base student allocation
2	July 1, 1998	\$3,400
3	July 1, 1999	3,925
4	July 1, 2000	3,970
5	July 1, 2001	4,010
6	* Sec. 30. This Act takes effect July 1, 1998.	

	HB 148 (HES) Proposed State Support	Existing Formula Projected State Support	Difference Between HB 148(HES) and Existing Change in State Support	Transition Funding	Net Change State Aid Plus Transition
ALASKA GATEWAY	4,744,892	5,450,365	(705,473)	705,473	0
ALEUTIAN REGION	1,049,088	1,294,229	(245,141)	245,141	0
ALEUTIANS EAST	3,545,646	3,580,405	(34,759)	34,759	0
ANCHORAGE	202,748,229	198,935,818	3,812,411	0	3,812,411
ANNETTE ISLANDS	2,850,816	1,753,509	1,097,307	0	1,097,307
BERING STRAIT	18,447,980	17,487,346	960,634	0	960,634
BRISTOL BAY	2,543,075	1,871,976	671,099	0	671,099
CHATHAM	2,783,634	2,350,699	432,935	0	432,935
CHUGACH	1,093,670	1,515,697	(422,027)	422,027	0
COPPER RIVER	5,356,827	6,773,428	(1,416,601)	1,416,601	0
CORDOVA	2,875,434	2,921,560	(46,126)	46,126	0
CRAIG	2,279,937	2,523,287	(243,350)	243,350	0
DELTA/GREELY	5,266,054	5,649,074	(382,970)	382,970	0
DENALI	2,645,389	2,953,916	(308,527)	308,527	0
DILLINGHAM	4,317,230	4,308,393	8,837	0	8,837
FAIRBANKS	70,802,271	70,065,669	736,602	0	736,602
GALENA	4,852,457	6,687,958	(1,835,501)	1,835,501	0
HAINES	2,061,442	2,308,996	(247,554)	247,554	0
HOONAH	2,157,029	2,090,539	66,490	0	66,490
HYDABURG	1,055,701	1,194,310	(138,609)	138,609	0
IDITAROD	5,279,700	5,350,447	(70,747)	70,747	0
JUNEAU	21,955,976	21,532,470	423,506	0	423,506
KAKE	1,427,411	1,493,619	(66,208)	66,208	0
KASHUNAMIUT	2,655,026	2,398,514	256,512	0	256,512
KENAI	45,261,182	45,451,156	(189,974)	189,974	0
KETCHIKAN	9,727,487	9,678,750	48,737	0	48,737
KLAWOCK	1,631,435	1,587,820	43,615	0	43,615
KODIAK	14,061,041	14,610,654	(549,613)	549,613	0
KUSPUK	5,410,231	5,646,859	(236,628)	236,628	0
LAKE AND PENINSULA	6,387,875	6,842,467	(454,592)	454,592	0
LOWER KUSKOKWIM	31,190,458	38,943,551	(7,753,093)	7,753,093	0
LOWER YUKON	16,358,532	14,928,605	1,429,927	0	1,429,927
MAT-SU	60,597,244	64,166,524	(3,569,280)	3,569,280	0
NENANA	1,310,400	2,007,842	(697,442)	697,442	0
NOME	5,323,777	5,680,239	(356,462)	356,462	0
NORTH SLOPE	0	12,027,620	(12,027,620)	0	(12,027,620)
NORTHWEST ARCTIC	19,207,443	18,530,116	677,327	0	677,327
PELICAN	412,974	605,426	(192,452)	192,452	0
PETERSBURG	3,626,609	3,509,929	116,680	0	116,680
PRIEBILOF	2,140,286	1,883,539	256,747	0	256,747
SITKA	6,575,645	6,524,402	51,243	0	51,243
SKAGWAY	672,424	800,628	(128,404)	128,404	0
SOUTHEAST	2,672,159	2,937,038	(264,880)	264,880	0
SOUTHWEST	7,627,678	7,694,147	(66,469)	66,469	0
ST. MARYS	1,390,870	1,555,616	(164,746)	164,746	0
TANANA	1,163,719	1,400,031	(236,312)	236,312	0
UNALASKA	2,990,745	2,283,596	707,149	0	707,149
VALDEZ	2,962,034	3,973,405	(1,411,371)	1,411,371	0
WRANGELL	2,428,288	2,647,399	(219,111)	219,111	0
YAKUTAI	1,577,029	1,486,749	90,280	0	90,280
YUKON FLATS	5,403,264	6,227,549	(824,285)	824,285	0
YUKON-KOYUKUK	6,702,078	6,905,455	(203,378)	203,378	0
YUPIIT	3,755,268	4,250,129	(494,861)	494,861	0
ALASKA CORRES.	4,139,316	3,996,324	142,992	0	142,992
MT. EDGECLUMBE	1,971,267	1,717,150	254,917	0	254,917
OTHER	2,971,131	28,096,131	0	0	0
TOTAL	674,772,601	689,089,221	(14,316,620)	24,176,947	(139,673)

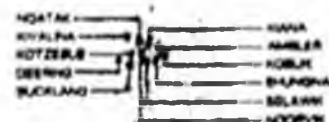
Changes to various components of the formula will change the outcome of the distribution of funds.

Year one - fiscal year 1999
 Student Allotment \$4,150
 NO HOLD HARMLESS

	HB 148 (HES) Proposed State Support	Existing Formula Projected State Support	Difference Between HB 148(HES) and Existing Change in State Support	Transition Funding	Net Change State Aid Plus Transition
ALASKA GATEWAY	5,121,732	5,450,365	(328,633)	0	(328,633)
ALEUTIAN REGION	1,133,780	1,294,229	(160,449)	0	(160,449)
ALEUTIANS EAST	3,755,396	3,580,405	174,991	0	174,991
ANCHORAGE	207,341,956	198,935,818	8,406,138	0	8,406,138
ANNETTE ISLANDS	3,080,960	1,753,509	1,327,451	0	1,327,451
BERING STRAIT	19,926,826	17,487,346	2,439,480	0	2,439,480
BRISTOL BAY	2,580,236	1,871,976	708,260	0	708,260
CHATHAM	3,004,540	2,350,699	653,841	0	653,841
CHUGACH	1,181,962	1,515,697	(333,735)	0	(333,735)
COPPER RIVER	5,783,558	6,773,428	(989,870)	0	(989,870)
CORDOVA	2,971,478	2,921,560	49,918	0	49,918
CRAIG	2,388,813	2,523,287	(134,674)	0	(134,674)
DELTA/GREELY	5,678,754	5,649,024	29,730	0	29,730
DENALI	2,771,848	2,953,916	(182,068)	0	(182,068)
DILLINGHAM	4,533,687	4,308,393	225,294	0	225,294
FAIRBANKS	72,771,953	70,065,669	2,706,284	0	2,706,284
GALENA	5,223,660	6,687,958	(1,464,298)	0	(1,464,298)
HAINES	2,094,291	2,308,996	(214,705)	0	(214,705)
HOONAH	2,293,354	2,090,539	202,815	0	202,815
HYDABURG	1,134,509	1,194,310	(59,801)	0	(59,801)
IDITAROD	5,693,938	5,350,447	343,491	0	343,491
JUNEAU	21,828,000	21,532,470	295,530	0	295,530
KAKE	1,527,584	1,493,619	33,965	0	33,965
KASHUNAMIUT	2,882,172	2,398,514	483,658	0	483,658
KENAI	45,814,669	45,451,156	363,513	0	363,513
KETCHIKAN	9,628,495	9,678,750	(50,255)	0	(50,255)
KLAWOCK	1,747,460	1,587,820	159,640	0	159,640
KODIAK	14,495,129	14,610,654	(115,525)	0	(115,525)
KUSPUK	5,844,597	5,646,859	197,738	0	197,738
LAKE AND PENINSULA	6,850,245	6,842,467	7,778	0	7,778
LOWER KUSKOKWIM	33,650,894	38,943,551	(5,292,657)	0	(5,292,657)
LOWER YUKON	17,676,745	14,928,605	2,748,140	0	2,748,140
MAT-SU	63,404,031	64,166,524	(762,493)	0	(762,493)
NENANA	1,401,430	2,007,842	(606,412)	0	(606,412)
NOME	5,632,538	5,680,239	(47,701)	0	(47,701)
NORTH SLOPE	0	12,027,620	(12,027,620)	0	(12,027,620)
NORTHWEST ARCTIC	20,468,901	18,530,116	1,938,785	0	1,938,785
PELICAN	438,202	605,428	(169,224)	0	(169,224)
PETERSBURG	3,732,591	3,509,929	222,662	0	222,662
PRIIBILOF	2,307,984	1,883,539	424,445	0	424,445
SITKA	6,614,651	6,524,402	90,249	0	90,249
SKAGWAY	620,736	800,828	(180,092)	0	(180,092)
SOUTHEAST	2,884,066	2,937,039	(52,973)	0	(52,973)
SOUTHWEST	8,241,056	7,694,147	546,909	0	546,909
ST. MARY'S	1,493,745	1,555,616	(55,871)	0	(55,871)
TANANA	1,253,255	1,400,031	(146,776)	0	(146,776)
UNALASKA	2,511,209	2,283,596	227,613	0	227,613
VALDEZ	2,042,320	3,973,405	(1,931,085)	0	(1,931,085)
WRANGELL	2,495,449	2,647,399	(151,950)	0	(151,950)
YAKUTAT	1,670,780	1,486,749	184,031	0	184,031
YUKON FLATS	5,839,466	6,227,549	(388,083)	0	(388,083)
YUKON KOYUKUK	7,230,886	6,905,455	325,431	0	325,431
YUPIIT	4,056,030	4,250,129	(194,099)	0	(194,099)
ALYESKA CORRES.	4,473,480	3,996,324	477,156	0	477,156
MT. EDGE CUMBE	2,133,432	1,717,150	416,282	0	416,282
OTHER	26,096,131	26,096,131	0	0	0
TOTAL	699,437,390	699,089,221	348,169	0	348,169

Changes to various components of the formula will change the outcome of the distribution of funds.

Northwest Arctic Borough School District
 BOX 51
 KOTZEBUE, ALASKA 99752
 (907) 442-3472



February 13, 1998

Representative Con Bunde, Chairperson
 H.E.S.S. Committee
 Alaska State Legislature
 State Capitol (MS 3100)
 Juneau, AK 99801-1182

Representative Bunde and members of the H.E.S.S. Committee.

I would like to state my opposition to the McDowell Report for the following reasons. The report suggests that no ACD should be attached to the instructional (personnel) costs associated with district spending. Due to the fact that most average teacher salaries in the state are within 5% of what Anchorage pay's and the Anchorage ACD is at 1.00. I vehemently disagree. Northwest Arctic Borough School District has to pay an additional 15% to a teacher with the exact same qualifications (experience and educational credits) as the Anchorage School District. A scatter gram of the certified personnel in each district indicates the following:

Salary Schedule			
	Lower 1/3	Middle 1/3	Upper 1/3
Northwest Arctic	33%	32%	34%
Anchorage	15%	28%	57%

Using Anchorage's average teacher salary as a base skews the figure to the upper limits due to the fact that 57% of their teachers are in the upper 1/3 of the pay scale. This means that for our average teacher salary to be equal to Anchorage's average teacher salary ($\pm 5\%$) in the lower 1/3 of our salary schedule has to be much higher than Anchorage's. Indeed they are (at least 15%). Incidentally, NWABSD ranks third in teacher salaries when compared to the other three largest Bush districts (North Slope, Lower Kuskokwim and Bering Straits), so those districts are paying a cost of living to their staff that is higher than NWABSD.

In conclusion, to state that we are not having to pay a higher wage than Anchorage due to the fact that our average is equal ($\pm 5\%$) of Anchorage's is absolutely not accurate. Therefore, an ACD must be applied to instructional allocations (personnel costs) as with non-personnel services and administration.

Sincerely,

Lou Matheson
 Superintendent

cc: Senator Al Adams
 Representative Reggie Juule

School Funding Analysis

Elements	Current Foundation Formula	HB 294 Rep. Kubina	SB 36 Senator Phillips	SB 257 & HB 351 Governor Knowles	SB 146 Senate HESS	HB 148 House HESS
Unit vs Per Pupil Allocation	<ul style="list-style-type: none"> Allocations are based on instructional units. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Allocations are distributed on a per student basis adjusted for a number of factors related to the cost of operating schools. 	<ul style="list-style-type: none"> Allocations are distributed on a per student basis adjusted for a number of factors related to the cost of operating schools.
Full Funding Requirement	<ul style="list-style-type: none"> Fully funded in Governor's FY99 budget. 	<ul style="list-style-type: none"> Requires an additional \$37.5 million over FY99 budget to fully fund. 	<ul style="list-style-type: none"> Requires an additional \$35.5 million over FY99 budget to fully fund. Recaptures \$33 million from North Slope Borough 	<ul style="list-style-type: none"> Requires an additional \$24.1 million over FY99 budget to fully fund. 	<ul style="list-style-type: none"> Requires an additional \$4.1 million over FY99 budget to fully fund. 	<ul style="list-style-type: none"> Unknown
Unit Value	<ul style="list-style-type: none"> \$61,000 	<ul style="list-style-type: none"> \$64,000 	<ul style="list-style-type: none"> \$61,000 	<ul style="list-style-type: none"> \$62,550 	<ul style="list-style-type: none"> Per pupil allocation. 	<ul style="list-style-type: none"> Per pupil allocation.
Annual Increase	<ul style="list-style-type: none"> No adjustment. 	<ul style="list-style-type: none"> No adjustment. 	<ul style="list-style-type: none"> No adjustment. 	<ul style="list-style-type: none"> 1% annual increase to the instructional unit value. 	<ul style="list-style-type: none"> Recommended inflationary adjustment based on Anchorage CPI. 	<ul style="list-style-type: none"> No adjustment.
Categorical Funding	<ul style="list-style-type: none"> Categorical revenue based on identification and types of service for students, 4 levels for Special Education, 3 levels for Bilingual Education and 1 level for Vocational Education. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> Categorical revenue for gifted and talented is an allocation based on 4.5% of total students funded separate from Special Education, all other categories remain the same. Consolidates Bilingual to 1 level still requiring identification. Vocational Education, no change from current program. 	<ul style="list-style-type: none"> Categorical revenue for gifted and talented is an allocation based on 4% of total students. Resource/Self Contained is an allocation based on 14% of total students. Bilingual and Vocational Education, no change from current formula. 	<ul style="list-style-type: none"> Special needs (Special Education, Gifted and Talented, Bilingual and Vocational) students are classified as 20% of total students enrolled in schools. Categorical funding is abolished. 	<ul style="list-style-type: none"> Special needs (Special Education, Gifted and Talented, Bilingual and Vocational) students are classified as 20% of total students enrolled in schools. Categorical funding is abolished.
Intensive Service Funding	<ul style="list-style-type: none"> Funding based on a count of students identified as having intensive needs. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> No change from current program.
Required Local Effort	<ul style="list-style-type: none"> Based on 4 mills or 35% of Basic Need. 	<ul style="list-style-type: none"> Based on 4 mills local effort or 40% of Basic Need. 	<ul style="list-style-type: none"> Based on 4.5 mills local effort. Eliminates 35% of Basic Need option 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> Based on 3 mills for municipalities and a 3% wage tax in the unorganized borough. 	<ul style="list-style-type: none"> Based on 3 mills local effort increased .25 mills a year, capped at 4 mills.

School Funding Analysis

Elements	Current Foundation Formula	HB 294 Rep. Kubina	SB 36 Senator Phillips	SB 257 & HB 351 Governor Knowles	SB 146 Senate HESS	HB 148 House HESS
Redistribution Based on Property Wealth	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Supplemental equalization aid. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Normalization of property wealth adjusted for school population. 	<ul style="list-style-type: none"> None
Impact Aid	<ul style="list-style-type: none"> Considers federal impact aid in formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Does not consider federal impact aid in formula. 	<ul style="list-style-type: none"> Does not consider federal impact aid in formula.
Local Cap	<ul style="list-style-type: none"> Allows additional local contributions. Capped at 23% of Basic Need in order to meet federal disparity test. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Allows additional local contributions without cap. 	<ul style="list-style-type: none"> Allows additional local contributions without cap.
Single site	<ul style="list-style-type: none"> No adjustment for single site school districts within formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Adds an adjustment for single site school districts. 	<ul style="list-style-type: none"> Adds an adjustment for single site school districts. 	<ul style="list-style-type: none"> Adds an adjustment for single site school districts. 	<ul style="list-style-type: none"> Adds an adjustment for single site school districts.
Area Cost Differentials	<ul style="list-style-type: none"> Area cost differential are based on 1985 state employee salary adjustments and have not been updated. Assigned at district level. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Requires area cost differential and size adjustment study to be completed and implemented in three years. Assigned at funding community level. 	<ul style="list-style-type: none"> Requires area cost differential study to be completed and implemented in three years. Assigned at funding community level.
School Size	<ul style="list-style-type: none"> Allows funding for schools serving as few as 1 student. 	<ul style="list-style-type: none"> No change from current formula. 	<ul style="list-style-type: none"> Minimum size for funding set at 10 ADM. 	<ul style="list-style-type: none"> Minimum size for funding set at 8 ADM. 	<ul style="list-style-type: none"> Minimum size for funding set at 10 ADM. 	<ul style="list-style-type: none"> Minimum size for funding set at 10 ADM.
Transitional Funding	None	None	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> FY99 100% FY00 95% FY01 90% 	<ul style="list-style-type: none"> FY99 100% 4 mills FY00 98% 5 mills FY01 95% 6 mills FY02 90% 7 mills 	<ul style="list-style-type: none"> FY99 100% 4 mills FY00 80% 5 mills FY01 60% 6 mills FY02 40% 7 mills FY03 20% 7 mills
Pupil Transportation Program	<ul style="list-style-type: none"> Pupil transportation reimbursed under separate program. 	<ul style="list-style-type: none"> No change from current program. 	<ul style="list-style-type: none"> Pupil transportation reimbursed under separate program. Requires additional \$1.7 million to fully fund. 	<ul style="list-style-type: none"> No change from current program 	<ul style="list-style-type: none"> No change from current program 	<ul style="list-style-type: none"> Pupil transportation funds are allocated within formula based on weight factors.
Accountability for Student Learning	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Requires school-based results in reading, writing and math. Holds schools/communities accountable for student Learning. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required.

Alaska State House of Representatives
House District 39



Session

Alaska State Capitol
Juneau, Alaska 99801-1182
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1-800-323-4942
Fax: (907) 465-4589
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Interim

P.O. Box 137
Akiak, Alaska 99552
Phone: (907) 765-7526

Representative Ivan M. Ivan

MEMORANDUM

TO: Representative Con Brunde, Chair
House Health Education Social Services Committee

FROM: Representative Ivan M. Ivan *Ivan*
House District 39

DATE: February 5, 1998

RE: House Bill 148

My office received a letter from Mr. Matthew Nicolai, President of the Calista Regional Corporation dated February 4, 1998 expressing their opposition to HB 148, an act relating to the public school funding program; relating to the definition of a school district, to the transportation of students, to school district layoff plans, to the special education service agency, to the child care grant program, and to compulsory attendance in public schools. The Calista Regional Corporation encompasses the Yukon-Kuskokwim Delta area.

I am enclosing the letter and ask that this letter become a part of the record on HB 148 testimony.

Quyana.

Calista Corporation

601 W. 5th Avenue, Suite 200 - Anchorage, AK 99501-2226 • (907) 279-5516 Facsimile (907) 272-5060

February 4, 1998

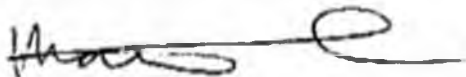
The Honorable Ivan M. Ivan
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Ivan,

The purpose of my letter is to state our objection to HB 148. Calista Corporation does not support this legislative bill. Urban towns continue to capture funds derived from rural Alaska. Rural Alaska cannot continue to see continued cuts of education at the expense of urban towns.

We urge you not to support HB 148. Thank you for your attention in this matter.

Sincerely,
Calista Corporation



Matthew Nicolai
President/CEO



RapidFax

*This Fax was sent using FAXcillate
The Premier Fax Software for the Apple Macintosh™*

To: HB 148 Roger Liebner, - Kenai LIO
From: D. Roger Liebner, Mariner Investments
Fax Phone Number: (907)262-8362

Date: Fri, Feb 6, 1998 • 12:12 PM

Transmitting (1) pages, including cover sheet.

If there is difficulty with this transmission, please call: 907-262-1339(907)262-1339

Note:

This testimony should be considered in support of HB 148.

Public education has suffered severe cuts in their academic program due to stagnant funding and inflationary costs.

The Kenai Peninsula Borough School District will benefit from various components of this bill. Our district has made many cuts in the past 10 years that have directly involved the lives of our students and a bill of this nature will assist in restoring important resources.

Passage of this bill is an important step in the overall restructuring of our public school funding mechanism. I urge your support.

Sincerely,

Roger Liebner
President-Soldotna High School PTA

liebner@alaska.net

NEA-ALASKA POSITION STATEMENT

PUBLIC SCHOOL FUNDING

NEA-Alaska has historically lobbied and attempted to present the case for funding Alaska's public schools. Preparation of children for the challenges of the new century is critical to the economic development of Alaska. Jobs of the future will demand that our people have special technical and academic skills to master new challenges. Public schools are attempting to teach those skills today.

In 2008, today's first graders will have completed twelve years of instruction. Some of those first graders are today children "at risk;" some come from secure loving families, some don't; some require special education, some don't; some suffer from Fetal Alcohol Syndrome, some don't; some come from dysfunctional families, some don't; and some experience domestic violence on a daily basis, some don't. The promise and responsibility of our public schools is to educate all the children. In educating the children, school employees see first hand that many of the problems of the public schools are societal and some of the them are systemic.

Both parents and school employees recognize that problems confronting children in 1997 don't compare to the problems we experienced as children. The school of 1997 has a totally different set of challenges than the school of 1977 or '67 or '57. The reality is that the pressures and the expectations demanded of our public schools, for the most part, go unfunded.

THE REALITY

For the ten-year period 1983-1993, school enrollment in Alaska grew by more than 25,000 or slightly less than 26 percent. Alaska has historically ranked in the top ten states nationally in the percent increase in student enrollment from one year to the next. In 1983 Alaska ranked 8th nationally, and in 1994 we ranked 2nd in the percent change in public school enrollment from the previous year. In 1994 22.4 percent of the state's population was 5-17 year olds.

From 1984 through 1993, public schools in Alaska employed 762 new teachers (FTE) to accommodate the growth and to address new instructional priorities - special education, alternative programs, etc. Even though districts hired more teachers (FTE), the pupil-teacher ratio increased from 15.2 in 1983 to 17.1 in 1993. During the period, teachers taught more children and at the same time implemented new programs to address the needs of a changing student population. Teachers and the staff that support them were doing more with diminishing state support.

At the same time the administration and legislature sent ominous messages about the health and welfare of public education. Since 1986, public education has suffered severe financial setbacks. Correlated with the drop in oil prices, state support for public education was severely cut back. Between the 1985-86 and 1986-87 school years the level of state support dropped by 15%.

During Alaska's first year as a state, the appropriation for supporting public education was 44% of the total operating budget. Ten years later, 1970-71, the level of state support was at 35% of the total operating budget. Even though the early years of statehood were financially difficult, the level of state support for public education was strong. Since these times, the level of state support for public education as a share of the total operating budget has steadily declined. During 1990-91 the total state share for K-12 public education was 17% of the operating budget, less than one-half of what it was in the first decade of statehood.

Even when local financial commitments are taken into consideration, the total Alaska level of spending for public education is poor. Again, this has not always been the case. During its first decade as a state, 30% to 38% of all state and local operating expenditures went to public education. In 1991-92 all education was only 23.1% of the total general expenditures from local and state government. Alaska's low effort ranked 49th in the nation.

During 1987-88 when the new funding formula was put in place the Instructional Unit value was set at \$60,000 -- a level that was itself 8% lower than the rate of state support in the 1985-86 school year. The unit has been adjusted only one time -- in 1992, an increase of 1.6%. However, this increase has not even begun to offset inflationary ravages. For instance, the current (1996-97 school year) value of the instructional unit, after being adjusted for the inflation that has occurred since 1987 is \$45,888 in 1987 purchasing power. For the instructional unit to have the same purchasing power that it had in 1987, it should have been, for this school year, at a value of \$79,759. Inflation has plundered the investment we make in our children.

Failure to invest in our children simply shortchanges their future. On a per child basis, Alaskan school district expenditures have increased a total of 21% in the decade from 1983 to 1993. At best our investment in our children increased by slightly more than 2% per year.

Alaska is a young state with many school aged children. From 1994 to 1995 public school enrollment increased an estimated 4.2%. This represents the second largest percentage increase in the nation. At the same time, our teachers and support staff were doing excellent jobs improving graduation rates. More children enroll annually, and our public schools succeed in graduating more students. Alaska leads the nation in improving student graduation rates. In 1993-94 Alaska's public schools graduated 5.6% more children than they did ten years earlier. This represented the 7th best performance by a state.

Children have not been the only ones to pay a price for inadequate funding. School employees, through cuts and freezes in compensation and benefits, have subsidized the cost of public education. From 1985 to 1995, the national average for salaries

increased 49.5%. In comparison, Alaska's teachers' average salary increased an estimated 20.9%. From 1994 to 1995 the percent change in the average salary for public school teachers was estimated at 0.1%. The statistics for school support personnel are not any better.

In comparison the relative financial well-being of individuals within Alaska improved more than the well-being of teachers. During roughly the same period of time increases in per capita income fared better than increases for teachers and school employees. From 1984 to 1994 the percent change in Alaska's per capita personal income was 32.7%. Generally the population at large also does better on an annual basis. From 1993 to 1994 the per capita personal income increased 3.7%

CHILDREN IN NEED

In 1991, an NEA-Alaska study found the following concerns and needs were present in our schools:

- * a need for specific programs on parenting skills,
- * a need for more parent involvement and support for their children's educational program,
- * significantly increasing class sizes,
- * inadequate supplies/material/textbooks,
- * the absence of academic and vocational counseling,
- * no meaningful programs for "at risk" students,
- * teachers with increasing numbers of different preparations,
- * reduction and elimination of critical programs,
- * reduced library services,
- * inadequate in-service and staff development programs,
- * limited planning time,
- * additional clerical responsibilities, and
- * less teaching time.

Teachers and school employees want to teach and serve each and every child. We need to do more to help children in many areas, including:

- * substance abuse education,
- * "at risk" children,
- * inclusion and needs of special education students,
- * reducing student violence,
- * teenage pregnancy prevention,
- * suicide prevention, and
- * drop out prevention.

State and local governments' continuing failure to deal with increasing class size and work load problems only serves to exacerbate these and other concerns unique to public education.

The task of preparing our students for today and for the challenges of the new century is expensive, but the cost of not preparing them is greater. Our public schools, teachers, and school district support employees must continue to be

successful in their efforts. By limiting the necessary resources, we are limiting the success potential for everyone, students in particular. Investment in our most precious resource - children - will cost a lot. However, if we don't spend our money on our public schools, we will be forced to spend even more on welfare, new prisons, jails, and public safety.

THE NEA-ALASKA POSITION

The NEA-Alaska Delegate Assembly in January approved the following position as its major priority for the 20th Alaska Legislature:

NEA-Alaska shall lobby the legislature to provide full forward funding for the base instructional unit of \$61,000 plus inflation proofing. NEA-Alaska shall lobby for legislation to secure inflation proof forward funding of the foundation program and legislative action that will correct the funding formula inequities, such as but not limited to, single site districts and PL-874.

Furthermore, NEA-Alaska supports these additional essential components:

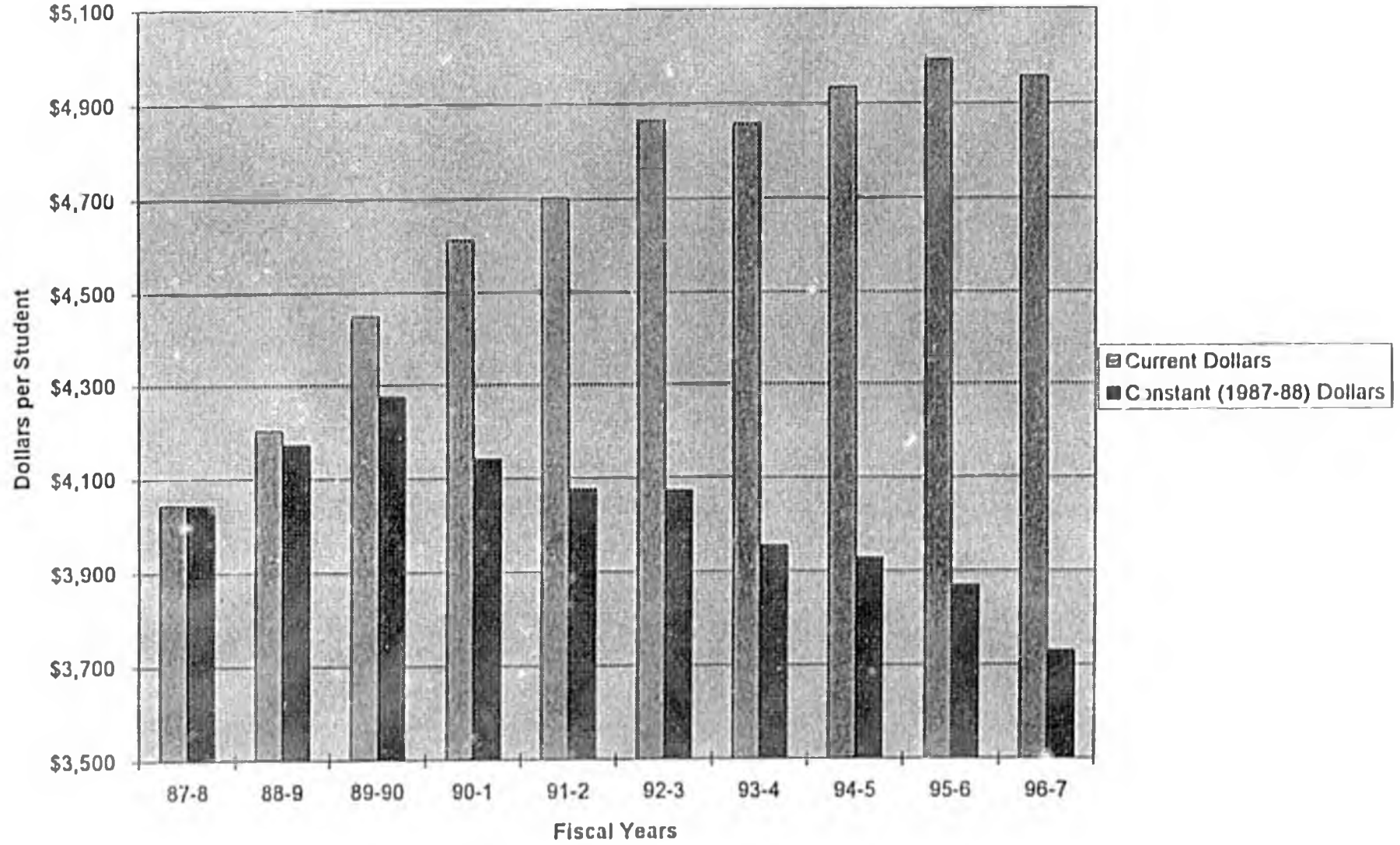
- An early funding decision so that school districts may plan more realistically and so that the continuity of programs and services may be enhanced.
- A formula adjustment more accurately reflecting the needs of the small single site school districts which have been disadvantaged since 1987-88, not by year-to-year political decisions as has been the historical practice, but through genuine revision to the funding formula which makes all districts equal partners in access to critical financial resources.

It is time to re-establish funding for our public schools as the number-one priority at both the state and local levels. The needs of 126,000 students enrolled in our public schools is far too important to all of us.

fund97

FOUNDATION PROGRAM FUNDING					
Year	Foundation Program (in millions of dollars)	CPI-U Anchorage	ADM	Dollars per ADM	Constant (1987-88) Dollars per ADM
87-8	\$409.0	108.1	101142	\$4,044	\$4,044
88-9	\$426.4	108.9	101442	\$4,203	\$4,173
89-90	\$462.8	112.5	104035	\$4,449	\$4,275
90-1	\$498.8	120.4	108168	\$4,611	\$4,140
91-2	\$532.9	124.7	113348	\$4,701	\$4,076
92-3	\$567.4	129.1	116652	\$4,864	\$4,073
93-4	\$581.2	132.8	119673	\$4,857	\$3,953
94-5	\$595.8	135.8	120752	\$4,934	\$3,928
95-6	\$613.5	139.5	122897	\$4,992	\$3,868
96-7	\$617.2	143.7	124544	\$4,956	\$3,728

ERODING VALUE OF FOUNDATION FUNDING (Per Student)



1. Section 14.17.520 (Minimum expenditure for instruction) is removed.
2. Page 7, Lines 10-11,
The student count in February is mandatory.
3. Page 9, Lines 5-6
New language allowing the department to audit a district to determine compliance with Sec. 14.17.910.
4. Page 24, Lines 21-22
The study will also include funding community size factor.

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the public school funding program; relating to the definition
2 of a school district, to the transportation of students, to school district layoff
3 plans, to the special education service agency, to the child care grant program,
4 and to compulsory attendance in public schools; and providing for an effective
5 date."

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

7 * Section 1. PURPOSE OF SECTION 2. The purpose of sec. 2 of this Act is to provide
8 a level of funding through the public school funding program that allows for an equitable level
9 of educational opportunities and outcomes for those students attending the public schools of
10 the state, to promote local decision-making, and, through increased control of funding, to
11 provide more local responsibility and accountability for decisions affecting public schools.

12 * Sec. 2. AS 14.17 is amended by adding new sections to read:

13 Article 1. State Funding to Public Schools.

1 **Sec. 14.17.300. Public school account.** (a) The public school account is
2 established. The account consists of appropriations for distribution to school districts,
3 the state boarding school, and for the centralized correspondence study program under
4 this chapter.

5 (b) The money in the account may be used only in aid of public schools,
6 including community school programs, and for centralized correspondence study
7 programs under this chapter.

8 **Sec. 14.17.400. State funding for districts.** (a) The state funding for which
9 a school district is eligible in a fiscal year is equal to the amount for which a district
10 qualifies under AS 14.17.410 (equalization funding).

11 (b) If the amount in the public school account (AS 14.17.300) is insufficient
12 to meet the amounts authorized under (a) of this section for a fiscal year, the
13 department shall reduce pro rata the state share of equalization funding for which
14 districts are eligible by the necessary percentage as determined by the department. If
15 the state share of equalization funding is reduced under this subsection, the department
16 shall also reduce state funding for centralized correspondence study and the state
17 boarding school by the same percentage.

18 **Sec. 14.17.410. Equalization funding.** (a) A district is eligible for
19 equalization funding in an amount equal to the sum calculated under this section.

20 (b) Except as provided in (d) of this section, equalization funding consists of
21 a state share and a local contribution, determined as follows:

22 (1) the state share equals need minus local contribution; need equals
23 the district adjusted ADM, multiplied by the base student allocation set out at
24 AS 14.17.475, plus any intensive services funding for which the district qualifies under
25 AS 14.17.420(a)(2); district adjusted ADM is calculated as follows:

26 (A) the ADM of a funding community is multiplied by the
27 funding community size factor set out in AS 14.17.460;

28 (B) the product obtained under (A) of this paragraph is
29 multiplied by the funding community area cost factor described in
30 AS 14.17.470(a) and set out in regulations adopted by the department;

31 (C) if a funding community is the only funding community in

1 a district with an ADM of 900 or less, the product obtained under (B) of this
2 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

3 (D) the ADMs of each funding community in a district, as
4 adjusted according to (A) - (C) of this paragraph, are added; the sum is then
5 multiplied by the special needs factor set out in AS 14.17.420(a)(1);

6 (E) the product obtained under (D) of this paragraph is
7 multiplied by a district's student transportation factor described in
8 AS 14.17.470(b) and set out in regulations by the department; the resulting
9 product is the district's adjusted ADM;

10 (2) for the fiscal year beginning July 1, 1997, the local contribution is
11 the equivalent of a three mill tax levy on the full and true value of the taxable real and
12 personal property in the district as of January 1 of the second preceding fiscal year,
13 as determined by the Department of Community and Regional Affairs under
14 AS 14.17.510 and AS 29.45.110, not to exceed 35 percent of a district's need as
15 determined under (1) of this subsection for the preceding fiscal year; for the fiscal year
16 beginning July 1, 1998, and subsequent fiscal years, the required mill equivalent shall
17 be increased by one-fourth of a mill each year until the local contribution is the
18 equivalent of a four mill tax levy, but, in each year, a district's local contribution may
19 not exceed 35 percent of the district's need for the preceding fiscal year, as determined
20 under (1) of this subsection.

21 (c) Equalization funding may not be provided to a city or borough school
22 district if the local contributions required under (b) of this section have not been made.

23 (d) In a regional educational attendance area, funding consists of need,
24 calculated under (b)(1) of this section for that regional educational attendance area.

25 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
26 component of equalization funding, a district is eligible for special needs funding and
27 may be eligible for intensive services funding as follows:

28 (1) special needs funding is available to a district to assist the district
29 in providing special education, gifted and talented education, vocational education, and
30 bilingual education to its students; a special needs funding factor of 1.20 shall be
31 applied as set out in AS 14.17.410(b)(1);

1 (2) in addition to the special needs funding for which a district is
2 eligible under (1) of this subsection, a district is eligible for intensive services funding
3 for each special education student who needs and receives intensive services and is
4 enrolled on the last day of the count period; for each such student, intensive services
5 funding is equal to \$22,500 multiplied by the area cost factor of the funding
6 community in which the student is enrolled.

7 (b) In this section, "intensive services" has the meaning given by the
8 department by regulation adopted under AS 14.30.180 - 14.30.350.

9 **Sec. 14.17.430. State funding for centralized correspondence study.** Except
10 as provided in AS 14.17.400(b), funding for the state centralized correspondence study
11 program includes an allocation from the public school account (AS 14.17.300) in an
12 amount calculated by multiplying the ADM of the correspondence program by the base
13 student allocation and multiplying that product by 65 percent.

14 **Sec. 14.17.435. State funding for state boarding school.** Except as provided
15 in AS 14.17.400(b), funding for the state boarding school established under
16 AS 14.16.010 includes an allocation from the public school account (AS 14.17.300)
17 in an amount calculated by multiplying the ADM of the state boarding school by the
18 special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base
19 student allocation. The state boarding school is also eligible for intensive services
20 funding under AS 14.17.420(a)(2).

21 **Sec. 14.17.440. Local contribution.** (a) The required local contribution to
22 a city or borough school district is a district's local contribution as calculated
23 according to AS 14.17.410(b)(2).

24 (b) Nothing in this section prohibits a city or ~~borough~~ from contributing to its
25 district amounts in excess of the local contribution required under this section if the
26 local contribution is also in compliance with federal law.

27 **Sec. 14.17.450. Funding communities.** The department shall adopt
28 regulations defining funding communities within each district that reflect geographic
29 and attendance area factors. The regulations may not allow for funding communities
30 smaller than 10 ADM.

31 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of

1 calculating a district's adjusted ADM to determine equalization funding, the ADM of
 2 each funding community in a district shall be multiplied by a funding community size
 3 factor as set out in the following table:

4	ADM	Funding Community Size Factor
5	10 - 20	2.75
6	21 - 40	2.20
7	41 - 80	1.90
8	81 - 160	1.55
9	161 - 400	1.40
10	401 - 1,000	1.10
11	over 1,000	1.00.

12 (b) For a district that consists of one funding community with an ADM of 900
 13 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
 14 appropriate factor as set out in the following table:

15	ADM	Factor
16	1 - 250	1.12
17	251 - 525	1.08
18	526 - 900	1.06

19 **Sec. 14.17.470. Area cost and transportation factors.** (a) For purposes of
 20 calculating a district's adjusted ADM under AS 14.17.410(b)(1), the department shall
 21 adopt in regulation an area cost factor for each funding community. In adopting the
 22 regulations, the department shall consider factors that affect the cost of providing
 23 public educational services in a funding community, including student transportation.

24 (b) For purposes of calculating a district's adjusted ADM under
 25 AS 14.17.410(b)(1), the department shall adopt by regulation a transportation factor
 26 for each district.

27 **Sec. 14.17.475. Base student allocation.** The base student allocation is
 28 \$4,045.

29 **Article 2. Preparation of Public School Funding Budget.**

30 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
 31 submit to the department by October 15 of each fiscal year, in the manner and on

1 forms prescribed by the department, an estimate of its ADM and other student count
2 data for the succeeding fiscal year upon which computations can be made to estimate
3 the amount of public school funding for which the district may be eligible under
4 AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall
5 consider its ADM, other student count data, the pattern of growth or decline of the
6 student population in preceding years, and other pertinent information available to the
7 district.

8 (b) Part-time students and district correspondence students shall be included
9 in the student count data in accordance with regulations adopted by the department.

10 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
11 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
12 its school operating fund, as defined by department regulations, that is greater than 10
13 percent of its expenditures for that fiscal year.

14 (b) The department shall review each district's annual audit under
15 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
16 balance. The amount by which the unreserved portion of that balance exceeds the
17 amount permitted in (a) of this section shall be deducted from the public school
18 funding that would otherwise be paid to the district in the current fiscal year.

19 **Sec. 14.17.510. Determination of full and true value by Department of**
20 **Community and Regional Affairs.** (a) To determine the amount of required local
21 contribution under AS 14.17.440 and to aid the department and the legislature in
22 planning, the Department of Community and Regional Affairs, in consultation with the
23 assessor for each district in a city or borough, shall determine the full and true value
24 of the taxable real and personal property in each district in a city or borough. If there
25 is no local assessor or current local assessment for a city or borough school district,
26 then the Department of Community and Regional Affairs shall make the determination
27 of full and true value from information available. In making the determination, the
28 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
29 The determination of full and true value shall be made by October 1 and sent by
30 certified mail, return receipt requested, on or before that date to the president of the
31 school board in each city or borough school district. Duplicate copies shall be sent to

1 the commissioner. The governing body of a city or borough that is a school district
2 may obtain judicial review of the determination. The superior court may modify the
3 determination of the Department of Community and Regional Affairs only upon a
4 finding of abuse of discretion or upon a finding that there is no substantial evidence
5 to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax under
7 AS 28.10.431 shall be treated as taxable property under this section.

8 Article 3. Procedure for Payments of Public School Funding.

9 Sec. 14.17.600. Student counting periods. (a) Within two weeks after the
10 end of the 20-school-day periods ending the fourth Friday in October and the second
11 Friday in February, each district shall transmit a report to the department that, under
12 regulations adopted by the department, reports its ADM for that counting period and
13 other student count information that will aid the department in making a determination
14 of its state aid under the public school funding program. For centralized
15 correspondence study, the October report shall be based on the period from July 1
16 through the fourth Friday in October, except that summer school students shall be
17 counted as a proportionate fraction as determined by the department. The department
18 may make necessary corrections in the report submitted and shall notify the district of
19 changes made. The commissioner shall notify the governor of additional
20 appropriations the commissioner estimates to be necessary to fully finance the public
21 school funding program for the current fiscal year.

22 (b) Upon written request and for good cause shown, the commissioner may
23 permit a district to use a 20-school-day counting period other than the periods set out
24 in (a) of this section. However, a counting period approved under this subsection must
25 be 20 consecutive school days unless one or more alternate counting periods are
26 necessary to permit a district to implement flexible scheduling that meets the district's
27 needs and goals without jeopardizing the public school funding for which the district
28 would be ordinarily be eligible under this chapter.

29 Sec. 14.17.610. Distribution of public school funding. (a) The department
30 shall determine the public school funding for each school district in a fiscal year on
31 the basis of the district's student count data reported under AS 14.17.600. On or

1 before the 15th day of each of the first nine months of each fiscal year, one-twelfth
2 of each district's public school funding shall be distributed on the basis of the data
3 reported for the preceding fiscal year. On or before the 15th day of each of the last
4 three months of each fiscal year, one-third of the balance of each district's public
5 school funding shall be distributed, after the balance has been recomputed on the basis
6 of student count and other data reported for the current fiscal year.

7 (b) If a district receives more public school funding than it is entitled to
8 receive under this chapter, the district shall immediately remit the amount of
9 overpayment to the commissioner, to be returned to the public school account
10 (AS 14.17.300).

11 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
12 discretion of the commissioner, the department may make advance payments to a
13 district. The total of advance payments may not exceed the amount of public school
14 funding for which the district is eligible for the fiscal year.

15 Article 4. General Provisions.

16 Sec. 14.17.900. Construction and implementation of chapter. (a) This
17 chapter does not create a debt of the state. Each district shall establish, maintain, and
18 operate under a balanced budget. The state is not responsible for the debts of a school
19 district.

20 (b) Money to carry out the provisions of this chapter may be appropriated
21 annually by the legislature into the public school account (AS 14.17.300). If the
22 amount in the account is insufficient to meet the allocations authorized under
23 AS 14.17.400 - 14.17.475 for a fiscal year, public school funding shall be reduced
24 according to AS 14.17.400(b).

25 Sec. 14.17.910. Restrictions governing receipt and expenditure of district
26 money. (a) Each district shall maintain complete financial records of the receipt and
27 disbursement of public school funding, money acquired from local effort, and other
28 money received or held by the district. The records must be in the form required by
29 the department and are subject to audit by the department at a time and place
30 designated by the department.

31 (b) Public school funding provided under this chapter is for general operational

1 purposes of the district. All district money, including public school funding, shall be
2 received, held, allocated, and expended by the district under applicable local law and
3 state and federal constitutional provisions, statutes, and regulations, including those
4 related to ethical standards and accounting principles.

5 (c) The department may conduct an audit in a district to determine compliance
6 with this section.

7 **Sec. 14.17.920. Regulations.** The department shall adopt regulations to
8 interpret and implement this chapter.

9 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
10 otherwise,

11 (1) "ADM or average daily membership" means the aggregate number
12 of full-time equivalent students enrolled in a funding community during the student
13 count period for which a determination is being made, divided by the actual number
14 of days that school is in session for the student count period for which the
15 determination is being made;

16 (2) "district" means a city or borough school district or a regional
17 educational attendance area;

18 (3) "district adjusted ADM" means the number resulting from the
19 calculations under AS 14.17.410(b)(1);

20 (4) "district ADM" means the sum of the ADMs in a district;

21 (5) "local contribution" means appropriations and the value of in-kind
22 services made by a city or borough to its district;

23 (6) "public school funding" means money provided under the public
24 school funding program established in this chapter;

25 (7) "taxable real and personal property" means all real and personal
26 property taxable under the laws of the state.

27 * Sec. 3. AS 14.03.120(g) is amended to read:

28 (g) In this section, "district" has the meaning given in AS 14.17.990
29 [AS 14.17.250].

30 * Sec. 4. AS 14.03.125(e) is amended to read:

31 (e) In this section, "district" has the meaning given in AS 14.17.990

1 [AS 14.17.250].

2 * Sec. 5. AS 14.03.150(c) is amended to read:

3 (c) The department may not award a school construction or major maintenance
4 grant under AS 14.11 to a municipality that is a school district or a regional
5 educational attendance area that is not in compliance with (a) of this section. The
6 department shall reduce the amount of public school funding [STATE FOUNDATION
7 AID] under AS 14.17.400 [AS 14.17.021] for which a school district may qualify [,]
8 by the amount, if any, paid by the department under (b) of this section.

9 * Sec. 6. AS 14.03.160(f)(2) is amended to read:

10 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

11 * Sec. 7. AS 14.03.260(c) is amended to read:

12 (c) The charter school shall provide the financial and accounting information
13 requested by the local school board or the Department of Education [,] and shall
14 cooperate with the local school district or the department in complying with the
15 requirements of AS 14.17.910 [AS 14.17.190].

16 * Sec. 8. AS 14.09.010 is repealed and reenacted to read:

17 Sec. 14.09.010. Transportation of students. (a) A district may provide for
18 the transportation of students.

19 (b) A district that provides for the transportation of students is eligible for
20 adjustments in public school funding as set out in AS 14.17.470(b).

21 (c) A district that provides for the transportation of students may determine
22 and establish a system for the transportation of students to address needs and priorities
23 of the district. However, the district shall comply with applicable statutes, regulations,
24 and local laws related to minimum standards for school buses, school bus driver
25 training courses, certification of course instructors, certification of bus drivers, and
26 other safety concerns related to the transportation of students.

27 * Sec. 9. AS 14.11.008(b) is amended to read:

28 (b) The required participating share for a municipal school district is based on
29 the district's full value per average daily membership (ADM), which is calculated
30 by dividing the full and true value of the taxable real and personal property in the
31 district, calculated as described in AS 14.17.510 [AS 14.17.025(a)(1),] by the district

1 ADM [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in AS 14.17.990
 2 [AS 14.17.250], for the same fiscal year for which the valuation was made. The
 3 municipal district's full value per ADM determines the district's required participating
 4 share, as follows:

5	Full Value Per ADM	District Participating Share
6	\$1 - \$100,000	5 percent
7	100,001 - 200,000	10 percent
8	200,001 - 600,000	15 percent
9	over 600,000	35 percent.

10 * Sec. 10. AS 14.14.115(c)(2) is amended to read:

11 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

12 * Sec. 11. AS 14.16.050(a)(2) is amended to read:

13 (2) requirements relating to the public school funding program
 14 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
 15 expenditure of that funding [ASSISTANCE]:

16 (A) AS 14.17.500 [AS 14.17.080] (relating to student count
 17 estimates);

18 (B) AS 14.17.505 [AS 14.17.082] (relating to school operating
 19 fund balances);

20 (C) AS 14.17.500 - 14.17.910 [AS 14.17.160 - 14.17.220]
 21 (setting out the procedure for payment of public school funding [FINANCIAL
 22 ASSISTANCE,] and imposing general requirements and limits on money paid);

23 * Sec. 12. AS 14.16.080(a) is amended to read:

24 (a) AS 14.17.435 [AS 14.17.024] applies to the calculation of public school
 25 funding [STATE AID] payable for operation of the state boarding school.

26 * Sec. 13. AS 14.20.177(a) is amended to read:

27 (a) A school district may implement a layoff plan under this section if it is
 28 necessary for the district to reduce the number of tenured teachers because

29 (1) school attendance in the district has decreased: [OR]

30 (2) the [BASIC] need of the school district determined under
 31 AS 14.17.410(b)(1) [AS 14.17.021(b) AND ADJUSTED UNDER AS 14.17.225(b)]

1 decreases by three percent or more from the previous year; or

2 (3) the state share of equalization funding is reduced under
3 AS 14.17.400(b) by three percent or more in a fiscal year.

4 * Sec. 14. AS 14.30.305 is amended to read:

5 Sec. 14.30.305. State support of programs for children hospitalized or
6 confined to their homes. A child who is hospitalized or confined to home and who
7 receives at least 10 hours of special education and related services per week may be
8 counted as a pupil in average daily membership when computing state support under
9 the public school funding [FOUNDATION] program.

10 * Sec. 15. AS 14.30.315(a) is amended to read:

11 (a) To be eligible for state support under the public school funding
12 [FOUNDATION] program, special education and related services for gifted children
13 must be provided in a program that has been approved in advance by the department.

14 * Sec. 16. AS 14.30.347 is amended to read:

15 Sec. 14.30.347. Transportation of exceptional children. When transportation
16 is required to be provided as related services, an exceptional child [CHILDREN] shall
17 be carried with other children if the district provides transportation to other
18 children in the district [,] except when the nature of the [THEIR] physical or mental
19 disability [DISABILITIES] is such that it is in the best interest of the exceptional
20 child [CHILDREN], as determined by the school district, that the child [THEY] be
21 transported separately. A district is responsible for the costs associated with
22 providing transportation as a related service to an exceptional child [STATE
23 REIMBURSEMENT FOR TRANSPORTATION OF EXCEPTIONAL CHILDREN
24 SHALL BE AS PROVIDED FOR TRANSPORTATION OF ALL OTHER PUPILS
25 EXCEPT THAT ELIGIBILITY FOR REIMBURSEMENT IS NOT SUBJECT TO
26 RESTRICTION BASED ON THE MINIMUM DISTANCE BETWEEN THE
27 SCHOOL AND THE RESIDENCE OF THE EXCEPTIONAL CHILD].

28 * Sec. 17. AS 14.30.650 is repealed and reenacted to read:

29 Sec. 14.30.650. Funding. (a) Subject to legislative appropriation, each fiscal
30 year the department may allocate to the agency an amount equal to 18 percent of the
31 unadjusted statewide ADM multiplied by \$85.

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(b) In this section, "statewide ADM" means the sum of all district ADMs in the state as calculated under AS 14.17.

* Sec. 18. AS 14.36.030(a) is amended to read:

(a) A district operating a community school program under an approved plan of operation may receive an annual grant from the state of one-half of one percent of its public school funding [FOUNDATION SUPPORT] or \$10,000, whichever is greater.

* Sec. 19. AS 29.45.020(a) is amended to read:

(a) If a municipality levies and collects property taxes, the governing body shall provide the following notice:

"NOTICE TO TAXPAYER

For the current fiscal year the (city)(borough) has been allocated the following amount of state aid for school and municipal purposes under the applicable financial assistance Acts:

PUBLIC SCHOOL FUNDING PROGRAM

[PUBLIC SCHOOL FOUNDATION

PROGRAM ASSISTANCE) (AS 14.17) \$

STATE AID FOR RETIREMENT OF
SCHOOL CONSTRUCTION DEBT
(AS 14.11.100) \$

MUNICIPAL TAX RESOURCE
EQUALIZATION ASSISTANCE
(AS 29.60.010 - 29.60.080) \$

STATE AID FOR MISCELLANEOUS
MUNICIPAL SERVICES
(AS 29.60.010 - 29.60.180) \$

TOTAL AID \$

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

MILLAGE EQUIVALENT

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PREVIOUS YEAR THIS YEAR

PUBLIC SCHOOL FUNDING

PROGRAM [PUBLIC SCHOOL

FOUNDATION PROGRAM

ASSISTANCE] ...MILLS ...MILLS

STATE AID FOR RETIREMENT
OF SCHOOL CONSTRUCTION DEBT ...MILLS ...MILLS

MUNICIPAL TAX RESOURCE
EQUALIZATION ASSISTANCE ...MILLS ...MILLS

STATE AID FOR MISCELLANEOUS
MUNICIPAL SERVICES ...MILLS ...MILLS

TOTAL MILLAGE EQUIVALENT ...MILLS ...MILLS"

Notice shall be provided by

(1) [BY] furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) [BY] publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the municipality's budget.

* Sec. 20. AS 29.60.030(d) is amended to read:

(d) The full and true assessed property value shall be determined by the department in the manner provided for the computation of state aid to education under AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true assessed property value must include the computed assessed value of the utility, determined by dividing the amount of the payment in place of taxes made by the utility by the millage rate that would apply to the utility if the utility were subject to levy and collection of taxes under AS 29.5.

* Sec. 21. AS 36.10.090(b) is amended to read:

(b) A local government or school district covered by the provisions of this chapter that is found to be in violation of these provisions may be required to forfeit

1 all or part of the state aid made available for the project in which the violation occurs
 2 and in addition may be denied up to 12 months of state revenue sharing or public
 3 school funding [FOUNDATION MONEY]. A state department or agency head found
 4 to be in violation of this chapter may be required to forfeit the position of department
 5 or agency head.

6 * Sec. 22. AS 36.10.125(c) is amended to read:

7 (c) In an action brought under (b) of this section, the court may, in its
 8 discretion, order denial of state revenue sharing or public school funding
 9 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
 10 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
 11 it may award the plaintiff an amount equal to the actual costs and attorney fees
 12 incurred by the plaintiff.

13 * Sec. 23. AS 44.47.305(c) is amended to read:

14 (c) A grant under (a) of this section may not exceed \$50 per month for each
 15 child the child care facility cares for, or for each full-time equivalent, as determined
 16 by the department. The grant shall be adjusted on a geographic basis by the same
 17 percentages as funding communities [INSTRUCTIONAL UNIT ALLOTMENTS] are
 18 adjusted under AS 14.17.470 [AS 14.17.051].

19 * Sec. 24. AS 14.09.020; AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025,
 20 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056,
 21 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210,
 22 14.17.220, 14.17.225, 14.17.250; and AS 14.30.010(b)(7) are repealed.

23 * Sec. 25. TRANSITION: AREA COST FACTORS. (a) Notwithstanding AS 14.17.470,
 24 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1997, and July 1, 1998,
 25 and for the purposes of calculating public school funding under AS 14.17, as enacted by sec. 2
 26 of this Act, the area cost factor of a funding community of a school district is as follows:

DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
Alaska Gateway	Alcan Border	1.14
Alaska Gateway	Dot Lake	1.14
Alaska Gateway	Eagle	1.14
Alaska Gateway	Mentasta	1.14

1	Alaska Gateway	Northway	1.14
2	Alaska Gateway	Tanacross	1.14
3	Alaska Gateway	Tetlin	1.14
4	Alaska Gateway	Tok	1.14
5	Aleutians East	Akutan	1.32
6	Aleutians East	Cold Bay	1.32
7	Aleutians East	False Pass	1.32
8	Aleutians East	King Cove	1.32
9	Aleutians East	Nelson Lagoon	1.32
10	Aleutians East	Sand Point	1.32
11	Aleutians Region	Atka	1.32
12	Alyeska Central School	Alyeska Central School	1.00
13	Anchorage	Anchorage	1.00
14	Anchorage	Eagle River	1.00
15	Anchorage	Girdwood	1.00
16	Annette Island	Annette	1.05
17	Bering Strait	Brevig Mission	1.40
18	Bering Strait	Diomede	1.55
19	Bering Strait	Elim	1.40
20	Bering Strait	Gambell	1.55
21	Bering Strait	Golovin	1.40
22	Bering Strait	Koyuk	1.40
23	Bering Strait	Savoonga	1.55
24	Bering Strait	Shaktoolik	1.40
25	Bering Strait	Shishmaref	1.40
26	Bering Strait	St. Michael	1.40
27	Bering Strait	Stebbins	1.40
28	Bering Strait	Teller	1.40
29	Bering Strait	Unalakleet	1.40
30	Bering Strait	Wales	1.40
31	Bering Strait	White Mountain	1.40

WORK DRAFT

WORK DRAFT

0-LS0605F

1	Bristol Bay	Bristol Bay	1.40
2	Bristol Bay	South Naknek	1.40
3	Chatham	Angoon	1.05
4	Chatham	Cube Cove	1.05
5	Chatham	Elfin Cove	1.05
6	Chatham	Gustavus	1.05
7	Chatham	Hobart Bay	1.05
8	Chatham	Klukwan	1.05
9	Chatham	Tenakee Springs	1.05
10	Chugach	Chenega Bay	1.14
11	Chugach	Icy Bay	1.14
12	Chugach	Tatitlek	1.14
13	Chugach	Whittier	1.05
14	Chugach	Yakataga	1.14
15	Copper River	Chistochina	1.05
16	Copper River	Copper Center	1.05
17	Copper River	Gakona	1.05
18	Copper River	Giennallen	1.05
19	Copper River	Kenny Lake	1.05
20	Copper River	Lottie Sparks	1.05
21	Copper River	Slana	1.05
22	Cordova	Cordova	1.14
23	Craig	Craig	1.05
24	Delta/Greely	Delta Junction	1.14
25	Delta/Greely	Healy Lake	1.14
26	Denali	Anderson	1.14
27	Denali	Cantwell	1.14
28	Denali	Healy	1.14
29	Dillingham	Dillingham	1.32
30	Fairbanks	Eielson	1.00
31	Fairbanks	Fairbanks	1.00

WORK DRAFT

WORK DRAFT

0-LS0605F

1	Fairbanks	North Pole	1.00
2	Fairbanks	Salcha	1.05
3	Fairbanks	Two Rivers	1.05
4	Galena	Galena	1.32
5	Haines	Haines	1.05
6	Haines	Mosquito Lake	1.05
7	Hoonah	Hoonah	1.05
8	Hydaburg	Hydaburg	1.05
9	Iditarod	Anvik	1.32
10	Iditarod	Grayling	1.32
11	Iditarod	Holy Cross	1.32
12	Iditarod	Lake Minchumina	1.32
13	Iditarod	Lime Village	1.32
14	Iditarod	McGrath	1.32
15	Iditarod	Nikolai	1.32
16	Iditarod	Shageluk	1.32
17	Iditarod	Takotna	1.32
18	Iditarod	Telida	1.32
19	Juneau	Juneau	1.00
20	Kake	Kake	1.05
21	Kashunamiut	Chevak	1.32
22	Kenai Peninsula	Anchor Point	1.00
23	Kenai Peninsula	Cooper Landing	1.00
24	Kenai Peninsula	Homer	1.00
25	Kenai Peninsula	Hope	1.00
26	Kenai Peninsula	Kachemak Selo	1.05
27	Kenai Peninsula	Kasilof	1.00
28	Kenai Peninsula	Kenai	1.00
29	Kenai Peninsula	McNeil Canyon	1.00
30	Kenai Peninsula	Moose Pass	1.00
31	Kenai Peninsula	Nanwalek	1.05

1	Kenai Peninsula	Nikiski	1.00
2	Kenai Peninsula	Nikolaevsk	1.05
3	Kenai Peninsula	Ninilchik	1.00
4	Kenai Peninsula	Port Graham	1.05
5	Kenai Peninsula	Razdolna	1.05
6	Kenai Peninsula	Seldovia	1.05
7	Kenai Peninsula	Seward	1.00
8	Kenai Peninsula	Soldotna	1.00
9	Kenai Peninsula	Sterling	1.00
10	Kenai Peninsula	Tyonek	1.05
11	Kenai Peninsula	Voznesenka	1.05
12	Ketchikan	Ketchikan	1.00
13	Klawock	Klawock	1.05
14	Kodiak Island	Akhiok	1.14
15	Kodiak Island	Big Sandy Lake	1.14
16	Kodiak Island	Chiniak	1.05
17	Kodiak Island	Danger Bay	1.14
18	Kodiak Island	Karluk	1.14
19	Kodiak Island	Kodiak	1.05
20	Kodiak Island	Larsen Bay	1.14
21	Kodiak Island	Old Harbor	1.14
22	Kodiak Island	Ouzinkie	1.14
23	Kodiak Island	Port Lions	1.14
24	Kuspuk	Aniak	1.32
25	Kuspuk	Chuathbaluk	1.32
26	Kuspuk	Crooked Creek	1.32
27	Kuspuk	Lower Kalskag	1.32
28	Kuspuk	Red Devil	1.32
29	Kuspuk	Sleetmute	1.32
30	Kuspuk	Stony River	1.32
31	Kuspuk	Upper Kalskag	1.32

1	Lake and Peninsula	Chignik Bay	1.32
2	Lake and Peninsula	Chignik Lagoon	1.32
3	Lake and Peninsula	Chignik Lake	1.32
4	Lake and Peninsula	Egegik	1.32
5	Lake and Peninsula	Igiugig	1.32
6	Lake and Peninsula	Ivanof Bay	1.32
7	Lake and Peninsula	Kokhanok	1.32
8	Lake and Peninsula	Levelok	1.32
9	Lake and Peninsula	Newhalen	1.32
10	Lake and Peninsula	Nondalton	1.32
11	Lake and Peninsula	Pedro Bay	1.32
12	Lake and Peninsula	Perryville	1.32
13	Lake and Peninsula	Pilot Point	1.32
14	Lake and Peninsula	Port Alsworth	1.32
15	Lake and Peninsula	Port Heiden	1.32
16	Lower Kuskokwim	Akiuk	1.32
17	Lower Kuskokwim	Akula	1.32
18	Lower Kuskokwim	Atmautlauk	1.32
19	Lower Kuskokwim	Bethel	1.32
20	Lower Kuskokwim	Chefornak	1.32
21	Lower Kuskokwim	Eek	1.32
22	Lower Kuskokwim	Goodnews Bay	1.32
23	Lower Kuskokwim	Kipnuk	1.32
24	Lower Kuskokwim	Kongiganak	1.32
25	Lower Kuskokwim	Kwethluk	1.32
26	Lower Kuskokwim	Kwigillingok	1.32
27	Lower Kuskokwim	Mekoryuk	1.40
28	Lower Kuskokwim	Napakiak	1.32
29	Lower Kuskokwim	Napaskiak	1.32
30	Lower Kuskokwim	Newtok	1.32
31	Lower Kuskokwim	Nightmute	1.32

1	Lower Kuskokwim	Nunapitchuk	1.32
2	Lower Kuskokwim	Oscarville	1.32
3	Lower Kuskokwim	Platinum	1.32
4	Lower Kuskokwim	Quinhagak	1.32
5	Lower Kuskokwim	Toksook Bay	1.32
6	Lower Kuskokwim	Tuntutuliak	1.32
7	Lower Kuskokwim	Tununak	1.32
8	Lower Yukon	Alakanak	1.32
9	Lower Yukon	Emmonak	1.32
10	Lower Yukon	Hooper Bay	1.32
11	Lower Yukon	Kotlik	1.32
12	Lower Yukon	Marshall	1.32
13	Lower Yukon	Mountain Village	1.32
14	Lower Yukon	Pilot Station	1.32
15	Lower Yukon	Pitkas Point	1.32
16	Lower Yukon	Russian Mission	1.32
17	Lower Yukon	Scammon Bay	1.32
18	Lower Yukon	Sheldon Point	1.32
19	Mat-Su	Beryozava	1.05
20	Mat-Su	Big Lake	1.00
21	Mat-Su	Butte	1.00
22	Mat-Su	Colony	1.00
23	Mat-Su	Glacier View	1.00
24	Mat-Su	Houston	1.00
25	Mat-Su	Mat-Su Valley	1.00
26	Mat-Su	Palmer	1.00
27	Mat-Su	Pt. McKenzie	1.00
28	Mat-Su	Skwentna	1.05
29	Mat-Su	Sutton	1.00
30	Mat-Su	Talkeetna	1.00
31	Mat-Su	Trapper Creek	1.00

1	Mat-Su	Wasilla	1.00
2	Mat-Su	Willow	1.00
3	Mt. Edgecumbe	Mt. Edgecumbe	1.00
4	Nenana	Nenana	1.14
5	Nome	Nome	1.32
6	North Slope	Anaktuvuk Pass	1.55
7	North Slope	Atqasuk	1.55
8	North Slope	Barrow	1.55
9	North Slope	Kaktovik	1.55
10	North Slope	Nuiqsut	1.55
11	North Slope	Point Hope	1.55
12	North Slope	Point Lay	1.55
13	North Slope	Wainwright	1.55
14	Northwest Arctic	Ambler	1.45
15	Northwest Arctic	Buckland	1.45
16	Northwest Arctic	Deering	1.45
17	Northwest Arctic	Kiana	1.45
18	Northwest Arctic	Kivalina	1.45
19	Northwest Arctic	Kobuk	1.45
20	Northwest Arctic	Kotzebue	1.45
21	Northwest Arctic	Noatak	1.45
22	Northwest Arctic	Noorvik	1.45
23	Northwest Arctic	Selawik	1.45
24	Northwest Arctic	Shungnak	1.45
25	Pelican	Pelican	1.05
26	Petersburg	Petersburg	1.00
27	Pribilof	St. George	1.40
28	Pribilof	St. Paul	1.40
29	Sitka	Sitka	1.00
30	Skagway	Skagway	1.05
31	Southeast Island	Craig	1.05

1	Southeast Island	Edna Bay	1.05
2	Southeast Island	Hollis	1.05
3	Southeast Island	Howard Valentine	1.05
4	Southeast Island	Jr. Gildersleeve	1.05
5	Southeast Island	Kasaan	1.05
6	Southeast Island	Naukati	1.05
7	Southeast Island	Polk Inlet	1.05
8	Southeast Island	Port Alexander	1.05
9	Southeast Island	Port Protection	1.05
10	Southeast Island	Thorne Bay	1.05
11	Southeast Island	Whale Pass	1.05
12	Southwest Region	Aleknagik North	1.32
13	Southwest Region	Clarks Point	1.32
14	Southwest Region	Ekwok	1.32
15	Southwest Region	Koliganek	1.32
16	Southwest Region	Manokotak	1.32
17	Southwest Region	New Stuyahok	1.32
18	Southwest Region	Portage	1.32
19	Southwest Region	Togiak	1.32
20	Southwest Region	Twin Hills	1.32
21	St. Mary's	St. Mary's	1.32
22	Tanana	Tanana	1.40
23	Unalaska	Unalaska	1.32
24	Valdez	Valdez	1.05
25	Wrangell	Wrangell	1.00
26	Yakutat	Yakutat	1.14
27	Yukon Flats	Arctic Village	1.45
28	Yukon Flats	Beaver	1.45
29	Yukon Flats	Birch Creek	1.45
30	Yukon Flats	Central	1.32
31	Yukon Flats	Chalkyitsik	1.45

1	Yukon Flats	Circle	1.32
2	Yukon Flats	Fort Yukon	1.45
3	Yukon Flats	Northern Lights	1.32
4	Yukon Flats	Rampart	1.45
5	Yukon Flats	Stevens Village	1.45
6	Yukon Flats	Venetie	1.45
7	Yukon/Koyukuk	Allakaket	1.40
8	Yukon/Koyukuk	Bettles	1.40
9	Yukon/Koyukuk	Hughes	1.40
10	Yukon/Koyukuk	Huslia	1.40
11	Yukon/Koyukuk	Kaltag	1.40
12	Yukon/Koyukuk	Koyukuk	1.40
13	Yukon/Koyukuk	Manley Hot Springs	1.40
14	Yukon/Koyukuk	Minto	1.32
15	Yukon/Koyukuk	Nulato	1.40
16	Yukon/Koyukuk	Ruby	1.40
17	Yupiit	Akiachak	1.32
18	Yupiit	Akiak	1.32
19	Yupiit	Tuluksak	1.32

20 (b) The Department of Education shall research and report to the governor and the
 21 legislature regarding the area costs in the funding communities and the funding community
 22 size factor in the school districts in the state for the public school funding program under
 23 AS 14.17, as enacted by sec. 2 of this Act. The department shall submit the report by
 24 January 1, 1999.

25 (c) For the period during which the area cost factors set out in (a) of this section serve
 26 as the public school funding area cost factors under AS 14.17, as amended by this Act, those
 27 area cost factors apply for purposes of geographic adjustments to child care grants under
 28 AS 44.47.305(c), as amended by sec. 23 of this Act.

29 * Sec. 26. TRANSITION: STUDENT TRANSPORTATION. Notwithstanding
 30 AS 14.09.010(b), as repealed and reenacted by sec. 8 of this Act, and AS 14.17.470(b),
 31 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1997, and July 1, 1998.

1 and for the purposes of calculating public school funding under AS 14.17, as amended by this
 2 Act, a school district that provides student transportation shall have its adjusted ADM
 3 multiplied by a transportation factor as follows:

4	DISTRICT	TRANSPORTATION FACTOR
5	Alaska Gateway	1.07
6	Aleutian Region	1.00
7	Aleutians East	1.01
8	Anchorage	1.04
9	Annette Islands	1.00
10	Bering Strait	1.00
11	Bristol Bay	1.07
12	Chatham	1.00
13	Chugach	1.00
14	Copper River	1.09
15	Cordova	1.01
16	Craig	1.00
17	Delta/Greely	1.10
18	Denali	1.07
19	Dillingham	1.04
20	Fairbanks	1.05
21	Galena	1.02
22	Haines	1.04
23	Hoonah	1.01
24	Hydaburg	1.00
25	Iditarod	1.01
26	Juneau	1.04
27	Kake	1.01
28	Kashunamiut	1.00
29	Kenai Peninsula	1.05
30	Ketchikan	1.04
31	Klawock	1.00

1	Kodiak Island	1.03
2	Kuspuk	1.02
3	Lake and Peninsula	1.02
4	Lower Kuskokwim	1.01
5	Lower Yukon	1.00
6	Mat-Su	1.08
7	Nenana	1.05
8	Nome	1.03
9	North Slope	1.02
10	Northwest Arctic	1.00
11	Pelican	1.00
12	Petersburg	1.02
13	Pribilof	1.00
14	Sitka	1.04
15	Skagway	1.00
16	Southeast Island	1.03
17	Southwest Region	1.02
18	St. Mary's	1.00
19	Tanana	1.01
20	Unalaska	1.03
21	Valdez	1.04
22	Wrangell	1.03
23	Yakutat	1.03
24	Yukon Flats	1.01
25	Yukon/Koyukuk	1.01
26	Yupiit	1.00

27 * Sec. 27. TRANSITION: HOLD HARMLESS. (a) Notwithstanding the provisions of
 28 secs. 1 - 26 of this Act and except as provided in (c) of this section, if, for a fiscal year
 29 beginning July 1, 1997, through July 1, 2000, a school district would receive less public
 30 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 31 received as state aid for the fiscal year beginning July 1, 1997, and if the district meets the

1 requirements of (b) of this section, the district is eligible to receive instead a percentage of
 2 the state aid the district would have received for the fiscal year beginning July 1, 1997,
 3 according to the following table:

4	For the fiscal year beginning	Percentage of state aid for the fiscal year
5		beginning July 1, 1997
6	July 1, 1997	100
7	July 1, 1998	80
8	July 1, 1999	60
9	July 1, 2000	40
10	July 1, 2001	20

11 (b) A school district in a city or borough is not entitled to the hold harmless
 12 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
 13 local contribution to the district for that fiscal year as required under this subsection. For the
 14 hold harmless for the fiscal year beginning July 1, 1997, the required local contribution is the
 15 equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1998, the required local
 16 contribution is the equivalent of a five mill tax levy; for the fiscal year beginning
 17 July 1, 1999, the required local contribution is the equivalent of a six mill tax levy; and for
 18 the fiscal year beginning July 1, 2000, the required local contribution is the equivalent of a
 19 seven mill tax levy.

20 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by
 21 sec. 2 of this Act, hold harmless funding authorized under (a) and (b) of this section is treated
 22 the same as the state share of equalization funding under AS 14.17.410, enacted by sec. 2 of
 23 this Act.

24 (d) For purposes of this section, "state aid" means state foundation aid distributed
 25 under the provisions of AS 14.17, repealed by this Act, additional district support appropriated
 26 by the legislature, and student transportation support reimbursed by the Department of
 27 Education.

28 * Sec. 28. TRANSITION: REGULATIONS. To the extent the regulations are not
 29 inconsistent with the language and purposes of this Act, regulations relating to state aid for
 30 public schools adopted by the Department of Education before the effective date of this Act
 31 remain in effect as valid regulations implementing this Act; all other regulations relating to

1 state aid for public schools adopted by the Department of Education before the effective date
2 of this Act are annulled. The Department of Education may administer and enforce those
3 previously adopted regulations relating to state foundation aid for public schools.

4 * Sec. 29. TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
5 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

6	For the fiscal year beginning	Base student allocation
7	July 1, 1997	\$3,400
8	July 1, 1998	3,925
9	July 1, 1999	3,970
10	July 1, 2000	4,010

11 * Sec. 30. This Act takes effect July 1, 1997.

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF SCHOOL FINANCE

TONY KNOWLES, GOVERNOR

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

(907) 463-5679
FAX (907) 463-5279

April 14, 1997

The Honorable Con Bunde
Alaska State Legislature
State Capitol, Room 104
Juneau, Alaska 99801-1182

Dear Representative Bunde:

This letter is follow up to the hearing on HB 148 held April 7, 1997. After the hearing you you asked that I prepare spreadsheets estimating the effects of HB 148 over a five year period. Enclosed you will find the spreadsheets. Listed in the upper left hand corner are the components I used to calculate state foundation funding for each of the five years. Please contact me if I can answer any questions for you.

Sincerely,



Eddy Jeans
School Finance Manager

Enclosure(s)

cc: Rick Cross, Deputy Commissioner, DOE
Karen Rehfeld, Director, Education Support Services, DOE

Year 1 1998 - HB 148
 100% Hold Harmless
 Student allocation \$3,400
 Req. Local @ 3 mills

	Proposed Total State/Local	Existing Total State/Local	State/Local Difference Proposed less Existing	AS 14.17 Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula projected State Aid	Change in State Aid
ALASKA GATEWAY	5,771,740	5,771,740	0	5,711,740	5,711,740	0
ALEUTIAN REGION	773,299	773,299	0	768,249	768,249	0
ALEUTIANS EAST	4,517,068	4,517,068	0	3,801,968	3,801,968	0
ANCHORAGE	279,957,881	279,957,881	0	194,503,463	194,503,463	0
ANNETTE ISLANDS	2,576,166	1,834,264	741,902	2,526,166	1,784,264	741,902
BERING STRAIT	18,231,141	18,231,141	0	17,200,141	17,200,141	0
BRISTOL BAY	3,574,780	3,281,239	293,541	2,395,661	2,102,120	293,541
CH/THAM	2,781,240	2,736,944	44,296	2,741,240	2,696,944	44,296
CHUGACH	1,893,397	1,893,397	0	1,872,397	1,872,397	0
COPPER RIVER	6,627,803	6,627,803	0	6,542,803	6,542,803	0
CORDOVA	3,702,679	3,702,679	0	2,936,382	2,936,382	0
CRAIG	2,938,945	2,938,945	0	2,572,117	2,572,117	0
DELTA/GREELY	5,589,169	5,589,169	0	5,540,169	5,540,169	0
DENALI	4,051,077	4,051,077	0	3,225,984	3,225,984	0
DILLINGHAM	5,093,724	5,093,724	0	4,279,224	4,279,224	0
FAIRBANKS	99,142,561	99,142,561	0	72,062,561	72,062,561	0
GALENA	2,268,955	2,268,955	0	1,930,422	1,930,422	0
HAINES	3,642,562	3,642,562	0	2,354,107	2,354,107	0
HOONAH	2,663,806	2,663,806	0	2,212,423	2,212,423	0
HYDABURG	1,270,222	1,270,222	0	1,078,255	1,078,255	0
IDITAROD	5,454,647	5,454,647	0	5,349,217	5,349,217	0
JUNEAU	36,417,809	36,417,809	0	22,091,809	22,091,809	0
KAKE	1,794,804	1,794,804	0	1,492,694	1,492,694	0
KASHUNAMIUT	2,357,584	2,357,244	340	2,279,584	2,279,244	340
KENAI	75,872,228	75,872,228	0	48,142,151	48,142,151	0
KETCHIKAN	17,665,366	17,665,366	0	10,365,300	10,365,300	0
KLAWOCK	1,820,059	1,820,059	0	1,693,207	1,693,207	0
KODIAK	18,924,918	18,924,918	0	14,014,888	14,014,888	0
KUSPUK	5,820,204	5,820,204	0	5,710,204	5,710,204	0
LAKE AND PENINSULA	8,135,645	8,135,645	0	6,877,145	6,877,145	0
LOWER KUSKOKWIM	40,567,281	40,567,281	0	39,867,281	39,867,281	0
LOWER YUKON	15,352,190	15,352,190	0	14,977,190	14,977,190	0
MAT-SU	84,767,919	84,767,919	0	64,013,187	64,013,187	0
NENANA	1,804,643	1,804,643	0	1,730,519	1,730,519	0
NOME	6,923,968	6,923,968	0	5,450,503	5,450,503	0
NORTH SLOPE	38,854,261	40,382,357	(1,528,096)	10,764,261	12,292,357	(1,528,096)
NORTHWEST ARCTIC	21,134,063	21,134,063	0	18,099,143	18,099,143	0
PELICAN	671,628	671,628	0	614,834	614,834	0
PETERSBURG	5,317,626	5,317,626	0	3,602,176	3,602,176	0
PRIBILOF	2,062,064	2,056,134	5,930	2,045,064	2,039,134	5,930
SITKA	10,770,514	10,770,514	0	6,673,858	6,673,858	0
SKAGWAY	1,470,594	1,470,594	0	851,641	851,641	0
SOUTHEAST	3,498,604	3,498,604	0	3,423,504	3,423,504	0
SOUTHWEST	8,062,092	8,062,092	0	7,536,092	7,536,092	0
ST. MARYS	1,619,534	1,619,534	0	1,579,534	1,579,534	0
TANANA	1,449,091	1,449,091	0	1,321,091	1,321,091	0
UNALASKA	3,808,251	3,808,251	0	2,173,304	2,173,304	0
VALDEZ	7,722,421	7,722,421	0	3,982,638	3,982,638	0
WRANGELL	3,843,553	3,843,553	0	2,746,823	2,746,823	0
YAKUTAT	1,854,557	1,854,557	0	1,516,557	1,516,557	0
YUKON FLATS	6,814,646	6,814,646	0	6,447,719	6,447,719	0
YUKON KOYUKUK	6,907,725	6,907,725	0	6,842,725	6,842,725	0
YUPIIT	4,399,921	4,399,921	0	4,279,034	4,279,034	0
ALYESKA CORRES	4,428,464	4,022,889	405,575	4,428,464	4,022,889	405,575
ML EDGE CUM 3E	1,708,000	1,708,000	0	1,708,000	1,708,000	0
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0
TOTAL	944,390,224	944,426,736	(36,512)	698,191,948	698,228,460	(36,512)

Year 2, 1999 - HB 148
 80% Hold Harmless
 Student allocation \$3,925
 Req. Local @ 3.25 mills

	Proposed Total State/Local	Existing Total State/Local	State/Local Difference Proposed less Existing	AS 14.17 Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula Projected State Aid	Change in State Aid
ALASKA GATEWAY	5,527,349	5,868,840	(341,491)	5,467,349	5,808,840	(341,491)
ALEUTIAN REGION	619,649	786,359	(166,710)	614,599	781,309	(166,710)
ALEUTIANS EAST	4,521,998	4,581,701	(59,703)	3,806,898	3,866,601	(59,703)
ANCHORAGE	290,287,742	283,264,440	7,023,302	204,833,324	197,810,022	7,023,302
ANNETTE ISLANDS	3,010,000	1,864,596	1,145,404	2,960,000	1,814,596	1,145,404
BERING STRAIT	19,860,998	18,523,543	1,337,455	18,829,998	17,492,543	1,337,455
BRISTOL BAY	4,025,116	3,316,975	708,141	2,845,997	2,137,856	708,141
CHATHAM	3,244,088	2,782,792	461,296	3,204,088	2,742,792	461,296
CHUGACH	1,709,260	1,925,203	(215,968)	1,688,260	1,904,228	(215,968)
COPPER RIVER	5,628,856	6,739,031	(1,110,175)	5,543,856	6,654,031	(1,110,175)
CORDOVA	3,730,448	3,752,597	(22,149)	2,964,151	2,986,300	(22,149)
CRAIG	2,847,687	2,982,671	(134,984)	2,480,859	2,615,843	(134,984)
DELTA/GREELY	5,854,351	5,683,352	170,999	5,805,351	5,634,352	170,999
DENALI	3,898,379	4,105,919	(207,540)	3,073,286	3,280,826	(207,540)
DILLINGHAM	5,021,368	5,166,471	(145,083)	4,206,888	4,351,971	(145,083)
FAIRBANKS	101,902,877	100,367,625	1,535,252	74,822,877	73,287,625	1,535,252
GALENA	2,186,811	2,301,772	(114,961)	1,848,278	1,963,239	(114,961)
HAINES	3,475,187	3,682,582	(207,395)	2,186,732	2,394,127	(207,395)
HOONAH	2,707,780	2,701,417	6,363	2,256,397	2,250,034	6,363
HYDABURG	1,133,203	1,288,552	(155,349)	941,236	1,096,585	(155,349)
IDITAROD	5,577,604	5,545,584	32,020	5,472,174	5,440,154	32,020
JUNEAU	36,913,628	36,793,370	120,258	22,587,628	22,467,370	120,258
KAKE	1,779,567	1,820,180	(40,613)	1,477,457	1,518,070	(40,613)
KASHUNAMIUT	2,733,815	2,395,991	337,824	2,655,815	2,317,991	337,824
KENAI	76,284,195	76,690,645	(406,450)	48,554,118	48,960,568	(406,450)
KETCHIKAN	18,107,811	17,841,576	266,235	10,807,745	10,541,510	266,235
KLAWOCK	1,853,714	1,848,844	4,870	1,726,862	1,721,992	4,870
KODIAK	18,777,917	19,163,171	(385,254)	13,867,987	14,253,141	(385,254)
KUSPUK	5,864,195	5,917,277	(53,082)	5,754,195	5,807,277	(53,082)
LAKE AND PENINSULA	7,822,595	8,252,556	(429,961)	6,564,095	6,994,056	(429,961)
LOWER KUSKOKWIM	32,593,825	41,245,025	(8,651,200)	31,893,825	40,545,025	(8,651,200)
LOWER YUKON	17,367,922	15,606,802	1,761,120	16,992,922	15,231,802	1,761,120
MAT-SU	84,529,147	85,856,143	(1,326,996)	63,774,415	65,101,411	(1,326,996)
NENANA	1,571,464	1,834,062	(262,598)	1,497,340	1,759,038	(262,598)
NOME	6,846,835	7,016,627	(169,792)	5,373,370	5,543,162	(169,792)
NORTH SLOPE	40,667,887	40,591,327	76,560	12,577,887	12,501,327	76,560
NORTHWEST ARCTIC	21,683,053	21,441,748	241,305	18,648,133	18,406,828	241,305
PELICAN	548,661	682,080	(133,419)	491,867	625,286	(133,419)
PETERSBURG	5,519,639	5,378,863	140,776	3,804,189	3,663,413	140,776
PRIBILOF	2,432,501	2,090,799	311,702	2,385,501	2,073,799	311,702
SITKA	11,126,708	10,883,970	242,738	7,030,052	6,787,314	242,738
SKAGWAY	1,378,920	1,485,072	(106,152)	736,342	866,119	(129,777)
SOUTHEAST	3,061,037	3,556,804	(495,767)	2,985,937	3,481,704	(495,767)
SOUTHWEST	8,181,975	8,190,206	(8,231)	7,655,975	7,664,206	(8,231)
ST. MARYS	1,559,275	1,646,386	(87,111)	1,519,275	1,606,386	(87,111)
TANANA	1,282,361	1,471,550	(189,189)	1,154,361	1,343,550	(189,189)
UNALASKA	4,208,067	3,845,197	362,870	2,573,120	2,210,250	362,870
VALDEZ	7,392,853	7,790,126	(397,273)	3,653,070	4,050,343	(397,273)
WRANGELL	3,743,900	3,890,249	(146,349)	2,647,170	2,793,519	(146,349)
YAKUTAT	1,842,115	1,880,338	(38,223)	1,504,115	1,542,338	(38,223)
YUKON FLATS	6,548,213	6,924,257	(376,044)	6,181,286	6,557,330	(376,044)
YUKON/KOYUKUK	7,079,434	7,024,051	55,383	7,014,434	6,959,051	55,383
YUPIIT	4,056,786	4,472,665	(415,879)	3,935,899	4,351,778	(415,879)
ALYESKA CORRES.	5,188,962	4,091,278	1,097,684	5,188,962	4,091,278	1,097,684
ML. EDGE CUMBE	1,907,511	1,737,036	170,475	1,907,511	1,737,036	170,475
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0
TOTAL	956,442,394	955,833,453	608,941	710,220,493	709,635,177	585,316

Year 3, 2000 - HB 148
 60% Hold Harmless
 Student allocation \$3,970
 Req. Local @ 3.5 mills

	State/Local			AS 14.17		
	Proposed Total	Existing Total	Difference Proposed less Existing	Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula Projected State Aid	Change in State Aid
ALASKA GATEWAY	5,670,812	5,967,590	(296,778)	5,610,812	5,907,590	(296,778)
ALEUTIAN REGION	465,999	799,641	(333,642)	460,949	794,591	(333,642)
ALEUTIANS EAST	4,605,954	4,647,433	(41,479)	3,890,854	3,932,333	(41,479)
ANCHORAGE	293,176,157	286,627,210	6,548,947	207,721,739	201,172,792	6,548,947
ANNETTE ISLANDS	3,088,876	1,895,444	1,193,432	3,038,876	1,845,444	1,193,432
BERING STRAIT	20,359,374	18,820,916	1,538,458	19,328,374	17,789,916	1,538,458
BRISTOL BAY	4,068,464	3,353,319	715,145	2,889,345	2,174,200	715,145
CHATHAM	3,328,160	2,829,419	498,741	3,288,160	2,789,419	498,741
CHUGACH	1,754,143	1,957,600	(203,457)	1,733,143	1,936,600	(203,457)
COPPER RIVER	5,774,656	6,852,150	(1,077,494)	5,689,656	6,767,150	(1,077,494)
CORDOVA	3,779,511	3,803,364	(23,853)	3,013,214	3,037,067	(23,853)
CRAIG	2,899,036	3,027,140	(128,104)	2,532,208	2,660,312	(128,104)
DELTA/GREELY	6,004,857	5,779,136	225,721	5,955,857	5,730,136	225,721
DENALI	3,961,300	4,161,693	(200,393)	3,136,207	3,336,600	(200,393)
DILLINGHAM	5,105,768	5,240,455	(134,687)	4,291,268	4,425,955	(134,687)
FAIRBANKS	103,137,335	101,613,515	1,523,820	76,057,335	74,533,515	1,523,820
GALENA	2,230,685	2,335,147	(104,462)	1,892,152	1,996,614	(104,462)
HAINES	3,505,941	3,723,282	(217,341)	2,217,486	2,434,827	(217,341)
HOONAH	2,757,525	2,739,668	17,857	2,306,142	2,288,285	17,857
HYDABURG	1,156,720	1,307,194	(150,474)	964,753	1,115,227	(150,474)
IDITAROD	5,719,389	5,638,067	81,322	5,613,959	5,532,637	81,322
JUNEAU	37,131,835	37,175,315	(43,480)	22,805,835	22,849,315	(43,480)
KAKE	1,815,437	1,845,987	(30,550)	1,513,327	1,543,877	(30,550)
KASHUNAMIUT	2,802,148	2,435,397	366,751	2,724,148	2,357,397	366,751
KENAI	76,932,137	77,522,975	(590,838)	49,202,060	49,792,898	(590,838)
KETCHIKAN	18,210,317	18,020,782	189,535	10,910,251	10,720,716	189,535
KLAWOCK	1,895,850	1,878,118	17,732	1,768,998	1,751,266	17,732
KODIAK	18,996,812	19,405,474	(408,662)	14,086,782	14,495,444	(408,662)
KUSPUK	6,016,690	6,016,001	689	5,906,690	5,906,001	689
LAKE AND PENINSULA	7,985,403	8,371,455	(386,052)	6,726,903	7,112,955	(386,052)
LOWER KUSKOKWIM	32,648,839	41,934,290	(9,285,451)	31,948,839	41,234,290	(9,285,451)
LOWER YUKON	17,819,780	15,865,743	1,954,037	17,444,780	15,490,743	1,954,037
MAT-SU	85,777,857	86,362,867	(1,185,010)	65,023,125	66,208,135	(1,185,010)
NENANA	1,607,886	1,863,981	(256,095)	1,533,762	1,789,857	(256,095)
NOME	6,964,090	7,10,861	(146,771)	5,490,625	5,637,396	(146,771)
NORTH SLOPE	40,997,511	40,803,850	193,661	12,907,511	12,713,850	193,661
NORTHWEST ARCTIC	22,134,300	21,754,664	379,636	19,099,380	18,719,744	379,636
PELICAN	510,233	692,710	(182,477)	453,439	635,916	(182,477)
PETERSBURG	5,581,714	5,441,141	140,573	3,866,264	3,725,691	140,573
PRIBILOF	2,464,342	2,126,054	338,288	2,447,342	2,109,054	338,288
SITKA	11,212,640	10,999,354	213,286	7,115,984	6,902,698	213,286
SKAGWAY	1,409,137	1,499,706	(90,569)	755,983	880,843	(124,860)
SOUTHEAST	3,138,875	3,615,993	(477,118)	3,063,775	3,540,893	(477,118)
SOUTHWEST	8,384,897	8,320,498	64,399	7,858,897	7,794,498	64,399
ST. MARYS	1,598,932	1,673,695	(74,763)	1,558,932	1,633,695	(74,763)
TANANA	1,312,086	1,494,390	(182,304)	1,184,086	1,366,390	(182,304)
UNALASKA	4,218,493	3,882,771	335,722	2,583,546	2,247,824	335,722
VALDEZ	7,487,741	7,858,982	(371,241)	3,747,958	4,119,199	(371,241)
WRANGELL	3,790,718	3,917,739	(147,021)	2,693,988	2,841,009	(147,021)
YAKUTAT	1,874,951	1,906,559	(31,607)	1,536,951	1,568,558	(31,607)
YUKON FLATS	6,712,774	7,035,732	(322,958)	6,345,847	6,668,805	(322,958)
YUKON/KOYUKUK	7,262,130	7,142,355	119,775	7,197,130	7,077,355	119,775
YUPIIT	4,160,883	4,546,645	(385,762)	4,039,996	4,425,758	(385,762)
ALYESKA CORRES	5,327,184	4,160,830	1,166,354	5,327,184	4,160,830	1,166,354
MT. EDGECUMBE	1,958,322	1,766,566	191,756	1,958,322	1,766,566	191,756
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0
TOTAL	667,938,741	667,434,087	504,654	721,706,264	721,235,811	470,453

Year 4, 2001 - HB 148
 40% Hold Harmless
 Student allocation \$4,010
 Req. Local @ 3.75 mills

	Proposed Total State/Local	Existing Total State/Local	State/Local Difference Proposed less Existing	AS 14.17 Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula Projected State Aid	Change in State Aid
ALASKA GATEWAY	5,810,539	6,068,019	(257,480)	5,750,539	6,008,019	(257,480)
ALEUTIAN REGION	364,988	813,149	(448,161)	359,938	808,099	(448,161)
ALEUTIANS EAST	4,686,741	4,714,283	(27,542)	3,971,641	3,999,183	(27,542)
ANCHORAGE	295,892,399	290,047,147	5,845,252	210,437,981	204,592,729	5,845,252
ANNETTE ISLANDS	3,165,570	1,926,817	1,238,753	3,115,570	1,876,817	1,238,753
BERING STRAIT	20,843,821	19,123,345	1,720,476	19,912,821	18,092,345	1,720,476
BRISTOL BAY	4,109,486	3,390,280	719,206	2,930,367	2,211,161	719,206
CHATHAM	3,409,896	2,876,839	533,057	3,369,896	2,836,839	533,057
CHUGACH	1,797,831	1,990,522	(192,691)	1,776,831	1,969,522	(192,691)
COPPER RIVER	5,916,441	6,967,192	(1,050,751)	5,831,441	6,882,192	(1,050,751)
CORDOVA	3,826,085	3,854,994	(28,909)	3,059,788	3,088,697	(28,909)
CRAIG	2,948,405	3,072,365	(123,960)	2,581,577	2,705,537	(123,960)
DELTA/GREELY	6,151,214	5,876,548	274,666	6,102,214	5,827,548	274,666
DENALI	4,021,804	4,218,415	(196,611)	3,196,711	3,393,322	(196,611)
DILLINGHAM	5,186,933	5,315,696	(128,763)	4,372,433	4,501,196	(128,763)
FAIRBANKS	104,310,607	102,880,585	1,430,022	77,230,607	75,809,585	1,430,022
GALENA	2,273,320	2,369,089	(95,769)	1,934,787	2,030,556	(95,769)
HAINES	3,534,754	3,764,674	(229,920)	2,246,299	2,476,219	(229,920)
HOONAH	2,805,678	2,778,569	27,109	2,354,295	2,327,186	27,109
HYDABURG	1,179,453	1,326,153	(146,700)	987,486	1,134,186	(146,700)
IDITAROD	5,857,183	5,732,122	125,061	5,751,753	5,626,692	125,061
JUNEAU	37,329,547	37,563,753	(234,206)	23,003,547	23,237,753	(234,206)
KAKE	1,850,248	1,872,233	(21,985)	1,548,138	1,570,123	(21,985)
KASHUNAMIUT	2,868,717	2,475,473	393,244	2,790,717	2,297,473	393,244
KENAI	77,536,171	78,369,454	(833,283)	49,806,094	50,639,377	(833,283)
KETCHIKAN	18,302,479	18,203,034	99,445	11,002,413	10,902,968	99,445
KLAWOCK	1,936,671	1,907,890	28,781	1,809,819	1,781,038	28,781
KODIAK	19,203,661	19,651,897	(448,236)	14,293,631	14,741,867	(448,236)
KUSPUK	6,154,885	6,116,403	48,482	6,054,885	6,006,403	48,482
LAKE AND PENINSULA	8,143,514	8,492,375	(348,861)	6,885,014	7,233,875	(348,861)
LOWER KUSKOKWIM	33,436,660	42,635,273	(9,198,613)	32,736,660	41,935,273	(9,198,613)
LOWER YUKON	18,259,065	16,129,066	2,129,979	17,884,065	15,754,086	2,129,979
MAT-SU	86,975,484	88,088,405	(1,112,921)	66,220,752	67,333,673	(1,112,921)
NENANA	1,643,351	1,894,409	(251,058)	1,569,227	1,820,285	(251,058)
NOME	7,076,931	7,206,697	(129,766)	5,603,466	5,733,232	(129,766)
NORTH SLOPE	41,317,995	41,019,985	298,010	13,227,995	12,929,985	298,010
NORTHWEST ARCTIC	22,571,254	22,072,900	498,354	19,536,334	19,037,980	498,354
PELICAN	520,819	703,521	(182,702)	462,444	646,727	(182,702)
PETERSBURG	5,640,566	5,504,478	136,088	3,925,116	3,789,028	136,088
PRIBILOF	2,524,496	2,161,908	362,588	2,507,496	2,144,908	362,588
SITKA	11,292,153	11,116,700	175,453	7,195,497	7,020,044	175,453
SKAGWAY	1,438,460	1,514,770	(76,310)	775,043	895,817	(120,774)
SOUTHEAST	3,214,702	3,676,188	(461,486)	3,139,602	3,601,088	(461,486)
SOUTHWEST	8,582,357	8,453,004	129,353	8,056,357	7,927,004	129,353
ST. MARYS	1,637,502	1,701,468	(63,966)	1,597,502	1,661,468	(63,966)
TANANA	1,341,075	1,517,619	(176,544)	1,213,075	1,389,619	(176,544)
UNALASKA	4,226,076	3,920,984	305,092	2,591,129	2,286,037	305,092
VALDEZ	7,579,937	7,929,008	(349,071)	3,840,154	4,189,225	(349,071)
WRANGELL	3,835,300	3,986,036	(150,736)	2,738,570	2,889,306	(150,736)
YAKUTAT	1,906,588	1,933,223	(26,635)	1,568,588	1,595,223	(26,635)
YUKON FLATS	6,872,871	7,149,102	(276,231)	6,505,944	6,782,175	(276,231)
YUKON KOYUKUK	7,439,703	7,262,070	177,633	7,374,703	7,197,670	177,033
YUPIIT	4,262,160	4,621,883	(359,723)	4,141,273	4,500,996	(359,723)
ALYESKA CORRES.	5,461,556	4,231,564	1,229,992	5,461,556	4,231,564	1,229,992
MT. EDGE CUMBE	2,007,727	1,796,598	211,129	2,007,727	1,796,598	211,129
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0
TOTAL	979,738,964	979,231,929	507,035	733,494,643	733,033,653	460,990

Year 5, 2002 - HB 148
 20% Hold Harmless
 Student allocation \$4,045
 Req. Local @ 4 mills

	Proposed Total State/Local	Existing Total State/Local	State/Local Difference Proposed less Existing	AS 14.17 Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula Projected State Aid	Change in State Aid
ALASKA GATEWAY	5,945,732	6,170,155	(224,423)	5,885,732	6,110,155	(224,423)
ALEUTIAN REGION	373,711	826,887	(453,176)	368,661	821,837	(453,176)
ALEUTIANS EAST	4,764,875	4,782,269	(17,594)	4,049,575	4,067,169	(17,594)
ANCHORAGE	298,425,313	293,525,223	4,900,090	212,970,895	208,070,805	4,900,090
ANNETTE ISLANDS	3,239,887	1,959,723	1,281,164	3,189,887	1,908,723	1,281,164
BERING STRAIT	21,313,212	19,430,915	1,882,297	20,282,212	18,399,915	1,882,297
BRISTOL BAY	4,147,733	3,427,870	719,863	2,968,614	2,248,751	719,863
CHATHAM	3,489,095	2,925,065	564,030	3,449,095	2,885,065	564,030
CHUGACH	1,840,198	2,024,004	(183,806)	1,819,198	2,003,004	(183,806)
COPPER RIVER	6,053,687	7,084,189	(1,030,502)	5,968,687	6,999,189	(1,030,502)
CORDOVA	3,869,870	3,907,502	(37,632)	3,103,573	3,141,205	(37,632)
CRAIG	2,995,698	3,118,359	(122,661)	2,628,870	2,751,531	(122,661)
DELTA/GREELY	6,293,254	5,975,616	317,638	6,244,254	5,926,616	317,638
DENALI	4,079,352	4,276,101	(196,749)	3,254,259	3,451,008	(196,749)
DILLINGHAM	5,264,616	5,392,216	(127,600)	4,450,116	4,577,716	(127,600)
FAIRBANKS	105,418,888	104,169,195	1,249,693	78,338,888	77,089,195	1,249,693
GALENA	2,314,464	2,403,608	(89,144)	1,975,931	2,065,075	(89,144)
HAINES	3,561,655	3,806,770	(245,115)	2,273,200	2,518,315	(245,115)
HOONAH	2,852,290	2,818,131	34,159	2,400,907	2,366,748	34,159
HYDABURG	1,201,550	1,345,434	(143,884)	1,009,583	1,153,467	(143,884)
IDITAROD	5,991,034	5,827,776	163,258	5,885,604	5,722,346	163,258
JUNEAU	37,505,255	37,958,795	(453,540)	23,179,255	23,632,795	(453,540)
KAKE	1,883,758	1,898,925	(15,167)	1,581,648	1,596,815	(15,167)
KASHUNAMIUT	2,933,152	2,516,230	416,922	2,855,152	2,438,230	416,922
KENAI	78,093,862	79,230,323	(1,136,461)	50,363,785	51,500,246	(1,136,461)
KETCHIKAN	18,383,575	18,388,384	(4,809)	11,083,509	11,088,318	(4,809)
KLAWOCK	1,976,207	1,938,168	38,039	1,849,355	1,811,316	38,039
KODIAK	19,397,420	19,902,509	(505,089)	14,487,390	14,992,479	(505,089)
KUSPUK	6,308,446	6,218,512	89,934	6,198,446	6,108,512	89,934
LAKE AND PENINSULA	8,296,061	8,615,351	(319,290)	7,037,561	7,356,851	(319,290)
LOWER KUSKOKWIM	34,200,963	43,348,173	(9,147,210)	33,500,963	42,648,173	(9,147,210)
LOWER YUKON	18,685,066	16,396,905	2,288,161	18,310,066	16,021,905	2,288,161
MAT-SU	88,119,256	89,233,077	(1,113,821)	67,364,524	68,478,345	(1,113,821)
NENANA	1,678,840	1,925,354	(246,514)	1,603,418	1,851,230	(247,812)
NOME	7,185,259	7,304,162	(118,903)	5,711,794	5,830,697	(118,903)
NORTH SLOPE	41,628,681	41,239,795	388,886	13,538,681	13,149,795	388,886
NORTHWEST ARCTIC	22,992,837	22,396,546	596,291	19,957,917	19,361,626	596,291
PELICAN	533,212	714,515	(181,303)	470,946	657,721	(186,775)
PETERSBURG	5,695,969	5,568,891	127,078	3,980,519	3,853,441	127,078
PRIBILOF	2,582,803	2,198,371	384,432	2,565,803	2,181,371	384,432
SITKA	11,364,799	11,236,041	128,758	7,268,143	7,139,385	128,758
SKAGWAY	1,466,907	1,529,999	(63,092)	793,534	911,046	(117,512)
SOUTHEAST	3,288,816	3,737,406	(448,590)	3,213,716	3,662,306	(448,590)
SOUTHWEST	8,774,007	8,587,763	186,244	8,248,007	8,061,763	186,244
ST. MARY'S	1,674,992	1,729,713	(54,721)	1,634,992	1,689,713	(54,721)
TANANA	1,369,069	1,541,243	(172,174)	1,241,069	1,413,243	(172,174)
UNALASKA	4,235,808	3,959,847	275,961	2,600,861	2,324,900	275,961
VALDEZ	7,669,390	8,000,225	(330,835)	3,929,607	4,260,442	(330,835)
WRANGELL	3,877,570	4,035,154	(157,584)	2,780,840	2,938,424	(157,584)
YAKUTAT	1,936,983	1,960,342	(23,359)	1,591,983	1,622,342	(23,359)
YUKON FLATS	7,027,909	7,264,399	(236,490)	6,660,982	6,897,472	(236,490)
YUKON/KOYUKUK	7,612,204	7,385,030	227,174	7,547,204	7,320,030	227,174
YUPIIT	4,360,219	4,698,400	(338,181)	4,239,332	4,577,513	(338,181)
ALYESKA CORRES.	5,591,836	4,303,501	1,288,335	5,591,836	4,303,501	1,288,335
Mt. EDGECUMBE	2,055,629	1,827,140	228,489	2,055,629	1,827,140	228,489
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0

TOTAL 991,067,809 991,230,332 (162,523) 744,808,343 745,032,056 (223,713)

Title I Part A Site Eligibility, Selection, and Allocation - This section will assist you to explain how the district has determined site eligibility, selected sites for service, and determined the amount of Title I funds to be allocated to sites.

(1) List All School Attendance Areas in Rank Order by Percent of Low Income Students (Column 5)	(2) Grade Span of School	(3) School Enrollment or Attendance Area Total	(4) Number of Low Income Students	(5) Percent of Low Income (Divide Column 4 by Column 3)	(6) Part A Allocation (Multiply \$ Per Low Income Student X Column 4)	(7) S=Schoolwide 1997 P=Schoolwide Planning for 1997 I= School Improvement 1996
Cully School	ECE-12	81	50	62%		
Alak School	ECE-12	194	93	48%		
Tikigag School	ECE-12	275	122	44%		
Kaveolook School	ECE-12	71	25	35%		
Meade River School	ECE-12	68	16	24%		
Trapper School	ECE-12	152	25	16%		
Nunamut School	ECE-12	101	16	16%		
Hopson Middle School	6-8	249	27	11%		
Barrow High School	9-12	217	16	8%		
Ipalook Elementary School	ECE-5	802	65	8%		
LEA Totals/Averages		2205	455			

Rankings of the States 1996



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*Important Message
Inside*

*A data resource
for examining
state public
education
systems*

Research Division

Technical Notes

Rankings of the States, 1996 contains rank-ordered statistics for the fifty states and the District of Columbia. All state data are ranked beginning with the largest figure. When the values of two or more states are the same, they are assigned the same rank, with the appropriate number resumed with the next state in rank. In this case, they appear in rank order before rounding.

The education data in *Rankings* are the most recent actual or estimated data available from state departments of education. Where no data are available from a state education department, NEA Research has provided an estimate, which is identified by an asterisk in Series B, C, F, and H tables.

The State Department of Education Notes (page 51) contain additional information provided by state education departments to help explain data reported for their states.

Rankings of the States, 1996 features revised figures for some public school data previously published in *Estimates of School Statistics, 1995-96*, another report of NEA Research, published in June 1996. State education agencies were invited to review their fall 1995 estimates and revise them for inclusion in this report. For this reason, data in Series B, C, F, and H may differ from those in *Estimates of School Statistics*.

The availability of data from federal government and other sources dictates the presence or absence of certain tables in this report. Traditionally this space identifies tables that are absent from this report. This time there are too many to list them here. The data on state and local government finances for 1994 were not available at the time this publication went to print, and it is uncertain when they will be ready. NEA Research will publish an addendum with the missing tables when the data become available. These tables are listed on the first page of this report.

Please note that tables featuring Average Daily Membership (ADM) do not contain values for the United States as a whole since six states do not compute or provide estimates for their statewide ADM. Consequently, averages are not computed in those cases—this fact is reflected by an "NA" notation. Tables involving ADM data are B-5, B-6, and C-8.

Because of the shortcomings of ADM as a state and nationwide count, ADM has been replaced by fall enrollment (ENR) in the computation of the expenditure per pupil featured in Series H. Moreover, the per pupil count in ENR, rather than in ADA, has become the recommended indicator for measuring public school expenditures and revenues as well as personal income per pupil in this report. However, for the readers' convenience, tables with variables in ADA have been maintained and new tables have been added for the ENR count in Series D, F, and H.

Figures A through H illustrate historical trends in selected *Rankings* data, and a detachable centerfold is provided to help state affiliates and general users develop a school funding profile. Comparisons with neighboring states can be developed for any *Rankings* tables by using the last page of the detachable section.

Tables D-15 and D-16 feature data reprinted by permission of Sales & Marketing Management, copyright: *S&MM Survey of Buying Power*, August 1996.

A-5. POPULATION AGE 5-17, 1994 (IN THOUSANDS)

1. CALIFORNIA	5,844
2. TEXAS	3,742
3. NEW YORK	3,129
4. FLORIDA	2,300
5. ILLINOIS	2,168
6. PENNSYLVANIA	2,099
7. OHIO	2,070
8. MICHIGAN	1,824
9. NEW JERSEY	1,352
10. GEORGIA	1,344
11. NORTH CAROLINA	1,246
12. VIRGINIA	1,134
13. INDIANA	1,066
14. WASHINGTON	1,014
15. MISSOURI	1,003
16. MASSACHUSETTS	1,001
17. WISCONSIN	997
18. TENNESSEE	931
19. MINNESOTA	914
20. LOUISIANA	898
21. MARYLAND	884
22. ARIZONA	795
23. ALABAMA	778
24. KENTUCKY	709
25. COLORADO	700
26. SOUTH CAROLINA	678
27. OKLAHOMA	643
28. OREGON	574
29. CONNECTICUT	557
30. MISSISSIPPI	549
31. IOWA	541
32. KANSAS	506
33. UTAH	491
34. ARKANSAS	468
35. NEW MEXICO	358
36. NEBRASKA	326
37. WEST VIRGINIA	321
38. NEVADA	261
39. IDAHO	252
40. MAINE	228
41. NEW HAMPSHIRE	212
42. HAWAII	209
43. MONTANA	179
44. RHODE ISLAND	169
45. SOUTH DAKOTA	154
46. ALASKA	136
47. NORTH DAKOTA	139
48. DELAWARE	124
49. VERMONT	108
50. WYOMING	104
51. DIST. OF COL.	76
UNITED STATES	48,391

Bureau of the Census, *Statistical Abstract of the United States, 1995*, p. 31.

A-6. POPULATION AGE 5-17 AS PERCENT OF TOTAL POPULATION, 1994

1. UTAH	25.7
2. ALASKA	22.4
3. IDAHO	22.2
4. WYOMING	21.8
5. NEW MEXICO	21.6
6. SOUTH DAKOTA	21.4
7. MONTANA	20.9
8. LOUISIANA	20.8
9. MISSISSIPPI	20.6
10. TEXAS	20.4
11. NORTH DAKOTA	20.2
12. NEBRASKA	20.1
13. MINNESOTA	20.0
14. KANSAS	19.8
15. OKLAHOMA	19.7
16. WISCONSIN	19.6
17. ARIZONA	19.5
18. MICHIGAN	19.2
19. COLORADO	19.1
IOWA	19.1
ARKANSAS	19.1
GEORGIA	19.1
23. MISSOURI	19.0
WASHINGTON	19.0
25. NEW HAMPSHIRE	18.6
OHIO	18.6
VERMONT	18.6
OREGON	18.6
CALIFORNIA	18.6
UNITED STATES	18.5
30. INDIANA	18.5
KENTUCKY	18.9
SOUTH CAROLINA	18.5
33. ILLINOIS	18.4
ALABAMA	16.4
MAINE	18.4
36. TENNESSEE	18.0
37. NEVADA	17.9
38. HAWAII	17.7
MARYLAND	17.7
40. NORTH CAROLINA	17.6
WEST VIRGINIA	17.6
DELAWARE	17.6
43. PENNSYLVANIA	17.4
44. VIRGINIA	17.3
45. NEW YORK	17.2
46. NEW JERSEY	17.1
47. CONNECTICUT	17.0
RHODE ISLAND	17.0
49. MASSACHUSETTS	16.6
50. FLORIDA	16.9
51. DIST. OF COL.	13.3

Bureau of the Census, *Statistical Abstract of the United States, 1995*, p. 33.

B-2. PUBLIC SCHOOL ENROLLMENT, FALL 1995

1. CALIFORNIA	5,467,224
2. TEXAS	3,740,260
3. NEW YORK	2,827,700
4. FLORIDA	2,176,222
5. ILLINOIS	1,943,623
6. OHIO	1,837,131
7. PENNSYLVANIA	1,787,533
8. MICHIGAN	1,655,825
9. GEORGIA	1,311,126
10. NEW JERSEY	1,192,809
11. NORTH CAROLINA	1,172,894
12. VIRGINIA	1,079,854
13. INDIANA	976,566
14. WASHINGTON	957,969
15. MASSACHUSETTS	914,726
16. TENNESSEE	880,960
17. MISSOURI	873,638
18. WISCONSIN	870,175
19. MINNESOTA	834,158
20. MARYLAND	805,544
21. LOUISIANA	784,659
22. ARIZONA	762,096
23. ALABAMA	735,912
24. COLORADO	656,279
25. KENTUCKY	639,251
26. SOUTH CAROLINA	637,096
27. OKLAHOMA	616,500
28. OREGON	527,060
29. CONNECTICUT	518,078
30. MISSISSIPPI	503,602
31. IOWA	502,343
32. UTAH	473,666
33. KANSAS	463,008
34. ARKANSAS	451,877
35. WEST VIRGINIA	306,451
36. NEW MEXICO	303,792
37. NEBRASKA	288,683
38. NEVADA	265,041
39. IDAHO	243,097
40. MAINE	214,208
41. NEW HAMPSHIRE	194,171
42. HAWAII	186,581
43. MONTANA	165,537
44. RHODE ISLAND	149,802
45. SOUTH DAKOTA	136,404
46. ALASKA	132,379*
47. NORTH DAKOTA	119,100
48. DELAWARE	108,461
49. VERMONT	105,547
50. WYOMING	99,859
51. DIST. OF COL.	79,802
UNITED STATES	44,676,279

NEA Research, Estimates data bank.

B-3. PERCENT CHANGE IN PUBLIC SCHOOL ENROLLMENT, FALL 1994 TO FALL 1995

1. NEVADA	5.7
2. ALASKA	4.2*
3. ARIZONA	3.4
4. GEORGIA	3.2
5. FLORIDA	3.1
6. NEW HAMPSHIRE	2.6
7. COLORADO	2.5
8. CALIFORNIA	2.4
9. MASSACHUSETTS	2.3
NORTH CAROLINA	2.3
11. CONNECTICUT	2.2
NEW YORK	2.2
13. MICHIGAN	2.1
14. HAWAII	2.0
15. TEXAS	1.9
WASHINGTON	1.9
17. MARYLAND	1.8
VIRGINIA	1.8
UNITED STATES	1.7
19. MINNESOTA	1.6
NEW JERSEY	1.6
TENNESSEE	1.6
RHODE ISLAND	1.6
23. DELAWARE	1.5
24. ILLINOIS	1.4
25. ARKANSAS	1.3
MISSOURI	1.3
PENNSYLVANIA	1.3
28. OREGON	1.2
29. WISCONSIN	1.1
IDAHO	1.1
OKLAHOMA	1.1
32. NEBRASKA	1.0
VERMONT	1.0
34. INDIANA	0.9
35. MAINE	-0.8
36. MONTANA	0.7
SOUTH DAKOTA	0.7
NEW MEXICO	0.7
39. OHIO	0.5
UTAH	0.5
KANSAS	0.5
42. IOWA	0.4
43. ALABAMA	0.3
44. MISSISSIPPI	0.1
45. KENTUCKY	0.0
46. NORTH DAKOTA	-0.2
LOUISIANA	-0.2
48. WYOMING	-0.5
SOUTH CAROLINA	-0.5
50. DIST. OF COL.	-0.8
51. WEST VIRGINIA	-1.1

Computed from NEA Research, Estimates data bank.

B-8 NUMBER OF PUBLIC HIGH SCHOOL GRADUATES, 1995-96

1. CALIFORNIA	262,441*
2. TEXAS	172,659
3. NEW YORK	134,500
4. PENNSYLVANIA	108,750
5. ILLINOIS	105,103
6. OHIO	104,220
7. FLORIDA	89,941
8. MICHIGAN	81,854*
9. NEW JERSEY	64,965
10. VIRGINIA	59,644
11. GEORGIA	59,406
12. NORTH CAROLINA	57,432
13. INDIANA	57,219
14. WISCONSIN	51,710
15. MINNESOTA	50,621
16. WASHINGTON	50,314
17. MASSACHUSETTS	48,674
18. MISSOURI	46,775*
19. TENNESSEE	43,525
20. MARYLAND	41,660
21. KENTUCKY	36,515
22. LOUISIANA	36,467
23. ALABAMA	35,992
24. COLORADO	33,449*
25. OKLAHOMA	32,800
26. SOUTH CAROLINA	32,500
27. ARIZONA	32,361
28. IOWA	31,504
29. UTAH	27,818
30. OREGON	27,500
31. CONNECTICUT	26,270
32. KANSAS	26,175
33. ARKANSAS	24,628
34. MISSISSIPPI	23,044
35. WEST VIRGINIA	20,531
36. NEBRASKA	18,025*
37. NEW MEXICO	14,980
38. IDAHO	14,539
39. MAINE	12,757
40. MONTANA	10,253
41. NEVADA	10,200
42. HAWAII	10,004
43. NEW HAMPSHIRE	9,925
44. SOUTH DAKOTA	8,439
45. NORTH DAKOTA	7,967
46. RHODE ISLAND	7,693
47. ALASKA	5,903*
48. WYOMING	5,886
49. VERMONT	5,603
50. DELAWARE	5,583
51. DIST. OF COL.	2,573
UNITED STATES	2,289,257

NEA Research, Estimates data bank.

B-9. PERCENT CHANGE IN NUMBER OF HIGH SCHOOL GRADUATES, 1985-86 TO 1995-96

1. UTAH	40.7
2. IDAHO	20.6
3. ARIZONA	17.5
4. NEVADA	16.2
5. CALIFORNIA	14.6*
6. FLORIDA	10.3
7. WASHINGTON	9.8
8. SOUTH DAKOTA	7.2
9. TEXAS	7.1
10. ALASKA	5.7*
11. WYOMING	5.4
12. MONTANA	5.0
13. NORTH DAKOTA	4.7
14. OREGON	4.6
15. HAWAII	3.0
16. COLORADO	2.5*
17. NEBRASKA	2.3*
KANSAS	2.3
19. TENNESSEE	0.6
20. GEORGIA	0.5
21. MAINE	-1.9
22. KENTUCKY	-2.1
23. NEW MEXICO	-3.2
24. OKLAHOMA	-3.5
25. VERMONT	-3.6
UNITED STATES	-4.1
26. DELAWARE	-4.3
27. MISSOURI	-4.9*
28. MINNESOTA	-5.5
VIRGINIA	-5.5
30. SOUTH CAROLINA	-5.6
31. ARKANSAS	-6.1
WEST VIRGINIA	-6.1
33. INDIANA	-6.5
34. NEW HAMPSHIRE	-7.6
35. ILLINOIS	-8.1
36. MISSISSIPPI	-8.3
37. LOUISIANA	-8.6
38. IOWA	-9.1
39. ALABAMA	-9.2
40. MARYLAND	-10.8
41. PENNSYLVANIA	-11.5
42. RHODE ISLAND	-12.1
WISCONSIN	-12.1
44. NORTH CAROLINA	-12.8
45. OHIO	-13.3
46. NEW YORK	-17.1
47. MICHIGAN	-19.0*
48. CONNECTICUT	-20.3
NEW JERSEY	-20.3
50. MASSACHUSETTS	-20.5
51. DIST. OF COL.	-33.6

Computed from NEA Research, Estimates data bank.

SALARIES OF PUBLIC SCHOOL TEACHERS,
1985-86 TO 1995-96 (CURRENT DOLLARS)

1. CONNECTICUT	88.9
2. PENNSYLVANIA	78.3
3. NEW HAMPSHIRE	76.6
4. NEW JERSEY	76.3
5. VERMONT	74.5
6. MAINE	67.8
7. DELAWARE	64.6
8. MASSACHUSETTS	61.8
9. KENTUCKY	57.9
10. NEW YORK	57.8
11. WEST VIRGINIA	55.9
12. KANSAS	55.2
13. TENNESSEE	54.9
INDIANA	54.9
15. OHIO	54.3
16. OREGON	54.2
17. MARYLAND	53.8
18. ILLINOIS	52.3
19. MISSOURI	51.9
20. VIRGINIA	51.7
21. NEBRASKA	50.4
22. ARKANSAS	50.2
23. MISSISSIPPI	49.9
24. FLORIDA	49.8
UNITED STATES	49.5
25. IOWA	49.4
26. MICHIGAN	49.0*
27. CALIFORNIA	48.0*
28. GEORGIA	47.9
29. IDAHO	47.3
30. SOUTH CAROLINA	46.4
31. SOUTH DAKOTA	45.6
32. WASHINGTON	45.1
33. WISCONSIN	44.9
34. RHODE ISLAND	43.1*
35. NEVADA	41.2
36. HAWAII	38.5
37. COLORADO	36.6
38. NORTH CAROLINA	36.1
39. UTAH	35.6
ALABAMA	35.6
41. MINNESOTA	35.0*
42. NEW MEXICO	34.8
43. OKLAHOMA	32.6
44. LOUISIANA	22.0
45. ARIZONA	31.6*
DIST. OF COL.	31.6
47. TEXAS	30.8
48. MONTANA	30.6
49. NORTH DAKOTA	29.6
50. ALASKA	26.9*
51. WYOMING	16.0
MEAN	49.5
MEDIAN	49.0
RANGE	72.9
SEV.	10.1
CV	20.4

NEA Research, Estimates data bank.

PERCENT CHANGE IN AVERAGE
SALARIES OF PUBLIC SCHOOL TEACHERS
1985-86 TO 1995-96 (CONSTANT DOLLARS)

1. CONNECTICUT	32.7
2. PENNSYLVANIA	25.3
3. NEW HAMPSHIRE	24.1
4. NEW JERSEY	23.9
5. VERMONT	22.6
6. MAINE	18.0
7. DELAWARE	15.7
8. MASSACHUSETTS	13.7
9. KENTUCKY	11.0
10. NEW YORK	10.9
11. WEST VIRGINIA	9.5
12. KANSAS	9.0
13. TENNESSEE	8.9
14. INDIANA	8.8
15. OHIO	8.4
OREGON	8.4
17. MARYLAND	8.1
18. ILLINOIS	6.9
19. MISSOURI	6.8
20. VIRGINIA	6.6
21. NEBRASKA	5.7
22. ARKANSAS	5.6
23. MISSISSIPPI	5.4
24. FLORIDA	5.3
UNITED STATES	5.1
25. IOWA	5.0
26. MICHIGAN	4.7*
27. CALIFORNIA	4.0*
28. GEORGIA	3.9
29. IDAHO	3.5
30. SOUTH CAROLINA	2.9
31. SOUTH DAKOTA	2.3
32. WASHINGTON	2.0
33. WISCONSIN	1.8
34. RHODE ISLAND	0.5*
35. NEVADA	-0.8
36. HAWAII	-2.6
37. COLORADO	-4.0
38. NORTH CAROLINA	-4.3
39. UTAH	-4.7
ALABAMA	-4.7
41. MINNESOTA	-5.1*
42. NEW MEXICO	-5.3
43. OKLAHOMA	-6.8
44. LOUISIANA	-7.2
45. ARIZONA	-7.5*
DIST. OF COL.	-7.5
47. TEXAS	-8.1
48. MONTANA	-8.2
49. NORTH DAKOTA	-9.0
50. ALASKA	-10.9*
51. WYOMING	-18.5
MEAN	5.1
MEDIAN	4.7
RANGE	51.2
SEV.	9.9
CV	194.1

Computed from NEA Research, Estimates data bank, and Bureau of Labor Statistics data.

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TEACHER
2000 FEBRUARY 1997

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The Report Card

State	Standards and assessments	School climate	Resources			Quality of teaching	Achievement	
			Adequacy	Allocation	Equity		4th grade NAEP reading (1994)	8th grade NAEP math (1992)
Alabama	A	C-	C+	C-	B+	C	23	10
Alaska	C+	C	C+	F	D+	C		
Arizona	C	D	D+	C	C	D	24	15
Arkansas	B	C-	F	C	B	C+	24	10
California	I	D-	D-	C-	D	B-	18	16
Colorado	I	C	D	C-	B-	B-	28	22
Connecticut	A-	C	B	C	C-	C+	38	26
Delaware	A	D	B	D-	A-	C	23	15
Florida	B	D-	B-	C	C+	C	23	15
Georgia	A	C	B-	B	B	B-	26	13
Hawaii	B	D+	D-	C	A	D	19	14
Idaho	C-	C-	C+	D-	C+	D+		22
Illinois	B	C-	C+	D-	C-	C+		
Indiana	B+	C	B	B	B	C+	33	20
Iowa	F	C	C+	C+	B	C	35	31
Kansas	A	C+	B-	C	C	C		
Kentucky	A	C-	B	C+	B+	B	26	14
Louisiana	B	D	D	D+	C	C	15	7
Maine	A-	B	B+	C-	B	C	41	26
Maryland	A	D+	C+	D-	A-	C-	26	20
Massachusetts	I	C	B-	C-	D+	B-	36	23
Michigan	A-	D	B+	C-	B	C		19
Minnesota	I	D+	B+	C-	B-	B	33	31
Mississippi	B+	D-	C+	D+	B+	C-	18	6
Missouri	A-	C-	C	D+	C-	C	31	20
Montana	D	B-	C	C-	B-	C-	35	
Nebraska	D-	C+	C	D-	C+	B-	34	26
Nevada	C	D	C	D+	B	C-		
New Hampshire	A-	C	B	D-	B-	C+	36	25
New Jersey	A	C+	A	C+	D+	C	33	24
New Mexico	A	D+	B	B-	C-	C-	21	11
New York	A	C-	A	C-	C	C-	27	20
North Carolina	A	D	B-	C+	A-	C	30	12
North Dakota	C	C+	D	C	B-	C	38	30
Ohio	A-	D+	B	C	C+	C		18
Oklahoma	B+	B-	D	D+	B-	C+		17
Oregon	A-	C-	C+	D-	C+	C		
Pennsylvania	B+	D	B+	C	C+	C+	30	22
Rhode Island	C	D	B+	D+	D	C	32	16
South Carolina	B	D+	B-	D+	D+	C	20	15
South Dakota	C+	C+	C-	C	D-	C		
Tennessee	A-	C-	C	B	B	C+	27	12
Texas	A	C+	C-	B-	D	C-	26	18
Utah	A	D-	C	C+	B+	C	30	22
Vermont	A	B+	A-	D+	B-	B-		
Virginia	B	C-	B-	B	B+	C+	26	19
Washington	B	D+	B-	C+	C+	C+	27	
West Virginia	A	C	A	C-	A	C	26	10
Wisconsin	B-	C-	A-	C-	B	C	35	27
Wyoming	F	C-	C	C	B-	D	32	21

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NOTE: States with no achievement score did not participate in NAEP testing. KEY: I: Incomplete.

Resources

State	Adequacy Of Resources				State	Allocation Of Resources					
	Grade for adequacy of resources	Education spending per pupil in 1995, adjusted for regional cost differences	% change in inflation-adjusted spending per pupil from 1983 to 1995	State's 1993 relative fiscal effort (out of 100%)		Grade for allocation of resources	% of 1994 education expenditures spent on instruction	State investments in educational technology (1991)	% of schools reporting at least one building in need of external repair or replacement (1994)		
New Jersey	95	A	\$8,118	58%	84%	Georgia	83	B	62%	High	26%
West Virginia	94	A	\$6,546	34	96	Indiana	83	B	62	High	29
New York	93	A	\$7,173	24	80	Tennessee	83	B	64	High	27
Vermont	90	A-	\$6,259	28	86	Virginia	83	B	60	High	27
Wisconsin	90	A-	\$6,424	29	86	New Mexico	80	B-	59	High	30
Maine	89	B+	\$5,623	43	92	Texas	80	B-	59	High	27
Michigan	89	B+	\$5,779	20	91	Iowa	78	C+	62	Medium	19
Rhode Island	88	B+	\$6,270	26	80	Kentucky	78	C+	60	High	31
Pennsylvania	88	B+	\$6,428	23	78	New Jersey	78	C+	60	Medium	19
Minnesota	87	B+	\$6,983	38	77	North Carolina	78	C+	61	High	36
Indiana	86	B	\$5,666	41	84	Utah	78	C+	67	High	34
Ohio	86	B	\$5,326	25	84	Washington	78	C+	60	High	44
Connecticut	86	B	\$6,709	21	73	Arizona	75	C	58	High	41
New Mexico	84	B	\$5,681	27	77	Arkansas	75	C	63	Medium	25
New Hampshire	83	B	\$5,451	37	75	Connecticut	75	C	63	Medium	30
Kentucky	83	B	\$5,968	75	74	Florida	75	C	58	High	31
Delaware	83	B	\$6,496	21	63	Hawaii	75	C	62	Medium	21
Kansas	82	B-	\$6,002	16	77	Kansas	75	C	58	High	38
Virginia	82	B-	\$5,491	26	71	North Dakota	75	C	61	Medium	23
Florida	81	B-	\$5,490	22	69	Ohio	75	C	59	High	38
Massachusetts	81	B-	\$5,675	27	69	Pennsylvania	75	C	64	Medium	21
Georgia	80	B-	\$4,976	31	76	South Dakota	75	C	62	Medium	21
North Carolina	80	B-	\$5,569	49	65	Wyoming	75	C	62	Medium	24
South Carolina	80	B-	\$4,903	21	75	Michigan	72	C-	58	Medium	22
Washington	80	B-	\$5,387	16	79	Alabama	70	C-	63	Medium	39
Idaho	79	C+	\$4,305	27	73	California	70	C-	60	Medium	43
Alaska	79	C+	\$7,747	-13	84	Colorado	70	C-	61	Medium	32
Oregon	79	C+	\$5,491	11	86	Maine	70	C-	67	Medium	38
Texas	78	C+	\$5,363	19	75	Massachusetts	70	C-	60	Medium	41
Illinois	78	C+	\$4,922	20	69	Minnesota	70	C-	64	Medium	39
Maryland	78	C+	\$5,886	19	73	Montana	70	C-	63	Low	20
Iowa	77	C+	\$5,728	13	82	New York	70	C-	68	Medium	33
Mississippi	77	C+	\$4,404	21	67	West Virginia	70	C-	62	Medium	42
Alabama	77	C+	\$4,659	31	65	Wisconsin	70	C-	64	Medium	33
Nevada	76	C	\$4,842	24	64	Louisiana	67	D+	59	Medium	39
Tennessee	75	C	\$4,553	30	61	Mississippi	67	D+	62	Low	29
Montana	75	C	\$5,758	10	84	Missouri	67	D+	61	Low	27
Missouri	73	C	\$4,631	16	70	Nevada	67	D+	60	Low	23
Nabraska	73	C	\$5,526	8	79	Oklahoma	67	D+	58	Medium	31
Wyoming	73	C	\$6,499	-9	84	Rhode Island	67	D+	67	Low	29
Utah	73	C	\$3,537	15	83	South Carolina	67	D+	59	Medium	37
South Dakota	71	C-	\$4,863	10	72	Vermont	67	D+	65	Low	21
Arizona	69	D+	\$4,346	10	77	Delaware	62	D-	62	Low	41
Colorado	66	D	\$5,139	5	74	Idaho	62	D-	63	Low	32
Louisiana	66	D	\$4,914	9	69	Illinois	62	D-	60	Low	31
North Dakota	66	D	\$5,024	4	72	Maryland	62	D-	60	Low	31
Oklahoma	64	D	\$4,327	1	78	Nabraska	62	D-	62	Low	35
California	61	D-	\$4,307	3	69	New Hampshire	62	D-	64	Low	38
Hawaii	60	D-	\$4,724	-3	66	Oregon	62	D-	60	Low	39
Arkansas	59	F	\$3,599	-3	76	Alaska	58	F	52	Low	45
U.S.			\$5,543	21		U.S.			61	Medium	33

NOTE: States are ranked by number grade to the nearest decimal; ties are ranked in alphabetical order.

The Grades

Equity Of Resources			For Information Only							
State	Grade for equity of resources		Relative equity in 1992 percent spending among districts	State	Unadjusted education spending per pupil in 1995	Education expenditure for every \$1,000 in per capita income (1995)	Disparity districts of the 5th and 95th percentiles in spending per pupil (1992)	Average 1995 teacher salary, adjusted for regional cost differences	Teachers as % of total staff (1995)	Number of pupils per full-time computer (1996)
Hawaii	100	A**	100	Alabama	\$4,170	\$38	\$1,199	\$34,713	53%	44
West Virginia	93	A	93	Alaska	\$8,962	\$78	\$12,737	\$36,818	48	17
Delaware	92	A-	92	Arizona	\$4,222	\$36	\$4,827	\$31,908	51	24
Maryland	90	A-	90	Arkansas	\$3,191	\$33	\$1,639	\$33,284	52	47
North Carolina	90	A-	90	California	\$4,753	\$34	\$3,230	\$36,110	52	52
Alabama	89	B+	89	Colorado	\$5,101	\$37	\$5,517	\$33,556	54	16
South Carolina	89	B+	89	Connecticut	\$7,782	\$40	\$4,057	\$41,610	55	43
Utah	89	B+	89	Delaware	\$6,634	\$41	\$1,572	\$38,272	55	54
Kentucky	88	B+	88	Florida	\$5,224	\$34	\$1,202	\$35,598	49	39
Mississippi	87	B+	87	Georgia	\$4,595	\$38	\$1,628	\$35,688	48	16
Virginia	87	B+	87	Hawaii	\$4,394	\$28	\$0**	\$28,259	62	74
Georgia	86	B	88	Idaho	\$4,056	\$44	\$2,735	\$31,150	59	35
Nevada	86	B	86	Illinois	\$5,279	\$35	\$4,286	\$39,390	54	38
Tennessee	86	B	86	Indiana	\$5,541	\$43	\$1,530	\$40,264	48	22
Indiana	85	B	85	Iowa	\$5,221	\$44	\$1,801	\$34,920	53	21
Iowa	85	B	85	Kansas	\$5,348	\$44	\$3,347	\$36,035	54	17
Maine	84	B	84	Kentucky	\$5,333	\$49	\$1,224	\$36,803	48	32
Michigan	84	B	84	Louisiana	\$4,257	\$42	\$1,932	\$30,303	50	89
Arkansas	83	D	83	Maine	\$7,854	\$49	\$3,542	\$29,275	53	31
Wisconsin	83	B	83	Maryland	\$6,121	\$37	\$1,493	\$37,742	55	34
Colorado	82	B-	82	Massachusetts	\$6,604	\$36	\$4,102	\$34,076	56	53
Minnesota	82	B-	82	Michigan	\$6,105	\$44	\$3,359	\$50,224	49	37
South Dakota	82	B-	82	Minnesota	\$6,906	\$53	\$2,651	\$37,570	63	28
Wyoming	82	B-	82	Mississippi	\$3,792	\$43	\$1,042	\$30,894	48	63
North Dakota	81	B-	81	Missouri	\$4,393	\$34	\$2,473	\$33,897	48	42
Oklahoma	81	B-	81	Montana	\$5,428	\$55	\$9,171	\$30,604	55	23
Montana	80	B-	80	Nebraska	\$5,018	\$41	\$5,226	\$34,447	53	19
New Hampshire	80	B-	80	Nevada	\$4,607	\$30	\$5,612	\$36,419	58	25
Vermont	80	B-	80	New Hampshire	\$5,971	\$39	\$3,658	\$32,979	54	46
Florida	79	C+	79	New Jersey	\$9,333	\$48	\$5,929	\$38,422	53	42
Nebraska	79	C+	79	New Mexico	\$5,181	\$56	\$3,761	\$29,597	49	23
Ohio	79	C+	79	New York	\$8,421	\$48	\$7,571	\$41,157	51	34
Oregon	79	C+	79	North Carolina	\$5,200	\$41	\$1,221	\$34,340	52	24
Pennsylvania	79	C+	79	North Dakota	\$4,534	\$45	\$4,329	\$28,553	56	15
Washington	78	C+	78	Ohio	\$5,438	\$40	\$5,804	\$38,833	54	62
Idaho	77	C+	77	Oklahoma	\$3,822	\$39	\$3,247	\$32,935	50	37
Kansas	75	C	75	Oregon	\$5,514	\$42	\$6,068	\$38,800	52	22
New York	75	C	75	Pennsylvania	\$6,836	\$43	\$3,378	\$43,388	53	39
Arizona	74	C	74	Rhode Island	\$7,026	\$45	\$1,908	\$36,711	65	49
Louisiana	74	C	74	South Carolina	\$4,457	\$41	\$1,494	\$34,169	53	38
Connecticut	72	C-	72	South Dakota	\$4,307	\$43	\$3,249	\$29,557	56	18
Missouri	72	C-	72	Tennessee	\$4,150	\$34	\$1,604	\$35,210	49	38
New Mexico	71	C-	71	Texas	\$4,996	\$48	\$4,210	\$35,148	52	31
Illinois	70	C-	70	Utah	\$3,420	\$46	\$2,498	\$29,842	54	21
Alaska	69	D+	69	Vermont	\$6,349	\$54	\$3,867	\$39,184	49	29
Massachusetts	67	D+	67	Virginia	\$5,278	\$36	\$2,385	\$36,604	59	39
New Jersey	67	D+	67	Washington	\$5,721	\$42	\$6,133	\$35,103	51	19
California	65	D	65	West Virginia	\$9,743	\$54	\$784	\$36,616	59	82
Rhode Island	65	D	65	Wisconsin	\$6,345	\$49	\$2,813	\$40,355	54	25
Texas	65	D	65	Wyoming	\$5,802	\$97	\$7,400	\$31,739	52	17
U.S.	—	—	—	U.S.	\$5,941	\$41	—	\$36,744	52	35

** Hawaii has a single statewide district.

The Grades

For Information Only							State
Does state fund preschool programs for disadvantaged? (1991)	% of public high schools offering AP courses (1990)	% of 8th graders taking algebra (1992)	% of secondary students taking app-level math courses (1994)	% of secondary students taking upper-level science courses (1994)	% of 18- to 19-year-olds who were not in school and had not graduated (1993)	% of 1994 graduates who enrolled in a two- or four-year college	
yes	72%	18%	45%	28%	5%	50%	Maine
no	7	12	56	37	5	68	North Dakota
no	95	20	45	34	4	59	Connecticut
no	73	18	7	7	9	56	New Hampshire
yes	89	26	48	31	6	65	Massachusetts
yes	29	14	47	27	5	64	Iowa
no	67	14	49	32	5	60	Wisconsin
no	34	7	48	28	7	54	Montana
no	17	17	52	30	8	60	Nebraska
yes	45	23	48	30	6	53	Minnesota
yes	97	19	43	27	8	64	New Jersey
no	79	18	39	27	10	55	Indiana
no	34	18	39	18	8	53	Wyoming
yes	82	21	7	7	8	65	Rhode Island
no	23	13	43	30	10	53	Missouri
no	71	27	48	31	8	57	Pennsylvania
no	75	32	59	33	7	56	Utah
no	88	22	45	24	11	51	North Carolina
yes	55	21	7	7	10	52	Colorado
yes	83	13	38	26	8	70	New York
no	54	11	38	22	11	54	Tennessee
yes	62	7	35	20	6	57	Washington
yes	92	32	7	7	8	55	Maryland
yes	89	19	7	7	7	53	Virginia
yes	54	17	41	20	12	50	Texas
yes	67	16	40	29	11	49	Kentucky
yes	82	18	7	7	10	59	Georgia
yes	78	21	36	26	13	50	West Virginia
yes	68	20	7	7	11	50	Arizona
yes	28	15	38	18	8	48	Arkansas
no	88	23	27	17	7	65	Delaware
yes	82	23	7	7	12	49	Florida
no	54	15	32	22	12	64	Alabama
yes	47	13	36	18	10	54	New Mexico
yes	96	17	7	7	11	58	South Carolina
no	84	12	26	19	5	62	Hawaii
yes	85	21	32	18	11	61	California
no	39	13	43	41	9	69	Mississippi
yes	21	12	44	21	13	53	Louisiana
no	42	18	39	17	12	48	Idaho
yes	59	19	32	15	9	60	Michigan
yes	60	13	41	23	6	51	Ohio
yes	18	16	38	24	10	49	Oklahoma
no	13	7	32	15	7	37	Alaska
yes	81	7	7	7	9	64	Illinois
no	23	7	7	7	6	67	Kansas
no	88	7	32	22	12	38	Nevada
yes	50	7	36	21	10	57	Oregon
no	13	7	7	7	7	50	South Dakota
yes	82	7	39	31	8	51	Vermont
	68	19	39	26	9	62	U.S.

NOTE: ? indicates that information was not available.

NATIONAL CENTER FOR EDUCATION STATISTICS

DEVELOPMENTS IN
SCHOOL FINANCE, 1995



U.S. Department of Education
Office of Educational Research and Improvement NCES 96-344r

Table 2.—Growth of inflation-adjusted education revenues, total and per-pupil, 1982-83 to 1991-92

State	Total revenues	Rank	Per-pupil revenues	Rank	Enrollment	Rank
National average	39.12		27.78		8.87	
Alabama	19.93	38	19.68	32	0.21	41
Alaska	22.63	36	-1.68	45	24.72	5
Arizona	79.82	2	35.28	13	32.92	2
Arkansas	59.49	9	56.10	4	2.17	34
California	70.39	4	34.10	16	27.07	4
Colorado	10.29	44	-2.39	46	12.99	14
Connecticut	58.17	11	54.65	6	2.28	32
Delaware	30.43	29	14.29	36	14.13	11
Florida	68.76	5	27.38	27	32.49	3
Georgia	44.27	18	25.59	30	14.88	10
Hawaii	47.11	15	34.50	15	9.37	19
Idaho	46.37	16	30.37	20	12.27	16
Illinois	34.26	26	32.81	18	1.09	37
Indiana	40.41	21	43.88	11	-2.41	49
Iowa	7.12	46	7.65	40	-0.49	43
Kansas	18.97	40	6.77	41	11.43	17
Kentucky	65.62	6	63.69	1	1.18	36
Louisiana	7.69	45	7.99	39	-0.28	42
Maine	63.22	7	58.17	3	3.19	30
Maryland	47.27	14	33.88	17	10.00	18
Massachusetts	24.08	35	26.81	29	-2.15	48
Michigan	20.46	37	22.89	32	-1.98	47
Minnesota	32.65	28	17.86	34	12.55	15
Mississippi	40.93	20	30.10	21	8.32	22
Missouri	39.53	22	29.15	24	8.03	23
Montana	2.88	47	-1.21	43	4.14	29
Nebraska	19.84	39	13.28	38	5.80	26
Nevada	107.27	1	39.84	12	48.21	1
New Hampshire	70.70	3	49.77	8	3.97	13
New Jersey	56.75	12	59.15	2	-1.51	45
New Mexico	13.10	43	-3.37	47	17.04	9
New York	30.32	30	29.60	23	0.56	40
North Carolina	58.53	10	55.05	5	2.25	33
North Dakota	-8.21	49	-9.39	49	1.30	35
Ohio	27.71	33	29.91	22	-1.69	46
Oklahoma	-0.30	48	-1.26	44	0.97	39
Oregon	30.31	31	14.21	37	14.09	12
Pennsylvania	27.37	34	28.88	25	-1.17	44
Rhode Island	34.18	27	27.29	28	5.41	27
South Carolina	51.52	13	44.61	10	4.77	28
South Dakota	14.04	42	4.28	42	9.36	20
Tennessee	34.81	25	31.05	19	2.87	31
Texas	45.52	17	23.05	31	18.26	8
Utah	16.78	41	-4.79	48	22.65	6
Vermont	62.11	8	48.72	9	9.01	21
Virginia	43.69	19	34.52	14	6.81	25
Washington	39.16	23	14.29	35	21.76	7
West Virginia	30.19	32	51.85	7	-14.26	50
Wisconsin	37.99	24	28.88	26	7.07	24
Wyoming	-28.00	50	-28.76	50	1.07	38

SOURCE: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics*.

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the public school funding program; relating to the definition
 2 of a school district, to the transportation of students, to school district layoff
 3 plans, to the special education service agency, to the child care grant program,
 4 and to compulsory attendance in public schools; and providing for an effective
 5 date."

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

7 • Section 1. PURPOSE OF SECTION 2. The purpose of sec. 2 of this Act is to provide
 8 a level of funding through the public school funding program that allows for an equitable level
 9 of educational opportunities and outcomes for those students attending the public schools of
 10 the state, to promote local decision-making, and, through increased control of funding, to
 11 provide more local responsibility and accountability for decisions affecting public schools.

12 • Sec. 2. AS 14.17 is amended by adding new sections to read:

13 Article 1. State Funding to Public Schools.

1 **Sec. 14.17.300. Public school account.** (a) The public school account is
2 established. The account consists of appropriations for distribution to school districts,
3 the state boarding school, and for the centralized correspondence study program under
4 this chapter.

5 (b) The money in the account may be used only in aid of public schools,
6 including community school programs, and for centralized correspondence study
7 programs under this chapter.

8 **Sec. 14.17.400. State funding for districts.** (a) The state funding for which
9 a school district is eligible in a fiscal year is equal to the amount for which a district
10 qualifies under AS 14.17.410 (equalization funding).

11 (b) If the amount in the public school account (AS 14.17.300) is insufficient
12 to meet the amounts authorized under (a) of this section for a fiscal year, the
13 department shall reduce pro rata the state share of equalization funding for which
14 districts are eligible by the necessary percentage as determined by the department. If
15 the state share of equalization funding is reduced under this subsection, the department
16 shall also reduce state funding for centralized correspondence study and the state
17 boarding school by the same percentage.

18 **Sec. 14.17.410. Equalization funding.** (a) A district is eligible for
19 equalization funding in an amount equal to the sum calculated under this section.

20 (b) Except as provided in (d) of this section, equalization funding consists of
21 a state share and a local contribution, determined as follows:

22 (1) the state share equals need minus local contribution; need equals
23 the district adjusted ADM, multiplied by the base student allocation set out at
24 AS 14.17.475, plus any intensive services funding for which the district qualifies under
25 AS 14.17.420(a)(2); district adjusted ADM is calculated as follows:

26 (A) the ADM of a funding community is multiplied by the
27 funding community size factor set out in AS 14.17.460;

28 (B) the product obtained under (A) of this paragraph is
29 multiplied by the funding community area cost factor described in
30 AS 14.17.470(a) and set out in regulations adopted by the department;

31 (C) if a funding community is the only funding community in

1 a district with an ADM of 900 or less, the product obtained under (B) of this
2 paragraph is multiplied by the appropriate factor set out in AS 14.17.460(b);

3 (D) the ADMs of each funding community in a district, as
4 adjusted according to (A) - (C) of this paragraph, are added; the sum is then
5 multiplied by the special needs factor set out in AS 14.17.420(a)(1);

6 (E) the product obtained under (D) of this paragraph is
7 multiplied by a district's student transportation factor described in
8 AS 14.17.470(b) and set out in regulations by the department; the resulting
9 product is the district's adjusted ADM;

10 (2) for the fiscal year beginning July 1, 1997, the local contribution is
11 the equivalent of a three mill tax levy on the full and true value of the taxable real and
12 personal property in the district as of January 1 of the second preceding fiscal year,
13 as determined by the Department of Community and Regional Affairs under
14 AS 14.17.510 and AS 29.45.110, not to exceed 35 percent of a district's need as
15 determined under (1) of this subsection for the preceding fiscal year; for the fiscal year
16 beginning July 1, 1998, and subsequent fiscal years, the required mill equivalent shall
17 be increased by one-fourth of a mill each year until the local contribution is the
18 equivalent of a four mill tax levy, but, in each year, a district's local contribution may
19 not exceed 35 percent of the district's need for the preceding fiscal year, as determined
20 under (1) of this subsection.

21 (c) Equalization funding may not be provided to a city or borough school
22 district if the local contributions required under (b) of this section have not been made.

23 (d) In a regional educational attendance area, funding consists of need,
24 calculated under (b)(1) of this section for that regional educational attendance area.

25 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
26 component of equalization funding, a district is eligible for special needs funding and
27 may be eligible for intensive services funding as follows:

28 (1) special needs funding is available to a district to assist the district
29 in providing special education, gifted and talented education, vocational education, and
30 bilingual education to its students; a special needs funding factor of 1.20 shall be
31 applied as set out in AS 14.17.410(b)(1);

1 (2) in addition to the special needs funding for which a district is
2 eligible under (1) of this subsection, a district is eligible for intensive services funding
3 for each special education student who needs and receives intensive services and is
4 enrolled on the last day of the count period; for each such student, intensive services
5 funding is equal to \$22,500 multiplied by the area cost factor of the funding
6 community in which the student is enrolled.

7 (b) In this section, "intensive services" has the meaning given by the
8 department by regulation adopted under AS 14.30.180 - 14.30.350.

9 **Sec. 14.17.430. State funding for centralized correspondence study.** Except
10 as provided in AS 14.17.400(b), funding for the state centralized correspondence study
11 program includes an allocation from the public school account (AS 14.17.300) in an
12 amount calculated by multiplying the ADM of the correspondence program by the base
13 student allocation and multiplying that product by 65 percent.

14 **Sec. 14.17.435. State funding for state boarding school.** Except as provided
15 in AS 14.17.400(b), funding for the state boarding school established under
16 AS 14.16.010 includes an allocation from the public school account (AS 14.17.300)
17 in an amount calculated by multiplying the ADM of the state boarding school by the
18 special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base
19 student allocation. The state boarding school is also eligible for intensive services
20 funding under AS 14.17.420(a)(2).

21 **Sec. 14.17.440. Local contribution.** (a) The required local contribution to
22 a city or borough school district is a district's local contribution as calculated
23 according to AS 14.17.410(b)(2).

24 (b) Nothing in this section prohibits a city or borough from contributing to its
25 district amounts in excess of the local contribution required under this section if the
26 local contribution is also in compliance with federal law.

27 **Sec. 14.17.450. Funding communities.** The department shall adopt
28 regulations defining funding communities within each district that reflect geographic
29 and attendance area factors. The regulations may not allow for funding communities
30 smaller than 10 ADM.

31 **Sec. 14.17.460. Funding community size factor.** (a) For purposes of

1 calculating a district's adjusted ADM to determine equalization funding, the ADM of
 2 each funding community in a district shall be multiplied by a funding community size
 3 factor as set out in the following table:

ADM	Funding Community Size Factor
10 - 20	2.75
21 - 40	2.20
41 - 80	1.90
81 - 160	1.55
161 - 400	1.40
401 - 1,000	1.10
over 1,000	1.00.

12 (b) For a district that consists of one funding community with an ADM of 900
 13 or less, the district ADM shall be multiplied according to AS 14.17.410(b)(1) by the
 14 appropriate factor as set out in the following table:

ADM	Factor
1 - 250	1.12
251 - 525	1.08
526 - 900	1.06

19 **Sec. 14.17.470. Area cost and transportation factors.** (a) For purposes of
 20 calculating a district's adjusted ADM under AS 14.17.410(b)(1), the department shall
 21 adopt in regulation an area cost factor for each funding community. In adopting the
 22 regulations, the department shall consider factors that affect the cost of providing
 23 public educational services in a funding community, including student transportation.

24 (b) For purposes of calculating a district's adjusted ADM under
 25 AS 14.17.410(b)(1), the department shall adopt by regulation a transportation factor
 26 for each district.

27 **Sec. 14.17.475. Base student allocation.** The base student allocation is
 28 \$4,045.

29 **Article 2. Preparation of Public School Funding Budget.**

30 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
 31 submit to the department by October 15 of each fiscal year, in the manner and on

1 forms prescribed by the department, an estimate of its ADM and other student count
2 data for the succeeding fiscal year upon which computations can be made to estimate
3 the amount of public school funding for which the district may be eligible under
4 AS 14.17.400 in the succeeding fiscal year. In making its report, the district shall
5 consider its ADM, other student count data, the pattern of growth or decline of the
6 student population in preceding years, and other pertinent information available to the
7 district.

8 (b) Part-time students and district correspondence students shall be included
9 in the student count data in accordance with regulations adopted by the department.

10 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
11 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
12 its school operating fund, as defined by department regulations, that is greater than 10
13 percent of its expenditures for that fiscal year.

14 (b) The department shall review each district's annual audit under
15 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
16 balance. The amount by which the unreserved portion of that balance exceeds the
17 amount permitted in (a) of this section shall be deducted from the public school
18 funding that would otherwise be paid to the district in the current fiscal year.

19 **Sec. 14.17.510. Determination of full and true value by Department of**
20 **Community and Regional Affairs.** (a) To determine the amount of required local
21 contribution under AS 14.17.440 and to aid the department and the legislature in
22 planning, the Department of Community and Regional Affairs, in consultation with the
23 assessor for each district in a city or borough, shall determine the full and true value
24 of the taxable real and personal property in each district in a city or borough. If there
25 is no local assessor or current local assessment for a city or borough school district,
26 then the Department of Community and Regional Affairs shall make the determination
27 of full and true value from information available. In making the determination, the
28 Department of Community and Regional Affairs shall be guided by AS 29.45.110.
29 The determination of full and true value shall be made by October 1 and sent by
30 certified mail, return receipt requested, on or before that date to the president of the
31 school board in each city or borough school district. Duplicate copies shall be sent to

1 the commissioner. The governing body of a city or borough that is a school district
2 may obtain judicial review of the determination. The superior court may modify the
3 determination of the Department of Community and Regional Affairs only upon a
4 finding of abuse of discretion or upon a finding that there is no substantial evidence
5 to support the determination.

6 (b) Motor vehicles subject to the motor vehicle registration tax under
7 AS 28.10.431 shall be treated as taxable property under this section.

8 **Sec. 14.17.520. Minimum expenditure for instruction.** (a) A district shall
9 budget for and spend a minimum of 60 percent of its school operating expenditures in
10 each fiscal year on the instructional component of the district budget.

11 (b) The commissioner shall reject a district budget that does not comply with
12 (a) of this section and, unless a waiver has been granted by the board under (d) of this
13 section, shall withhold payments of state aid from that district, beginning with the
14 payment for the second full month after rejection and continuing until the school board
15 of the district revises the district budget to comply with (a) of this section.

16 (c) The commissioner shall review the annual audit of each district for
17 compliance with the expenditure requirements of (a) of this section. If the
18 commissioner determines that a district does not meet those requirements, the
19 commissioner shall advise the district of the determination and calculate the percentage
20 of deficiency in required expenditure and deduct that percentage from state aid paid
21 to the district for the current fiscal year, beginning with the payment for the second
22 full month after the determination, unless a waiver has been granted by the board
23 under (d) of this section.

24 (d) A district that has been determined by the commissioner to be out of
25 compliance with the requirements of this section may, within 20 days of the
26 commissioner's determination, request a waiver by the board of the imposition by the
27 commissioner of any reduction in state aid payments under (b) or (c) of this section.
28 The request must be submitted to the Legislative Budget and Audit Committee and
29 must be in writing and include an analysis of the reasons and causes for the district's
30 inability to comply with the requirements of this section. The Legislative Budget and
31 Audit Committee shall review the district's request and forward it, along with the

1 committee's recommendations on it, to the board, which shall either grant or deny the
2 waiver.

3 (c) The commissioner shall submit an annual report on actions taken by the
4 commissioner or the board under this section to the Legislative Budget and Audit
5 Committee by April 15 of each year.

6 **Article 3. Procedure for Payments of Public School Funding.**

7 **Sec. 14.17.600. Student counting periods.** (a) Within two weeks after the
8 end of the 20-school-day period ending the fourth Friday in October, each district shall
9 transmit a report to the department that, under regulations adopted by the department,
10 reports its ADM for that counting period and other student count information that will
11 aid the department in making a determination of its state aid under the public school
12 funding program. If it makes the district eligible for more state aid under the program,
13 a district may transmit, within two weeks after the 20-school-day period ending the
14 second Friday in February, a similar report for that counting period. For centralized
15 correspondence study, the October report shall be based on the period from July 1
16 through the fourth Friday in October, except that summer school students shall be
17 counted as a proportionate fraction as determined by the department. The department
18 may make necessary corrections in the report submitted and shall notify the district of
19 changes made. The commissioner shall notify the governor of additional
20 appropriations the commissioner estimates to be necessary to fully finance the public
21 school funding program for the current fiscal year.

22 (b) Upon written request and for good cause shown, the commissioner may
23 permit a district to use a 20-school-day counting period other than the periods set out
24 in (a) of this section. However, a counting period approved under this subsection must
25 be 20 consecutive school days unless one or more alternate counting periods are
26 necessary to permit a district to implement flexible scheduling that meets the district's
27 needs and goals without jeopardizing the public school funding for which the district
28 would be ordinarily be eligible under this chapter.

29 **Sec. 14.17.610. Distribution of public school funding.** (a) The department
30 shall determine the public school funding for each school district in a fiscal year on
31 the basis of the district's student count data reported under AS 14.17.600. On or

1 before the 15th day of each of the first nine months of each fiscal year, one-twelfth
2 of each district's public school funding shall be distributed on the basis of the data
3 reported for the preceding fiscal year. On or before the 15th day of each of the last
4 three months of each fiscal year, one-third of the balance of each district's public
5 school funding shall be distributed, after the balance has been recomputed on the basis
6 of student count and other data reported for the current fiscal year.

7 (b) If a district receives more public school funding than it is entitled to
8 receive under this chapter, the district shall immediately remit the amount of
9 overpayment to the commissioner, to be returned to the public school account
10 (AS 14.17.300).

11 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
12 discretion of the commissioner, the department may make advance payments to a
13 district. The total of advance payments may not exceed the amount of public school
14 funding for which the district is eligible for the fiscal year.

15 Article 4. General Provisions.

16 Sec. 14.17.900. Construction and implementation of chapter. (a) This
17 chapter does not create a debt of the state. Each district shall establish, maintain, and
18 operate under a balanced budget. The state is not responsible for the debts of a school
19 district.

20 (b) Money to carry out the provisions of this chapter may be appropriated
21 annually by the legislature into the public school account (AS 14.17.300). If the
22 amount in the account is insufficient to meet the allocations authorized under
23 AS 14.17.400 - 14.17.475 for a fiscal year, public school funding shall be reduced
24 according to AS 14.17.400(b).

25 Sec. 14.17.910. Restrictions governing receipt and expenditure of district
26 money. (a) Each district shall maintain complete financial records of the receipt and
27 disbursement of public school funding, money acquired from local effort, and other
28 money received or held by the district. The records must be in the form required by
29 the department and are subject to audit by the department at a time and place
30 designated by the department.

31 (b) Public school funding provided under this chapter is for general operational

1 purposes of the district. All district money, including public school funding, shall be
2 received, held, allocated, and expended by the district under applicable local law and
3 state and federal constitutional provisions, statutes, and regulations, including those
4 related to ethical standards and accounting principles.

5 **Sec. 14.17.920. Regulations.** The department shall adopt regulations to
6 interpret and implement this chapter.

7 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
8 otherwise,

9 (1) "ADM or average daily membership" means the aggregate number
10 of full-time equivalent students enrolled in a funding community during the student
11 count period for which a determination is being made, divided by the actual number
12 of days that school is in session for the student count period for which the
13 determination is being made;

14 (2) "district" means a city or borough school district or a regional
15 educational attendance area;

16 (3) "district adjusted ADM" means the number resulting from the
17 calculations under AS 14.17.410(b)(1);

18 (4) "district ADM" means the sum of the ADMs in a district;

19 (5) "local contribution" means appropriations and the value of in-kind
20 services made by a city or borough to its district;

21 (6) "public school funding" means money provided under the public
22 school funding program established in this chapter;

23 (7) "taxable real and personal property" means all real and personal
24 property taxable under the laws of the state.

25 * **Sec. 3.** AS 14.03.120(g) is amended to read:

26 (g) In this section, "district" has the meaning given in AS 14.17.990
27 [AS 14.17.250].

28 * **Sec. 4.** AS 14.03.125(e) is amended to read:

29 (e) In this section, "district" has the meaning given in AS 14.17.990
30 [AS 14.17.250].

31 * **Sec. 5.** AS 14.03.150(c) is amended to read:

1 (c) The department may not award a school construction or major maintenance
2 grant under AS 14.11 to a municipality that is a school district or a regional
3 educational attendance area that is not in compliance with (a) of this section. The
4 department shall reduce the amount of public school funding [STATE FOUNDATION
5 AID] under AS 14.17.400 [AS 14.17.021] for which a school district may qualify [,]
6 by the amount, if any, paid by the department under (b) of this section.

7 * Sec. 6. AS 14.03.160(f)(2) is amended to read:

8 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

9 * Sec. 7. AS 14.03.260(c) is amended to read:

10 (c) The charter school shall provide the financial and accounting information
11 requested by the local school board or the Department of Education [,] and shall
12 cooperate with the local school district or the department in complying with the
13 requirements of AS 14.17.910 [AS 14.17.190].

14 * Sec. 8. AS 14.09.010 is repealed and reenacted to read:

15 **Sec. 14.09.010. Transportation of students.** (a) A district may provide for
16 the transportation of students.

17 (b) A district that provides for the transportation of students is eligible for
18 adjustments in public school funding as set out in AS 14.17.470(b).

19 (c) A district that provides for the transportation of students may determine
20 and establish a system for the transportation of students to address needs and priorities
21 of the district. However, the district shall comply with applicable statutes, regulations,
22 and local laws related to minimum standards for school buses, school bus driver
23 training courses, certification of course instructors, certification of bus drivers, and
24 other safety concerns related to the transportation of students.

25 * Sec. 9. AS 14.11.008(b) is amended to read:

26 (b) The required participating share for a municipal school district is based on
27 the district's full value per average daily membership (ADM), which is calculated
28 by dividing the full and true value of the taxable real and personal property in the
29 district, calculated as described in AS 14.17.510 [AS 14.17.025(a)(1),] by the district
30 ADM [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in AS 14.17.990
31 [AS 14.17.250], for the same fiscal year for which the valuation was made. The

1 municipal district's full value per ADM determines the district's required participating
2 share, as follows:

Full Value Per ADM	District Participating Share
\$1 - \$100,000	5 percent
100,001 - 200,000	10 percent
200,001 - 600,000	30 percent
over 600,000	35 percent.

8 * Sec. 10. AS 14.14.115(c)(2) is amended to read:

9 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

10 * Sec. 11. AS 14.16.050(a)(2) is amended to read:

11 (2) requirements relating to the public school funding program
12 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
13 expenditure of that funding [ASSISTANCE]:

14 (A) AS 14.17.500 [AS 14.17.080] (relating to student count
15 estimates);

16 (B) AS 14.17.505 [AS 14.17.082] (relating to school operating
17 fund balances);

18 (C) AS 14.17.500 - 14.17.910 [AS 14.17.160 - 14.17.220]
19 (setting out the procedure for payment of public school funding [FINANCIAL
20 ASSISTANCE.] and imposing general requirements and limits on money paid);

21 * Sec. 12. AS 14.16.080(a) is amended to read:

22 (a) AS 14.17.435 [AS 14.17.024] applies to the calculation of public school
23 funding [STATE AID] payable for operation of the state boarding school.

24 * Sec. 13. AS 14.20.177(a) is amended to read:

25 (a) A school district may implement a layoff plan under this section if it is
26 necessary for the district to reduce the number of tenured teachers because

27 (1) school attendance in the district has decreased; [OR]

28 (2) the [BASIC] need of the school district determined under
29 AS 14.17.410(b)(1) [AS 14.17.021(b) AND ADJUSTED UNDER AS 14.17.225(b)]
30 decreases by three percent or more from the previous year; or

31 (3) the state share of equalization funding is reduced under

1 **AS 14.17.400(b) by three percent or more in a fiscal year.**

2 * Sec. 14. AS 14.30.305 is amended to read:

3 Sec. 14.30.305. State support of programs for children hospitalized or
4 confined to their homes. A child who is hospitalized or confined to home and who
5 receives at least 10 hours of special education and related services per week may be
6 counted as a pupil in average daily membership when computing state support under
7 the public school funding [FOUNDATION] program.

8 * Sec. 15. AS 14.30.315(a) is amended to read:

9 (a) To be eligible for state support under the public school funding
10 [FOUNDATION] program, special education and related services for gifted children
11 must be provided in a program that has been approved in advance by the department.

12 * Sec. 16. AS 14.30.347 is amended to read:

13 Sec. 14.30.347. Transportation of exceptional children. When transportation
14 is required to be provided as related services, an exceptional child [CHILDREN] shall
15 be carried with other children if the district provides transportation to other
16 children in the district [,] except when the nature of the [THEIR] physical or mental
17 disability [DISABILITIES] is such that it is in the best interest of the exceptional
18 child [CHILDREN], as determined by the school district, that the child [THEY] be
19 transported separately. A district is responsible for the costs associated with
20 providing transportation as a related service to an exceptional child [STATE
21 REIMBURSEMENT FOR TRANSPORTATION OF EXCEPTIONAL CHILDREN
22 SHALL BE AS PROVIDED FOR TRANSPORTATION OF ALL OTHER PUPILS
23 EXCEPT THAT ELIGIBILITY FOR REIMBURSEMENT IS NOT SUBJECT TO
24 RESTRICTION BASED ON THE MINIMUM DISTANCE BETWEEN THE
25 SCHOOL AND THE RESIDENCE OF THE EXCEPTIONAL CHILD].

26 * Sec. 17. AS 14.30.650 is repealed and reenacted to read:

27 Sec. 14.30.650. Funding. (a) Subject to legislative appropriation, each fiscal
28 year the department may allocate to the agency an amount equal to 18 percent of the
29 unadjusted statewide ADM multiplied by \$85.

30 (b) In this section, "statewide ADM" means the sum of all district ADMs in
31 the state as calculated under AS 14.17.

1 * Sec. 18. AS 14.36.030(a) is amended to read:

2 (a) A district operating a community school program under an approved plan
3 of operation may receive an annual grant from the state of one-half of one percent of
4 its public school funding [FOUNDATION SUPPORT] or \$10,000, whichever is
5 greater.

6 * Sec. 19. AS 29.45.020(a) is amended to read:

7 (a) If a municipality levies and collects property taxes, the governing body
8 shall provide the following notice:

9 "NOTICE TO TAXPAYER

10 For the current fiscal year the (city)(borough) has been allocated the
11 following amount of state aid for school and municipal purposes under
12 the applicable financial assistance Acts:

13 PUBLIC SCHOOL FUNDING PROGRAM

14 [PUBLIC SCHOOL FOUNDATION
15 PROGRAM ASSISTANCE] (AS 14.17) \$

16 STATE AID FOR RETIREMENT OF
17 SCHOOL CONSTRUCTION DEBT
18 (AS 14.11.100) \$

19 MUNICIPAL TAX RESOURCE
20 EQUALIZATION ASSISTANCE
21 (AS 29.60.010 - 29.60.080) \$

22 STATE AID FOR MISCELLANEOUS
23 MUNICIPAL SERVICES
24 (AS 29.60.010 - 29.60.180) \$

25 TOTAL AID \$

26 The millage equivalent of this state aid, based on the dollar
27 value of a mill in the municipality during the current assessment
28 year and for the preceding assessment year, is:

29 MILLAGE EQUIVALENT
30 PREVIOUS YEAR THIS YEAR

31 PUBLIC SCHOOL FUNDING

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<u>PROGRAM</u> [PUBLIC SCHOOL		
FOUNDATION PROGRAM		
ASSISTANCE]MILLSMILLS
STATE AID FOR RETIREMENT		
OF SCHOOL CONSTRUCTION DEBT	....MILLS	....MILLS
MUNICIPAL TAX RESOURCE		
EQUALIZATION ASSISTANCE	....MILLS	....MILLS
STATE AID FOR MISCELLANEOUS		
MUNICIPAL SERVICES	....MILLS	....MILLS
TOTAL MILLAGE EQUIVALENT	....MILLS	....MILLS"

Notice shall be provided by

- (1) [BY] furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or
- (2) [BY] publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the municipality's budget.

* Sec. 20. AS 29.60.030(d) is amended to read:

(d) The full and true assessed property value shall be determined by the department in the manner provided for the computation of state aid to education under AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true assessed property value must include the computed assessed value of the utility, determined by dividing the amount of the payment in place of taxes made by the utility by the millage rate that would apply to the utility if the utility were subject to levy and collection of taxes under AS 29.45.

* Sec. 21. AS 36.10.090(b) is amended to read:

(b) A local government or school district covered by the provisions of this chapter that is found to be in violation of these provisions may be required to forfeit all or part of the state aid made available for the project in which the violation occurs and in addition may be denied up to 12 months of state revenue sharing or public

1 school funding [FOUNDATION MONEY]. A state department or agency head found
 2 to be in violation of this chapter may be required to forfeit the position of department
 3 or agency head.

4 * Sec. 22. AS 36.10.125(c) is amended to read:

5 (c) In an action brought under (b) of this section, the court may, in its
 6 discretion, order denial of state revenue sharing or public school funding
 7 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
 8 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
 9 it may award the plaintiff an amount equal to the actual costs and attorney fees
 10 incurred by the plaintiff.

11 * Sec. 23. AS 44.47.305(c) is amended to read:

12 (c) A grant under (a) of this section may not exceed \$50 per month for each
 13 child the child care facility cares for, or for each full-time equivalent, as determined
 14 by the department. The grant shall be adjusted on a geographic basis by the same
 15 percentages as funding communities [INSTRUCTIONAL UNIT ALLOTMENTS] are
 16 adjusted under AS 14.17.470 [AS 14.17.051].

17 * Sec. 24. AS 14.09.020; AS 14.17.010, 14.17.021, 14.17.022, 14.17.024, 14.17.025,
 18 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051, 14.17.056,
 19 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200, 14.17.210,
 20 14.17.220, 14.17.225, 14.17.250; and AS 14.30.010(b)(7) are repealed.

21 * Sec. 25. TRANSITION: AREA COST FACTORS. (a) Notwithstanding AS 14.17.470,
 22 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1997, and July 1, 1998,
 23 and for the purposes of calculating public school funding under AS 14.17, as enacted by sec. 2
 24 of this Act, the area cost factor of a funding community of a school district is as follows:

DISTRICT	FUNDING COMMUNITY	AREA COST FACTOR
Alaska Gateway	Alcan Border	1.14
Alaska Gateway	Dot Lake	1.14
Alaska Gateway	Eagle	1.14
Alaska Gateway	Mentasta	1.14
Alaska Gateway	Northway	1.14
Alaska Gateway	Tanacross	1.14

1	Alaska Gateway	Tetlin	1.14
2	Alaska Gateway	Tok	1.14
3	Aleutians East	Akutan	1.32
4	Aleutians East	Cold Bay	1.32
5	Aleutians East	False Pass	1.32
6	Aleutians East	King Cove	1.32
7	Aleutians East	Nelson Lagoon	1.32
8	Aleutians East	Sand Point	1.32
9	Aleutians Region	Atka	1.32
10	Alyeska Central School	Alyeska Central School	1.00
11	Anchorage	Anchorage	1.00
12	Anchorage	Eagle River	1.00
13	Anchorage	Girdwood	1.00
14	Annette Island	Annette	1.05
15	Bering Strait	Brevig Mission	1.40
16	Bering Strait	Diomede	1.55
17	Bering Strait	Elim	1.40
18	Bering Strait	Gambell	1.55
19	Bering Strait	Golovin	1.40
20	Bering Strait	Koyuk	1.40
21	Bering Strait	Savoonga	1.55
22	Bering Strait	Shaktoolik	1.40
23	Bering Strait	Shishmaref	1.40
24	Bering Strait	St. Michael	1.40
25	Bering Strait	Stebbins	1.40
26	Bering Strait	Teller	1.40
27	Bering Strait	Unalakleet	1.40
28	Bering Strait	Wales	1.40
29	Bering Strait	White Mountain	1.40
30	Bristol Bay	Bristol Bay	1.40
31	Bristol Bay	South Naknek	1.40

1	Chatham	Angoon	1.05
2	Chatham	Cube Cove	1.05
3	Chatham	Elfin Cove	1.05
4	Chatham	Gustavus	1.05
5	Chatham	Hobart Bay	1.05
6	Chatham	Klukwan	1.05
7	Chatham	Tenakee Springs	1.05
8	Chugach	Chenega Bay	1.14
9	Chugach	Icy Bay	1.14
10	Chugach	Tatitlek	1.14
11	Chugach	Whittier	1.05
12	Chugach	Yakataga	1.14
13	Copper River	Chistochina	1.05
14	Copper River	Copper Center	1.05
15	Copper River	Gakona	1.05
16	Copper River	Glennallen	1.05
17	Copper River	Kenny Lake	1.05
18	Copper River	Lottie Sparks	1.05
19	Copper River	Slana	1.05
20	Cordova	Cordova	1.14
21	Craig	Craig	1.05
22	Delta/Greely	Delta Junction	1.14
23	Delta/Greely	Healy Lake	1.14
24	Denali	Anderson	1.14
25	Denali	Cantwell	1.14
26	Denali	Healy	1.14
27	Dillingham	Dillingham	1.32
28	Fairbanks	Eielson	1.00
29	Fairbanks	Fairbanks	1.00
30	Fairbanks	North Pole	1.00
31	Fairbanks	Salcha	1.05

1	Fairbanks	Two Rivers	1.05
2	Galena	Galena	1.32
3	Haines	Haines	1.05
4	Haines	Mosquito Lake	1.05
5	Hoonah	Hoonah	1.05
6	Hydaburg	Hydaburg	1.05
7	Iditarod	Anvik	1.32
8	Iditarod	Grayling	1.32
9	Iditarod	Holy Cross	1.32
10	Iditarod	Lake Minchumina	1.32
11	Iditarod	Lime Village	1.32
12	Iditarod	McGrath	1.32
13	Iditarod	Nikolai	1.32
14	Iditarod	Shageluk	1.32
15	Iditarod	Takotna	1.32
16	Iditarod	Telida	1.32
17	Juneau	Juneau	1.00
18	Kake	Kake	1.05
19	Kashunamiut	Chevak	1.32
20	Kenai Peninsula	Anchor Point	1.00
21	Kenai Peninsula	Cooper Landing	1.00
22	Kenai Peninsula	Homer	1.00
23	Kenai Peninsula	Hope	1.00
24	Kenai Peninsula	Kachemak Selo	1.05
25	Kenai Peninsula	Kasilof	1.00
26	Kenai Peninsula	Kenai	1.00
27	Kenai Peninsula	McNeil Canyon	1.00
28	Kenai Peninsula	Moose Pass	1.00
29	Kenai Peninsula	Nanwalek	1.05
30	Kenai Peninsula	Nikiski	1.00
31	Kenai Peninsula	Nikolaevsk	1.05

1	Kenai Peninsula	Ninilchik	1.00
2	Kenai Peninsula	Port Graham	1.05
3	Kenai Peninsula	Razdolna	1.05
4	Kenai Peninsula	Seldovia	1.05
5	Kenai Peninsula	Seward	1.00
6	Kenai Peninsula	Soldotna	1.00
7	Kenai Peninsula	Sterling	1.00
8	Kenai Peninsula	Tyonek	1.05
9	Kenai Peninsula	Voznesenka	1.05
10	Ketchikan	Ketchikan	1.00
11	Klawock	Klawock	1.05
12	Kodiak Island	Akhiok	1.14
13	Kodiak Island	Big Sandy Lake	1.14
14	Kodiak Island	Chiniak	1.05
15	Kodiak Island	Danger Bay	1.14
16	Kodiak Island	Karluk	1.14
17	Kodiak Island	Kodiak	1.05
18	Kodiak Island	Larsen Bay	1.14
19	Kodiak Island	Old Harbor	1.14
20	Kodiak Island	Ouzinkie	1.14
21	Kodiak Island	Port Lions	1.14
22	Kuspuk	Aniak	1.32
23	Kuspuk	Chuathbaluk	1.32
24	Kuspuk	Crooked Creek	1.32
25	Kuspuk	Lower Kalskag	1.32
26	Kuspuk	Red Devil	1.32
27	Kuspuk	Sleetmute	1.32
28	Kuspuk	Stony River	1.32
29	Kuspuk	Upper Kalskag	1.32
30	Lake and Peninsula	Chignik Bay	1.32
31	Lake and Peninsula	Chignik Lagoon	1.32

1	Lake and Peninsula	Chignik Lake	1.32
2	Lake and Peninsula	Egegik	1.32
3	Lake and Peninsula	Igiugig	1.32
4	Lake and Peninsula	Ivanof Bay	1.32
5	Lake and Peninsula	Kokhanok	1.32
6	Lake and Peninsula	Levelok	1.32
7	Lake and Peninsula	Newhalen	1.32
8	Lake and Peninsula	Nondalton	1.32
9	Lake and Peninsula	Pedro Bay	1.32
10	Lake and Peninsula	Perryville	1.32
11	Lake and Peninsula	Pilot Point	1.32
12	Lake and Peninsula	Port Alsworth	1.32
13	Lake and Peninsula	Port Heiden	1.32
14	Lower Kuskokwim	Akiuk	1.32
15	Lower Kuskokwim	Akula	1.32
16	Lower Kuskokwim	Atmautlauk	1.32
17	Lower Kuskokwim	Bethel	1.32
18	Lower Kuskokwim	Chefomak	1.32
19	Lower Kuskokwim	Eek	1.32
20	Lower Kuskokwim	Goodnews Bay	1.32
21	Lower Kuskokwim	Kipnuk	1.32
22	Lower Kuskokwim	Kongiganak	1.32
23	Lower Kuskokwim	Kwethluk	1.32
24	Lower Kuskokwim	Kwigillingok	1.32
25	Lower Kuskokwim	Mekoryuk	1.40
26	Lower Kuskokwim	Napakiak	1.32
27	Lower Kuskokwim	Napaskiak	1.32
28	Lower Kuskokwim	Newtok	1.32
29	Lower Kuskokwim	Nightmute	1.32
30	Lower Kuskokwim	Nunapitchuk	1.32
31	Lower Kuskokwim	Oscarville	1.32

1	Lower Kuskokwim	Platinum	1.32
2	Lower Kuskokwim	Quinhagak	1.32
3	Lower Kuskokwim	Toksook Bay	1.32
4	Lower Kuskokwim	Tuntutuliak	1.32
5	Lower Kuskokwim	Tununak	1.32
6	Lower Yukon	Alakanak	1.32
7	Lower Yukon	Emmonak	1.32
8	Lower Yukon	Hooper Bay	1.32
9	Lower Yukon	Kotlik	1.32
10	Lower Yukon	Marshall	1.32
11	Lower Yukon	Mountain Village	1.32
12	Lower Yukon	Pilot Station	1.32
13	Lower Yukon	Pitkas Point	1.32
14	Lower Yukon	Russian Mission	1.32
15	Lower Yukon	Scammon Bay	1.32
16	Lower Yukon	Sheldon Point	1.32
17	Mat-Su	Beryozava	1.05
18	Mat-Su	Big Lake	1.00
19	Mat-Su	Butte	1.00
20	Mat-Su	Colony	1.00
21	Mat-Su	Glacier View	1.00
22	Mat-Su	Houston	1.00
23	Mat-Su	Mat-Su Valley	1.00
24	Mat-Su	Palmer	1.00
25	Mat-Su	Pt. McKenzie	1.00
26	Mat-Su	Skwentna	1.05
27	Mat-Su	Sutton	1.00
28	Mat-Su	Talkeetna	1.00
29	Mat-Su	Trapper Creek	1.00
30	Mat-Su	Wasilla	1.00
31	Mat-Su	Willow	1.00

1	Mt. Edgecumbe	Mt. Edgecumbe	1.00
2	Nenana	Nenana	1.14
3	Nome	Nome	1.32
4	North Slope	Anaktuvuk Pass	1.55
5	North Slope	Atkasuk	1.55
6	North Slope	Barrow	1.55
7	North Slope	Kaktovik	1.55
8	North Slope	Nuiqsut	1.55
9	North Slope	Point Hope	1.55
10	North Slope	Point Lay	1.55
11	North Slope	Wainwright	1.55
12	Northwest Arctic	Ambler	1.45
13	Northwest Arctic	Buckland	1.45
14	Northwest Arctic	Deering	1.45
15	Northwest Arctic	Kiana	1.45
16	Northwest Arctic	Kivalina	1.45
17	Northwest Arctic	Kobuk	1.45
18	Northwest Arctic	Kotzebue	1.45
19	Northwest Arctic	Noatak	1.45
20	Northwest Arctic	Noorvik	1.45
21	Northwest Arctic	Selawik	1.45
22	Northwest Arctic	Shungnak	1.45
23	Pelican	Pelican	1.05
24	Petersburg	Petersburg	1.00
25	Pribilof	St. George	1.40
26	Pribilof	St. Paul	1.40
27	Sitka	Sitka	1.00
28	Skagway	Skagway	1.05
29	Southeast Island	Craig	1.05
30	Southeast Island	Edna Bay	1.05
31	Southeast Island	Hollis	1.05

1	Southeast Island	Howard Valentine	1.05
2	Southeast Island	Jr. Gildersleeve	1.05
3	Southeast Island	Kasaan	1.05
4	Southeast Island	Naukati	1.05
5	Southeast Island	Polk Inlet	1.05
6	Southeast Island	Port Alexander	1.05
7	Southeast Island	Port Protection	1.05
8	Southeast Island	Thorne Bay	1.05
9	Southeast Island	Whale Pass	1.05
10	Southwest Region	Aleknagik North	1.32
11	Southwest Region	Clarks Point	1.32
12	Southwest Region	Ekwok	1.32
13	Southwest Region	Koliganek	1.32
14	Southwest Region	Manokotak	1.32
15	Southwest Region	New Stuyahok	1.32
16	Southwest Region	Portage	1.32
17	Southwest Region	Togiak	1.32
18	Southwest Region	Twin Hills	1.32
19	St. Mary's	St. Mary's	1.32
20	Tanana	Tanana	1.40
21	Unalaska	Unalaska	1.32
22	Valdez	Valdez	1.05
23	Wrangell	Wrangell	1.00
24	Yakutat	Yakutat	1.14
25	Yukon Flats	Arctic Village	1.45
26	Yukon Flats	Beaver	1.45
27	Yukon Flats	Birch Creek	1.45
28	Yukon Flats	Central	1.32
29	Yukon Flats	Chalkyitsik	1.45
30	Yukon Flats	Circie	1.32
31	Yukon Flats	Fort Yukon	1.45

1	Yukon Flats	Northern Lights	1.32
2	Yukon Flats	Rampart	1.45
3	Yukon Flats	Stevens Village	1.45
4	Yukon Flats	Venetie	1.45
5	Yukon/Koyukuk	Allakaket	1.40
6	Yukon/Koyukuk	Bettles	1.40
7	Yukon/Koyukuk	Hughes	1.40
8	Yukon/Koyukuk	Huslia	1.40
9	Yukon/Koyukuk	Kaltag	1.40
10	Yukon/Koyukuk	Koyukuk	1.40
11	Yukon/Koyukuk	Manley Hot Springs	1.40
12	Yukon/Koyukuk	Minto	1.32
13	Yukon/Koyukuk	Nulato	1.40
14	Yukon/Koyukuk	Ruby	1.40
15	Yupiit	Akiachak	1.32
16	Yupiit	Akiak	1.32
17	Yupiit	Tuluksak	1.32

18 (b) The Department of Education shall research and report to the governor and the
 19 legislature regarding the area costs in the funding communities in the school districts in the
 20 state for the public school funding program under AS 14.17, as enacted by sec. 2 of this Act.
 21 The department shall submit the report by January 1, 1999.

22 (c) For the period during which the area cost factors set out in (a) of this section serve
 23 as the public school funding area cost factors under AS 14.17, as amended by this Act, those
 24 area cost factors apply for purposes of geographic adjustments to child care grants under
 25 AS 44.47.305(c), as amended by sec. 23 of this Act.

26 * Sec. 26. TRANSITION: STUDENT TRANSPORTATION. (a) Notwithstanding
 27 AS 14.09.010(b), as repealed and reenacted by sec. 8 of this Act, and AS 14.17.470(b),
 28 enacted by sec. 2 of this Act, for the fiscal years beginning July 1, 1997, and July 1, 1998,
 29 and for the purposes of calculating public school funding under AS 14.17, as amended by this
 30 Act, a school district that provides student transportation shall have its adjusted ADM
 31 multiplied by a transportation factor as follows:

	DISTRICT	TRANSPORTATION FACTOR
1		
2	Alaska Gateway	1.07
3	Aleutian Region	1.00
4	Aleutians East	1.01
5	Anchorage	1.04
6	Annette Islands	1.00
7	Bering Strait	1.00
8	Bristol Bay	1.07
9	Chatham	1.00
10	Chugach	1.00
11	Copper River	1.09
12	Cordova	1.01
13	Craig	1.00
14	Delta/Greely	1.10
15	Denali	1.07
16	Dillingham	1.04
17	Fairbanks	1.05
18	Galena	1.02
19	Haines	1.04
20	Hoonah	1.01
21	Hydaburg	1.00
22	Iditarod	1.01
23	Juneau	1.04
24	Kake	1.01
25	Kashunamiut	1.00
26	Kenai Peninsula	1.05
27	Ketchikan	1.04
28	Klawock	1.00
29	Kodiak Island	1.03
30	Kuspuk	1.02
31	Lake and Peninsula	1.02

1	Lower Kuskokwim	1.01
2	Lower Yukon	1.00
3	Mat-Su	1.08
4	Nenana	1.05
5	Nome	1.03
6	North Slope	1.02
7	Northwest Arctic	1.00
8	Pelican	1.00
9	Petersburg	1.02
10	Pribilof	1.00
11	Sitka	1.04
12	Skagway	1.00
13	Southeast Island	1.03
14	Southwest Region	1.02
15	St. Mary's	1.00
16	Tanana	1.01
17	Unalaska	1.03
18	Valdez	1.04
19	Wrangell	1.03
20	Yakutat	1.03
21	Yukon Flats	1.01
22	Yukon/Koyukuk	1.01
23	Yupit	1.00

24 * Sec. 27. TRANSITION: HOLD HARMLESS. (a) Notwithstanding the provisions of
 25 secs. 1 - 26 of this Act and except as provided in (c) of this section, if, for a fiscal year
 26 beginning July 1, 1997, through July 1, 2000, a school district would receive less public
 27 school funding under AS 14.17.410, enacted by sec. 2 of this Act, than the district would have
 28 received as state aid for the fiscal year beginning July 1, 1997, and if the district meets the
 29 requirements of (b) of this section, the district is eligible to receive instead a percentage of
 30 the state aid the district would have received for the fiscal year beginning July 1, 1997,
 31 according to the following table:

	For the fiscal year beginning	Percentage of state aid for the fiscal year beginning July 1, 1997
1		
2		
3	July 1, 1997	100
4	July 1, 1998	80
5	July 1, 1999	60
6	July 1, 2000	40
7	July 1, 2001	20

8 (b) A school district in a city or borough is not entitled to the hold harmless
9 percentage set out in (a) of this section for a fiscal year unless the city or borough makes a
10 local contribution to the district for that fiscal year as required under this subsection. For the
11 hold harmless for the fiscal year beginning July 1, 1997, the required local contribution is the
12 equivalent of a four mill tax levy; for the fiscal year beginning July 1, 1998, the required local
13 contribution is the equivalent of a five mill tax levy; for the fiscal year beginning
14 July 1, 1999, the required local contribution is the equivalent of a six mill tax levy; and for
15 the fiscal year beginning July 1, 2000, the required local contribution is the equivalent of a
16 seven mill tax levy.

17 (c) For the purposes of the reduction required under AS 14.17.400(b), enacted by
18 sec. 2 of this Act, hold harmless funding authorized under (a) and (b) of this section is treated
19 the same as the state share of equalization funding under AS 14.17.410, enacted by sec. 2 of
20 this Act.

21 (d) For purposes of this section, "state aid" means state foundation aid distributed
22 under the provisions of AS 14.17, repealed by this Act, additional district support appropriated
23 by the legislature, and student transportation support reimbursed by the Department of
24 Education.

25 * Sec. 28. TRANSITION: REGULATIONS. To the extent the regulations are not
26 inconsistent with the language and purposes of this Act, regulations relating to state aid for
27 public schools adopted by the Department of Education before the effective date of this Act
28 remain in effect as valid regulations implementing this Act; all other regulations relating to
29 state aid for public schools adopted by the Department of Education before the effective date
30 of this Act are annulled. The Department of Education may administer and enforce those
31 previously adopted regulations relating to state foundation aid for public schools.

1 * Sec. 29. TRANSITION: BASE STUDENT ALLOCATION. Notwithstanding
2 AS 14.17.475, enacted in sec. 2 of this Act, the base student allocation is as follows:

3	For the fiscal year beginning	Base student allocation
4	July 1, 1997	\$3,400
5	July 1, 1998	3,925
6	July 1, 1999	3,970
7	July 1, 2000	4,010

8 * Sec. 30. This Act takes effect July 1, 1997.

B I O G R A P H Y

JOHN G. AUGENBLICK

Dr. John Augenblick serves as president of Augenblick & Myers (A&M), a Denver-based consulting firm founded in 1983. A&M works primarily with state-level policy makers on education issues, particularly those around finance. He was a staff member of the Education Commission of the States (ECS) from 1976 to 1983. John served as an elementary school teacher in Connecticut between 1969 and 1972.

Augenblick holds a B.S. from the Massachusetts Institute of Technology, an M.A. from Teachers College at Columbia University, and an Ed.D. from the University of Rochester.

Since 1976, John has provided assistance to numerous states and other entities on issues related to education finance. In the past few years he has served as a consultant to: legislative study groups in Indiana, Kansas, Mississippi, Nebraska, New Mexico, and Pennsylvania; the Office of Education Accountability in Kentucky; departments of education in Alabama, Alaska, Maine, Minnesota, and Ohio; and the Louisiana Board of Elementary and Secondary Education. He has also served as a consultant to the Alliance for Adequate School Funding (Ohio), Greater Phoenix Leadership (Arizona), the Kansas City School District, and the World Bank.

Dr. Augenblick has served as an expert witness in school finance litigation. He has worked with plaintiffs in Minnesota, Missouri, Montana, New Jersey, and North Dakota. He has worked with defendants in Kansas, Louisiana, Maine, North Carolina, and Wyoming.

John works with ECS and with the National Conference of State Legislatures (NCSL) in conducting studies for states, gathering and disseminating information about the current status of school finance systems, and developing new approaches by which to fund education.

He is married to Fran, a CPA, and has two children -- Jack, an engineer with Boeing in Seattle, and Ned, a sophomore at Georgetown University.

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January 1997

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



SPONSOR STATEMENT

SSHB 148 "An Act relating to the public school funding program; relating to the definition of a school district, to the transportation of students, to school district layoff plans, to the special education service agency, to the child care grant program, and to compulsory attendance in public schools; and providing for an effective date."

For some time the public has expressed frustration about the complexity of the foundation formula. It has been difficult for people to know if their district is being treated fairly. Alaska needs to have a simple and fair way to disperse funds for the education of our children. SSHB 148 is the way to do this.

The foundation formula was last rewritten in 1987 and since that time has only had patchwork remedies. Rather than continue in this manner, it is time for a real fix.

The state Board of Education has studied this problem for the last two years and SSHB 148 is an outgrowth of that interest and work. SSHB 148 converts the existing foundation formula to a per-pupil formula method of calculating how much money a school district should receive. By using a less-complicated method, there is a greater potential for increased local interest, involvement and confidence in local school systems.

SPONSOR STATEMENT



KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

Key Points

- The Cost of Living in Ketchikan is understated by 19.1%
- The Ketchikan School District Basic Need is Understated by 19.1%
- The Understatement amounts to more than \$2.6 million less in potential funding for education in Ketchikan
- In FY 1995 Ketchikan received \$3,527.00 per student, less than any other district in the state save Annette Island which received over \$3600 per student in federal funds.
- In FY 1995 Ketchikan had local contributions of \$2456.00 per student, among the highest in the state
- FY 1995 Salaries for school personnel are within 4% of the state average
- The FY 1995 Pupil Teacher Ratio in Ketchikan was more than 10% over the state average
- Ketchikan lacks funds for many basic educational opportunities enjoyed by other districts in the state

In the past 7 years, Ketchikan schools have lost:

- 4 Elementary Counselors
- 19 Elementary Teacher Aides
- 1 Middle School Teacher
- 1 High School Librarian
- 1 High School Counselor
- 1 Elementary Computer Lab Aide
- 1.5 Elementary P.E. Teachers
- 2 Elementary Music Teachers
- 6 Nurses
- 4 Custodians
- 2 Maintenance Staff
- 3 Elementary Librarians
- 5 High School Teachers
- 1 Assistant Superintendent
- 2 Business Office Positions

Our community has lost 53 jobs

Due to inequitable funding, Ketchikan has lost
2.5 million dollars this year!!

How can you help? Call Lisa Bezenek at 225-3738

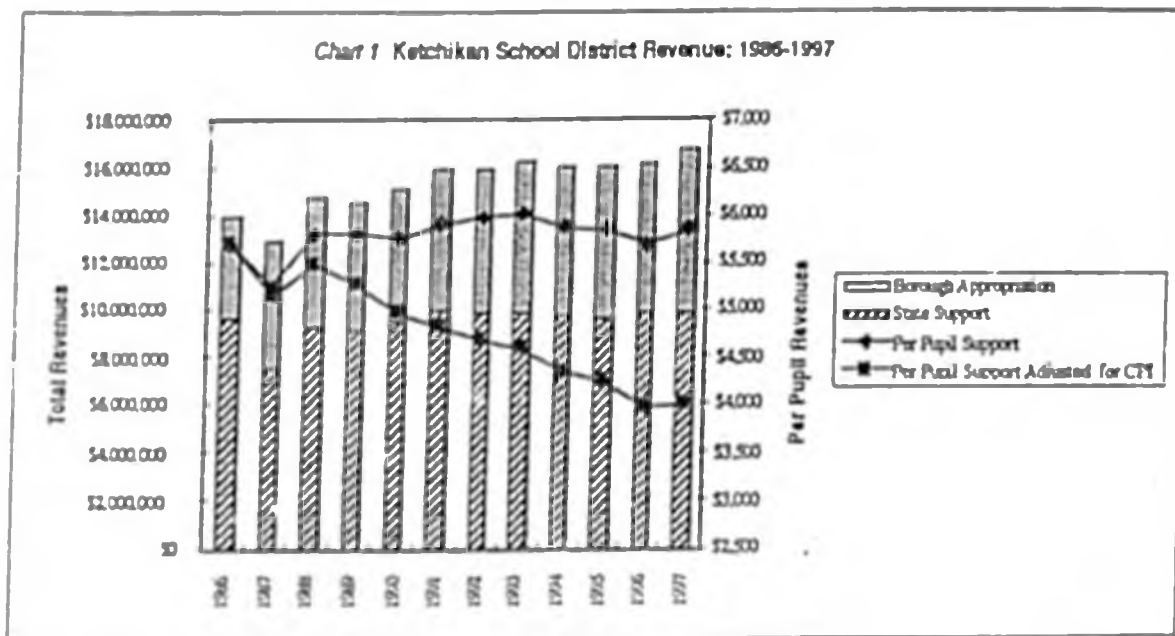
This information comes to you from the School Board's Task Force on Funding

School Funding in Ketchikan: 1986-1997

10C (\$)
letter

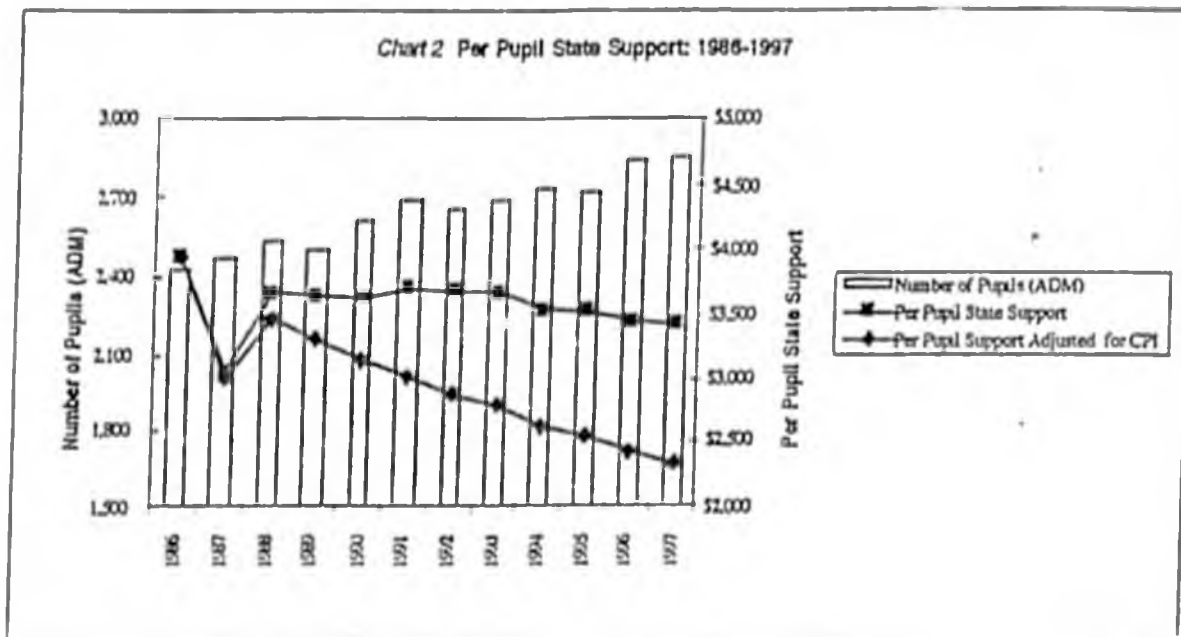
Since 1986, state funding for education throughout Alaska has revenues and efforts to hold the line on state spending. The ~~ve~~ has increased by only 1.5% since the inception of the current: 1987, while the cost of operating schools has continued to inc. level of state funding for schools has been virtually unchanged since 1986, and has dramatically declined when adjusted for inflation.

Chart 1 shows total school district and per pupil revenues for the 1986-97 period.



The chart shows that, from 1986 through the present, the total revenue per pupil- before adjusting for inflation- has increased by \$161, or 2.8%, from \$5,703 to \$5,864. When adjusted for inflation which occurred during the eleven year period, total per pupil funding has decreased by \$1,693, or 30%, to \$4,010 since 1986. Assuming a state education budget freeze and no favorable changes in the foundation formula, this trend is expected to continue through the 1997-98 school year.

Chart 2 shows state support only relative to the number of pupils in the 1986-1997 period.



The chart shows that the number of pupils (average daily membership, or ADM) has grown from 2,435 to 2,856, or 17%, in the 1986-1997 period, while the amount of state aid per student - *before* adjusting for inflation - has decreased by 13.2% from \$3,959 in 1986 to \$3,433 in 1997. When adjusted for inflation, per pupil state aid has decreased by \$1,612 to \$2,347, a loss of 40.7% since 1986.

The effect of the above fiscal circumstances is that educational opportunities for many students are being reduced significantly, and will continue to be lost if the state education budget does not increase, or the foundation formula is not made more equitable for Ketchikan, during the 1997 legislative session. In FY 95, 15 jobs were eliminated in the Ketchikan School District; additional positions were eliminated in both FY 96 and FY 97. If the Legislature does not make the foundation formula more equitable for Ketchikan, similar program elimination and job loss are likely to occur each year; this will certainly be further compounded by the closure of the KPC pulp division and related loss of students. The consequence - if the above trend continues and is exacerbated by a continuing state education budget freeze - is that the critical needs of our children will go unmet, and they will be shortchanged in their education.

Notes:

1. 1986-1996 data is from audited financial reports of the Ketchikan Gateway Borough School District.
2. 1997 data is from current year Ketchikan Gateway Borough School District budget.
3. Data has not been adjusted for TRS change made by 1987 Legislature. This change increased the school district contribution from about 7% of employee salary to about 12%, causing an increased expense beginning in FY 88 of approximately \$518,000.
4. School district budgets in FY 95 and FY 96 included use of reserve funds in the respective amounts of \$168,092 and \$300,000 in lieu of local appropriation increase.
5. A portion of the enrollment increase in FY 96 is a result of extended day kindergarten.



KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT

Dear _____:

There are at least two bills pending in the current legislature designed to address inequities in the School Foundation Funding Formula. Senate Bill 36 introduced by Senators Randy Phillips and Robin Taylor, and Senate Bill 85/House Bill 126 containing the governor's new proposal for funding education.

The Ketchikan Gateway Borough School District strongly urges the Legislature to address school funding, but in doing so stresses that it is imperative that, in order to bring equity to the school funding system, any revision to the School Foundation Funding Formula must revise the area cost differential to bring it in line with changes in the cost of living in various communities throughout the state.

The current area cost differentials were based upon a 1985 study by the McDowell Group which looked at cost of living factors for 19 areas plus Seattle and extended the data to cover all school districts. The economies of communities around the state have changed significantly since 1985 as illustrated by the June 1996

Economic Trends Publication issued by the State Department of Labor. According to the June 1996 Department of Labor Report, the cost of living in Ketchikan, for example, is approximately the same as that in St. Mary's or Bethel, and exceeds the cost of living in Dillingham, Nome and Kodiak. Meanwhile, the area cost differential for Ketchikan is 1.00 while the area cost differentials for Bethel 1.42, Dillingham 1.27, St. Mary's 1.30, Nome 1.45 and Kodiak 1.09 are substantially higher.

This understatement of the cost of living in Ketchikan results in a basic need figure (the total amount of funding need under the foundation formula from both state and local sources) which is nearly 20% less than the amount the basic need would be if the actual cost of doing business in Ketchikan were utilized. Taking into account Ketchikan's 227 instructional units, this translates into an error which understates the basic need by over 2.6 million dollars. Ketchikan is not alone either, as the table in Attachment 1 shows. The attached table illustrates some of the disparities between the current area cost differentials and the more recent Department of Labor cost of living figures. The discrepancies range from an overstatement of the cost of living by 23% in Nome, to an understatement of the cost of living by 19% in Ketchikan.

The result is a shortage of educational opportunities for students in Ketchikan, including one librarian for four elementary schools, no school nurses, no elementary school counselors, reduced

music and physical education programs and diminished instructional materials funds.

The lack of services is not a case of mismanagement or staff overpayment. The average teaching salary, in Ketchikan in 1995 was \$49,339, which is within 3.7% of the state average of \$47,565, and the average central office salary was \$73,154, which is 3.7% lower than the state average of \$75,919. At the same time, the average pupil teacher ratio in FY 95 was over 10% higher in Ketchikan 18.8:1 as compared to 17.0:1 statewide. Clearly the difference is not poor management.

The stark contrast may be readily seen if you look at funding per student. According to State DOE reports, in the 1994-95 school year Ketchikan received \$3,527 per child in state foundation funds. This is the lowest of any district in the state except Annette Island which also receives \$3,638 per student in federal impact aid. Correspondingly, the local contribution in Ketchikan was \$2,456 per student, which is among the highest in the state. Many districts in the state receive three or more times as much state funding per student as is provided in the Ketchikan School District. (See the table attached as Attachment Two.)

Any rewrite which does not address these clear errors in calculation of the area cost differential will be inadequate to

bring equity to funding of educational opportunities in Alaska.

Sincerely,

Gene Hubstays, Vice-President for Mike Harpold
Mike Harpold
School Board President

sa/m/school.leg

Attachments

Sheet 1

District	Avg Daily membership**	Instructional Units (FY96)	students per Instr. unit	Area cost differential (converted)	1996 DOL Cost of Living***	percent error	variance in basic need ¹
Anchorage	45896	3845.86	11.93387	100	104	0.04	9,383,898
Bethel*	3051	472.35	6.459193	142	119.5	-0.15845	-4565495.6
Dillingham	496	50.75	9.773399	127	115.1	-0.0937	-290074.21
Fairbanks	15407	1308.22	11.77707	104	106.9	0.027885	2,225,232
Juneau	5400	479.87	11.25305	100	112.8	0.128	3,746,825
Kenai	10144	957.57	10.59348	100	101	0.01	584,118
Ketchikan	2729	227.31	12.00563	100	119.1	0.191	2,648,389
Kodiak	2711	268.96	10.07957	109	113.4	0.040367	662,283
Nome	702	65.77	10.67356	145	110.5	-0.23793	-954,572
Petersburg	759	65	11.67692	100	111.4	0.114	452,010
Sitka	1839	148.13	12.41477	100	114.1	0.141	1,274,066
St. Mary's	109	18.11	6.018774	130	119.6	-0.08	-88,377
Valdez	903	77.15	11.70447	111	114.1	0.027928	131,433
total change							15209735.3

* Bethel is in the Lower Kuskokwim District, figures are for the entire district.

** From 1994/95 Alaska Public Schools Report Card to the Public

*** From June 1996 Economic Trends

¹ (Instructional units times error percentage times \$81000)

Appendix F - Dollars Per Student

1994-95 Dollars Per Student*: Revenue Sources and Expenditure Categories Adak - Kuspuk

	Average Daily Membership	Operating Revenues						Operating Expenditures					Total Expenditures
		Foundation	Local Sources	Impact Aid	Other (State)	Other (Federal)	Total Revenues	Instruction	Pupil Support	Administration	Operation and Maintenance	Other	
Adak Region	0	0	0	0	0	0	0	0	0	0	0	0	0
Alaska Gateway	536	9,173	222	1,265	131	0	10,791	5,972	416	2,009	2,464	236	11,097
Aleutian Region	18	31,319	136	6,040	0	0	37,503	12,984	398	11,393	4,773	7,266	36,811
Aleutians East	365	9,802	2,231	3,461	13	0	15,506	7,720	247	3,178	3,496	2,658	17,299
Anchorage	45,896	3,920	1,645	226	27	6	5,823	3,748	392	687	849	149	5,823
Annette Island	420	3,271	226	3,638	419	1,065	8,620	5,039	480	1,884	1,020	742	9,166
Bering Strait	1,671	9,000	710	3,447	62	5	13,224	6,817	307	2,116	3,615	798	13,652
Bristol Bay	271	5,625	4,651	2,287	6	0	12,569	6,651	448	1,785	2,129	1,162	12,174
Chitina	326	8,063	359	2,399	0	0	10,821	6,760	397	2,076	1,614	364	11,211
Chugach	133	11,863	226	1,623	0	20	13,732	6,294	119	4,061	2,232	1,100	13,806
Copper River	623	8,385	99	258	3	0	8,744	5,253	154	1,488	1,591	273	8,760
Cordova	528	4,889	1,416	98	445	0	6,848	4,429	194	943	937	222	6,725
Craig	393	5,758	1,734	294	413	0	8,199	4,266	875	828	743	1,416	8,127
Delta/Greely	974	5,797	98	1,063	99	0	7,057	4,428	281	1,284	1,109	255	7,356
Denali	385	8,279	380	92	818	2	9,371	5,602	441	1,643	1,636	306	9,628
Dillingham	496	5,944	1,864	1,404	805	0	10,098	6,395	412	1,384	1,252	593	10,035
Fairbanks	15,407	4,045	1,663	522	119	0	6,348	4,223	427	751	923	145	6,469
Galena	144	9,629	1,514	3,176	1,212	0	15,530	7,280	618	3,387	3,065	1,101	15,451
Haines	413	4,978	2,543	93	5	0	7,619	4,406	373	1,048	1,180	196	7,203
Hoonah	259	7,179	2,103	5,301	400	0	15,151	6,230	251	1,912	1,921	2,646	12,960
Hydaburg	108	9,063	2,085	388	1,043	0	12,580	6,572	52	1,901	2,190	1,349	12,064
Iditarod	418	12,424	255	1,925	24	0	14,628	7,701	0	2,900	3,279	519	14,399
Juneau	5,400	4,127	2,383	12	49	0	6,572	4,532	396	726	801	74	6,529
Kake	185	7,709	2,237	3,101	0	0	13,047	5,643	208	2,216	2,286	2,453	12,807
Kashunamiut	230	7,517	345	3,391	896	0	12,150	5,246	662	2,192	2,152	1,359	11,611
Kenai	10,144	4,355	2,629	14	25	0	7,022	4,469	387	843	1,323	175	7,198
Ketchikan Gateway	2,729	3,527	2,456	4	22	0	6,009	3,849	377	665	1,012	114	6,016
Kilnoack	207	7,357	1,787	1,870	890	0	11,901	6,572	474	1,842	1,684	1,568	12,141
Kodiak	2,711	4,548	1,319	830	342	0	7,048	4,683	374	1,007	1,158	206	7,428
Kuspuk	450	10,576	292	2,073	0	0	12,942	8,517	227	2,194	2,533	235	13,706

* Dollars per student is calculated by dividing the dollars received or spent for each category by the average daily membership.

1994-95 Dollars Per Student*: Revenue Sources and Expenditure Categories
Lake and Peninsula - Yupiit, State Operated Schools and Statewide Totals

	Average Daily Membership	Operating Revenues						Operating Expenditures					
		Foundation	Local Sources	Impact Aid	Other (State)	Other (Federal)	Total Revenues	Instruction	Pupil Support	Administration	Operation and Maintenance	Other	Total Expenditures
Lake & Peninsula	508	13,282	2,604	2,776	0	0	18,663	7,420	917	3,036	4,024	3,934	19,330
Lower Kuskokwim	3,051	10,771	266	2,082	123	0	13,243	7,431	349	2,156	2,642	1,052	13,629
Lower Yukon	1,621	7,130	397	3,505	0	0	11,032	6,399	196	1,853	2,704	440	11,591
Mai-Su	11,894	4,658	1,467	5	4	0	6,133	4,118	370	884	784	76	6,232
Nenana	163	9,189	661	12	1,246	0	11,107	6,456	517	1,794	1,723	394	10,885
Nome	702	6,732	1,882	158	482	0	9,255	4,695	541	1,372	1,973	580	9,111
North Slope	1,702	5,986	16,353	2,035	0	0	24,374	9,637	1,463	4,948	6,066	2,262	24,376
Northwest Arctic	1,873	8,728	1,377	1,596	0	0	11,700	5,596	332	1,777	2,983	854	11,541
Pelican	45	12,050	1,295	0	1,402	0	14,788	9,188	9	3,711	2,562	278	15,758
Petersburg	759	4,212	1,914	53	265	0	6,445	4,057	345	847	1,129	207	6,585
Pribilof	182	10,006	218	3,666	0	0	13,889	8,536	0	2,483	1,945	1,161	14,125
Saint Mary's	109	11,593	318	1,362	1,158	0	14,431	4,912	278	1,934	2,685	3,383	13,192
Sitka	1,839	3,765	2,013	96	252	0	6,125	4,152	286	783	659	179	6,059
Skagway	127	5,486	4,474	0	908	0	10,868	6,630	42	2,052	1,593	562	10,878
Southeast Island	382	10,979	112	1,506	0	0	12,597	8,011	281	1,480	2,379	50	12,201
Southeast Region	568	10,637	606	2,235	134	0	13,612	8,087	380	1,763	4,072	438	14,741
Tanana	102	11,182	1,139	2,065	1,403	0	15,789	6,967	227	4,007	4,018	1,380	16,598
Unalaska	356	4,720	3,984	72	570	0	9,346	5,040	864	1,473	1,592	487	9,457
Valdez	900	3,643	4,457	95	0	0	8,196	5,030	652	928	1,388	248	8,247
Wrangell	567	4,921	1,959	11	11	0	6,903	4,428	346	951	741	329	6,794
Yakutat	167	7,745	2,494	548	761	0	11,548	6,179	226	1,912	1,975	1,044	11,336
Yukon Flats	405	13,878	806	2,116	29	14	16,842	8,979	382	2,199	4,735	731	17,027
Yukon-Koyukuk	590	11,668	198	2,565	172	0	14,603	8,496	827	2,146	2,387	458	14,314
Yupiit	367	10,270	445	3,407	223	0	14,345	7,222	939	3,389	3,863	614	16,026
District Average	120,752**	4,923	1,878	566	79	6	7,450	4,535	406	1,031	1,267	293	7,528
Alaska Central	1,477	2,417	0	0	124	0	2,540	...	...	...	...	...	2,597
MI Edgecumbe	282	6,126	0	295	8,477	0	14,897	...	...	...	...	...	14,871
Statewide Average	122,511**	4,896	1,849	558	99	6	7,408	4,470	400	1,016	1,244	289	7,483

Note: *Dollars per student is calculated by dividing the dollars received or spent for each category by the average daily membership (ADM).

**An average is not relevant at this level. However, total ADM for districts is 120,752. Total ADM statewide is 122,511.

***Data not available for this category.

a: Calculation based upon funds for regular program.

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Working Papers

The Search for Equity in School Funding

Equity in school funding garners significant attention from policymakers at every level of government as well as educators, parents and the general public. Even after decades of media attention, study and lawsuits, the solution to inequities remains elusive. For policymakers a central problem is how to balance state goals and standards while at the same time recognizing that local discretion must be preserved. Additionally, too many of today's schoolchildren are not achieving at expected levels, and there is a universal desire to see that tax money is spent effectively as well as efficiently.

This paper examines several strategies that states have used to try to close the funding disparities that characterize inequities in per-pupil spending. The paper is divided into six sections: Definitions, Background, State Strategies, Court-Directed Remedies, Emerging Issues and Policy Recommendations. Although there is no "one size fits all" method of school funding, the information in this paper is designed to help states as they balance local autonomy, state roles and constitutional responsibilities and court-directed remedies.

Trying to achieve equity involves tradeoffs. Although the concept of equity refers to equal opportunity, communities won't necessarily spend equal amounts of educational resources to support education. Local control means that communities decide what curriculum is taught and how much money is spent in educating their students. Thus, it is extremely difficult for a state to impose equitable spending patterns while embracing the concept of local autonomy. Another important consideration arises from the difficulty in using spending as an indicator of educational opportunity, given that per-pupil expenditures vary considerably within and among states.¹ Third, because equity can refer to different groups of individuals, namely students and taxpayers, legislators struggle to find an equitable balance between those who provide the taxes for schools and those who benefit and depend on them. Discussions about equity are best described as dynamic tensions between competing interests and concepts.

States have used several strategies to try to close the funding disparities that characterize inequities in per-pupil spending.

Equity in the School Finance Arena: Two Definitions

There is no universally accepted definition of equity in school finance. The term equity means different things to different people. Noted school finance expert William Clune defines equity in school finance as follows: "Equity means equal and implies that one district or school receives the same amount as another, usually in the same district or state. A prior generation of school finance litigation was based on the idea that all children in a state should have equal access to educational resources, for example, equal spending or guaranteed tax base. Equity is and was focused on inputs."²

"Equity means equal and implies that one district or school receives the same amount as another. . ."

Clune defines equity in traditional horizontal terms (refer to Background section). Furthermore, Clune notes that there has been a shift in concerns from equity to adequacy in school finance, and several of the more recent school finance litigation cases reflect that fact. Although Clune draws a distinction between adequacy and equity, he suggests that there are links between the two concepts. The shift from equity to adequacy is being driven by an emerging consensus that high minimum outcomes should be the orienting goal of both policy and finance. Examples of this point are evident in various efforts under way in Wyoming, New Jersey, Texas, Minnesota, Illinois, Oregon and New York. These states are trying to determine how much an adequate education costs. When they do they plan to tie funding formulas to those determined costs. It is this emerging emphasis on outcomes that has produced what Clune refers to as a modified equity standard, which links the two concepts.

Another definition is offered by David Thompson, R. Craig Wood and David Honeyman. "Equity is the concept of a fair and just method of distributing resources among schoolchildren. Yet not all facets of an equitable system of financing education have been discovered, nor has any state achieved equity for students or taxpayers because our understanding of equity continues to expand."³

One method of determining how equitable the finance system of a state is comes from examining three different analytical measures:

1. The variation in revenue and spending across school districts that is not attributable to a legitimate cost factor,
2. The relationship between revenue and wealth,
3. The relationship between revenue and spending and the tax effort.

"A system may be considered to be equitable that produces a low variation in revenue and spending; or an equitable system may be one that produces a moderate variation in revenue and spending provided that the relationship to wealth is low and the relationship to tax effort is high."⁴

For example, if per-pupil spending levels of 10 school districts were analyzed it would be possible to judge the 10 to be equitable if there were a negligible difference in their per-pupil expenditures. However, if those same 10 districts had dramatically different levels of per-pupil expenditures, and there was no rational reason for those differences, the obvious conclusion would be that the 10 were spending inequitably.

Background

Examination of school finance litigation since 1989 shows there is no easy way to predict whether a state's school finance system will be ruled constitutional or unconstitutional by that state's highest court. Judging from court rulings in 1989 and the early part of 1990, plaintiffs challenging the constitutionality of school finance systems were consistently winning the suits. This trend did not hold for very long, and now about half of the rulings are in favor of states defending their financing system.

Court cases challenging state school finance systems are pending in 14 states and there does not appear to have been a drop-off in the number of these suits since the 1989 "Big 3" decisions in Kentucky, Montana and Texas (see table 1). Since 1989, the legality of state school finance systems has been tested in 21 states.³

Some important trends in the school finance arena appear to be emerging. For example, the data clearly indicate that wide disparities remain among states in the relative state/local/federal mix of public school revenues and in the levels of per-pupil expenditures both within and across states (see table 2). School finance experts are expecting these trends to continue. Surprisingly, the disparities in per-pupil expenditures also exist in states that have had court cases, although the gap between low and high spenders has been reduced. For example, in New Jersey per-pupil expenditures ranged from a low of \$5,900 to a high of \$11,500 for the 1995-1996 school year.⁴ In Illinois spending ranged from about \$3,000 to \$15,000 according to Education Week.⁵ Drawing from the court record in the Edgewood litigation in Texas (Edgewood I, 1985-Edgewood V, 1995), a 700 to 1 ratio of assessed valuation per pupil between high-and-low spending districts existed before the lawsuit and will stand at 28 to 1 when Senate Bill 1 is fully implemented in 1999.⁶ Turning to interstate spending differences, *Public School Finance Programs of the United States and Canada, 1993-94* reports revenue per pupil varied from \$9,814 in New Jersey to \$3,810 in Utah. The state share varied from 90.9 percent in Hawaii to 8.3 percent in New Hampshire, and the local share varied from 88.9 percent in New Hampshire to 2.1 percent in Hawaii. In seven states, the state government provided more than 70 percent of nonfederal revenue, and in eight states the share was less than 40 percent.⁷ As these figures suggest, financing of elementary and secondary education requires a lot of money. In school year 1993-1994, expenditures in all U.S. public elementary and secondary schools totaled an estimated \$285 billion.⁸ Education is the largest single-budget category of spending in all the states.

Education is the largest single-budget category of spending in all the states.

**Table 1
School Finance Litigation Activity**

**States in which the School Finance System Has Been Ruled Unconstitutional
by the State's Highest Court:**

Arizona (1994)	New Jersey (1973, 1990)
Arkansas (1983)	Tennessee (1993)
California (1971—original ruling)	Texas (1989)
Connecticut (1977)	Washington (1978)
Kentucky (1989)	West Virginia (1979)
Massachusetts (1993)	Wyoming (1980, 1995)
Montana (1989)	

(Note: Alabama's entire education system was ruled unconstitutional by a lower court in 1993. The capital outlay provisions of Arizona's finance system was found unconstitutional.)

**States in which the School Finance System Has Been Challenged and Upheld
by the State's Highest Court:**

Colorado (1982)	New York (1982)
Georgia (1981)	North Dakota (1994)*
Idaho (1975)	Ohio (1979)
Illinois (1976, 1990, 1996)	Oklahoma (1987)
Kansas (1994)	Oregon (1976, 1991)
Maryland (1983)	Pennsylvania (1979)
Michigan (1984)	Virginia (1994)
Minnesota (1993)	Wisconsin (1989)

*Note: Majority (three) ruled in favor of the plaintiffs but North Dakota requires four justices to declare statutory law unconstitutional. Nebraska Supreme Court upheld the dismissal of an appeal because the case didn't state a cause of action, but there was no ruling on the constitutionality of the school finance system.

Source: D. Verstegen, University of Virginia (Aug. 1, 1994). Compiled from interviews, document analysis and Education Commission of the States, National Conference of State Legislatures and Center for the Study of Education Finance information.

Table 2
Level and Composition of School Revenue, 1993-1994

	School Revenue Per Pupil	Including Federal Aid			Excluding Federal Aid	
		Federal	State	Local	State	Local
New England	\$7,145	5.1%	36.0%	58.9%	38.0%	62.0%
Connecticut	8,652	4.6%	39.5%	55.9%	41.4%	58.6%
Maine	5,957	7.0%	48.5%	44.4%	52.2%	47.8%
Massachusetts	6,754	5.5%	36.0%	58.5%	38.1%	61.9%
New Hampshire	6,380	2.8%	8.3%	88.9%	8.6%	91.4%
Rhode Island	7,016	4.5%	40.7%	54.8%	42.6%	57.4%
Vermont	7,204	5.2%	32.4%	62.5%	34.1%	65.9%
Mid-Atlantic	8,262	5.5%	40.5%	54.0%	42.9%	57.1%
Delaware	6,696	9.1%	65.1%	25.8%	71.6%	28.4%
Maryland	6,526	5.6%	39.0%	55.4%	41.3%	58.7%
New Jersey	9,814	4.2%	41.5%	54.3%	43.3%	56.7%
New York	8,629	5.6%	39.2%	55.2%	41.5%	58.5%
Pennsylvania	7,526	6.2%	41.4%	52.5%	44.1%	55.9%
Great Lakes	6,135	6.2%	38.5%	55.3%	41.0%	59.0%
Illinois	5,793	8.2%	32.9%	58.8%	35.9%	64.1%
Indiana	5,950	5.2%	52.1%	42.6%	55.0%	45.0%
Michigan	6,840	5.7%	32.1%	62.2%	34.1%	65.9%
Ohio	5,699	6.2%	43.4%	50.4%	46.2%	53.8%
Wisconsin	6,706	4.4%	38.7%	56.9%	40.4%	59.6%
Plains	5,481	6.0%	43.4%	50.5%	46.2%	53.8%
Iowa	5,497	5.7%	48.4%	45.9%	51.3%	48.7%
Kansas	5,496	5.5%	49.7%	44.9%	52.5%	47.5%
Minnesota	6,113	5.1%	46.5%	48.5%	48.9%	51.1%
Missouri	5,232	6.6%	37.5%	55.9%	40.2%	59.8%
Nebraska	4,984	4.8%	39.1%	56.1%	41.0%	59.0%
North Dakota	4,761	11.5%	43.6%	44.9%	49.2%	50.8%
South Dakota	4,830	10.8%	25.3%	63.9%	28.4%	71.6%
Southeast	4,963	9.2%	52.8%	38.0%	58.2%	41.8%
Alabama	3,913	13.1%	65.4%	21.6%	75.2%	24.8%
Arkansas	4,411	9.4%	63.1%	27.5%	69.7%	30.3%
Florida	5,838	7.7%	49.8%	42.4%	54.0%	46.0%
Georgia	5,125	8.4%	49.4%	42.2%	54.0%	46.0%
Kentucky	4,932	10.2%	67.2%	22.6%	74.9%	25.1%
Louisiana	4,608	12.3%	53.6%	34.0%	61.2%	38.8%
Mississippi	3,806	16.6%	53.8%	29.6%	64.5%	35.5%
North Carolina	4,950	8.9%	63.8%	27.3%	70.0%	30.0%
South Carolina	4,924	9.6%	46.9%	43.5%	51.9%	48.1%
Tennessee	4,135	9.8%	48.9%	41.3%	54.3%	45.7%
Virginia	5,271	6.6%	34.2%	59.2%	36.6%	63.4%
West Virginia	6,007	8.2%	64.6%	27.2%	70.4%	29.6%
Southwest	5,204	8.6%	46.4%	45.0%	50.8%	49.2%
Arizona	4,957	8.9%	42.3%	48.9%	46.4%	53.6%
New Mexico	6,228	10.3%	61.8%	27.9%	68.9%	31.1%
Oklahoma	4,397	7.4%	63.3%	29.4%	68.3%	31.7%
Texas	5,303	8.5%	43.4%	48.1%	47.4%	52.6%
Rocky Mountain	5,107	6.8%	51.6%	41.6%	55.3%	44.7%
Colorado	4,966	5.8%	46.0%	48.2%	48.8%	51.2%
Idaho	4,027	8.1%	60.9%	30.9%	66.3%	33.7%
Montana	5,376	9.2%	53.8%	37.0%	59.3%	40.7%
Utah	3,810	7.1%	54.9%	38.0%	59.1%	40.9%
Wyoming	6,679	5.8%	52.2%	42.1%	55.3%	44.7%
Far West	5,524	8.3%	56.9%	34.8%	62.0%	38.0%
California	5,327	8.9%	54.9%	36.2%	60.3%	39.7%
Nevada	5,245	5.0%	36.0%	59.0%	37.9%	62.1%
Oregon	5,549	7.3%	41.0%	51.7%	44.3%	55.7%
Washington	6,140	5.9%	71.0%	23.0%	75.5%	24.5%
Alaska	8,189	12.6%	63.6%	23.8%	72.8%	27.2%
Hawaii	6,537	7.1%	90.9%	2.1%	97.8%	2.2%
United States	5,907	7.2%	46.0%	46.8%	49.6%	50.4%

Source: National Education Association, 1994-95 Estimates of School Statistics (Washington, D.C., 1995), p. 38.

School finance equity can be described as taxpayer, horizontal or vertical equity.

Assessing the equity of a school finance system involves determining the type of equity to be achieved. School finance equity can be described in terms of either taxpayer, horizontal or vertical equity:

- *Taxpayer equity* refers to an acknowledged sensitivity to the level or amount of taxes that are paid by taxpayers in support of public education. Attention is focused on the amount of property or other taxes that taxpayers pay compared with those paid by taxpayers in other communities for public education.
- *Vertical equity* is defined as the unequal treatment of unequals. It implies that there can be rational reasons for providing differing levels of per-pupil funding based on the needs of individual students. The most common illustration of this concept is different treatments required by special needs students, students in poverty and those who are eligible for early intervention programs.
- *Horizontal equity* is defined as equal treatment of equals. The principle states that every student is of equal value and should receive the same amount of programmatic funding and educational services. (In reference to taxpayers, horizontal equity requires identically situated taxpayers to pay identical taxes.)¹¹

The task of the policymaker is made difficult because the approaches to equity have competing interests that are very difficult to resolve. To achieve equity, states commonly use what is known as the "foundation formula." A foundation formula is designed to take into account a measure of the local wealth of school districts, ensuring that the taxpayers relative tax burden is considered when the state finance program is created. Many of these formulas incorporate "weightings" to account for the individual needs of students, using the concept of vertical equity. In this way taxpayer equity can be addressed, at least conceptually.

State Strategies

States have used a number of different strategies to address problems that arise from differences in school district spending, and often changes in strategy are prompted by adverse court rulings regarding a state's school funding mechanism. Characteristically, these responses have included appropriation of additional state aid to low-spending districts, capping the amount of money that wealthy districts can spend and capturing "excess" local revenues from wealthy districts for statewide school funding purposes.

Increasing State Spending in Low Wealth Districts

A majority of states have increased the amount of revenues appropriated for low-spending districts. In fact most states have increased spending in virtually all school districts over the last decade.¹² In recent years some states have increased the state share for K-12 education in part, to decrease reliance on the politically unpopular property tax that funds most of the local share of education costs. Others have enacted state lotteries that earmark percentages of revenues for education. (see appendix A).

In 1994, the New Jersey legislature was directed by its supreme court to appropriate additional revenues to 30 "special needs" districts. "The remedy was highly compensatory, setting spending in low-outcome districts equal to wealthy suburban districts, plus an undetermined amount of compensatory aid."¹³ This was the third time since 1973 that the New Jersey Supreme Court had deemed the funding system unconstitutional. The court gave the state until the 1997 - 1998 school year to achieve "substantial equivalence, approximating 100 percent," in per-pupil spending by wealthy and poor districts.¹⁴ The 1994 decision came after the state had substantially increased state aid to education. The Center for Educational Policy Analysis (CEPA) determined that state education aid increased nearly \$900 million between 1990 and 1991. Aid to the target special needs districts increased \$513 million in the same two-year period.

A recently released GAO report, *School Finance, Three States' Experiences with Equity in School Funding*, notes that Tennessee raised new revenue to increase funding in poorer districts by increasing the sales tax 0.5 percent. An earlier plan to implement an income tax for this purpose had been soundly defeated. In addition, the Supreme Court ordered the state to equalize teacher salaries. Forty school systems received increases to address an imbalance between urban and rural teacher salaries. These policy changes were enacted in 1993. This action followed disposition of a school finance lawsuit filed by 66 small school districts, in which a chancery court, the court of appeals and the state supreme court all found that, "neither state nor local school funding is equalized to the point that it satisfies the state constitution's mandate of providing a system of uniform schools."¹⁵

Tennessee enacted policy changes in 1993 to increase funding in poorer school districts and equalize teacher salaries.

Placing Legislative Spending Caps on Wealthy Districts

Generally, the reason for placing caps on additional revenue is to keep high-wealth districts from disproportionately increasing their revenue above that of low-wealth districts. This approach has been criticized by those who fear that equity will be achieved by making better, or higher-spending, schools worse and is referred to as "leveling down." Some policymakers argue that there should be districts that can serve as models for others and that, without them, well-to-do families will be more likely to leave the school system and send their children to private schools. These model districts are commonly referred to as "lighthouse districts," meaning that their often superior programs, facilities and achievement levels will entice other districts to strive to achieve similar outcomes.

As part of a legislative plan to reduce the reliance on property tax and close the gap between low- and high-spending districts, the Wisconsin General Assembly, in 1995, adopted legislation imposing a limit on the amount of revenue per pupil that each school district could raise through a combination of state general school aid and property taxes. The maximum allowable increase per pupil is a specific dollar amount or the rate of inflation, whichever results in a higher amount for the district. (See the Recapture section which refers to Kansas' local option budget provision that places a cap on the amount of revenues available to high-wealth districts.)

The recapture feature in state school finance formulas allows the state to redistribute revenues from districts with more money than can be legally spent to other districts.

Recapture/Redistribution

Recapture is a feature in state school finance formulas whereby local districts that raise more revenue than they can legally spend must make the excess amount available to the state for redistribution to other school districts.

In a 1993 decision in Wyoming, District Judge Nicholas G. Kalokathis ruled that although the overall system was constitutional, three programs within the school funding formula needed to be replaced. The three programs were established to direct state aid in excess of the base foundation amount to low-wealth districts. One of the three programs was a recapture program that allowed some of these excess local property taxes to remain in wealthy districts. The other two programs were the method the state used to calculating aid for school districts in cities and a provision that allowed for locally levied property taxes. In December 1995, the state supreme court not only agreed with the district court's decision but went further in finding the funding system unconstitutional.

Many states include a combination of these strategies. In 1992, the state of Kansas implemented a pupil-weighted school finance plan that contained a uniform property tax levy designed to reduce expenditure disparities and the influence that school district property tax base variations have on school spending decisions. Excess revenue produced in some school districts by the uniform property tax rate are remitted to the state and are used in helping to fund the state's obligation under the formula. In addition, the legislation allows a local option budget of any amount up to 25 percent of the base amount, subject to approval by the local school board and subject to a protest petition election procedure.

Ultimately the final plan to restructure the Texas financing system resulted in a combination of caps on wealthy districts and a recapture element.¹⁷ The legislature gave districts five choices for reducing their property wealth to a level of \$280,000 per weighted pupil:

1. By agreement, a high-wealth district could voluntarily consolidate with a lower-wealth district.
2. By agreement, a school district could detach nonresidential property in order to lower its property value. The detached property would then be permanently annexed to another school district.
3. With the approval of the voters, a high-wealth district could purchase attendance credits from the state as a surrogate method of reducing tax base.
4. High-wealth districts could elect to contract for the education of nonresident students.
5. A high-wealth district could ask the voters of a region to agree to tax base consolidation, similar to county education districts.¹⁸

A second tier of the Texas school-funding system is a guaranteed yield (GTY) to provide each school district with the opportunity to supplement the basic program at a level of its own choice with access to additional funds for facilities.¹⁹ GTY programs are defined as matching grants. The state matches a percentage of funds raised for education by the school district based on the fiscal capacity of the district. The higher the guaranteed revenue per pupil, the greater the equalization effect and cost to the state.²⁰ Two states (Indiana and Wisconsin) use this formula approach as the primary mechanism for distributing basic support aid.

Pursuit of Court Directed Remedies

Whereas many states have enacted substantive changes to their education financing systems because of legislative or executive initiatives, others have done so as a result of adverse court rulings. The role that courts play differs across the country. Some have been unwilling to offer specific suggestions to legislatures, not wanting to be seen as intruding on legislative branch discretion since most state constitutions clearly designate authority and oversight of education to the legislature. Other state courts have been more activist and have either given specific strategies in the court opinion or have set deadlines by which the legislative branch is to act. Three examples of court-directed remedies follow.

Texas

Texas Supreme Court, although not telling the legislature specifically what to do, directed the legislature to restructure the system to equalize access to funds among all school districts. The court suggested the following limited options:

1. *Total state funding.* An example of this approach is the state of Hawaii, which is the only state that provides almost 100 percent of the funds for K-12 education. No property tax funds are levied to support education, because state support for the operation of the public schools comes from the state general fund.
2. *Statewide property tax.* Several states use statewide property taxes, which impose a uniform taxation rate across the state. States that use this system include Arizona, Wyoming, Kansas and Washington.
3. *District consolidation.* This approach consolidates or reconfigures school districts in order to balance differences in property wealth.
4. *Limited tax-base consolidation combined with additional state aid.* Very complicated and difficult to implement, this approach allows commercial property from one district to be detached and placed in another district for taxing purposes. If necessary, the state would then provide additional aid to bring the low-wealth district to the statutory threshold for assessed valuation per pupil.

Court roles in state education financing differ across the country.

Kentucky

The Kentucky Supreme Court identified nine "essential" characteristics of an efficient system of common schools as guidance for the Kentucky General Assembly in its attempt to design a constitutional system (see appendix B). The nine characteristics stated that equal educational opportunities must be provided to all children regardless of their place of residence or economic circumstance; that all children have a constitutional right to an adequate education; and that the General Assembly is responsible for providing school funding sufficient to provide each child with an adequate education.²¹ Since the enactment of the Kentucky Education Reform Act (KERA) in 1990, the state has allocated roughly \$4 billion in new revenues.

Alabama

Borrowing from the Kentucky decision, Alabama Circuit Court Judge Eugene W. Reese's 125-page, 1993 opinion identified nine "essential principles and features of the liberal system of public schools required by the Alabama Constitution" (see appendix B).²² To date, the remedy order has not yet been implemented, and Governor Fob James filed a motion for appeal of the order to the state supreme court.

Emerging Issues to Consider

Funding to build school facilities, also referred to as school district capital outlay, is almost totally dependent on local property taxes and voter approved levies. Recent litigation in Arizona, Texas and Ohio indicates that states may have to determine how they can participate more in the funding for facilities. The courts have broadened their view of equity to include the condition of school buildings in the determination of equitable finance systems. Additional state support for school facilities could require significant state expenditure, given the backlog of deferred maintenance, and the demands associated with current educational reforms, including educational technology.

Policymakers will face a difficult challenge resulting from the growth in elementary and secondary enrollments projected by the National Center for Education Statistics (NCES). The center predicts that in one decade, "the nation will need an additional 6,000 schools, 190,000 teachers and \$15 billion annually to serve elementary and secondary students. K-12 enrollment will hit 51.7 million in the 1996-1997 school year and is expected to reach 54.6 million by 2006."²³ These numbers have significant implications for classroom space, school infrastructure and personnel needs that states will have to address respectively.

Policy Recommendations

Legislative solutions to inequitable spending patterns need to be sensitive both to taxpayer equity and to concerns for educational equity. The public's support for public education can be maintained only if policymakers and educators make greater effort to take their case to the public and explain how education reform, accountability and adequate revenues are important to the reform strategy.

Growth in school enrollments has significant implications for classroom space, school infrastructure and personnel needs.

The stability of the funding system must remain a key consideration at all times. A balanced approach to school funding, where multiple sources of revenues contribute to financing schools, reduces the likelihood that the burden for funding will alienate one segment of the populace. Furthermore, burden sharing builds stability in finance.

- States should include a measure of school district fiscal capacity in their funding approach. In most states, the ability of a school district to fund education at the local level is directly related to its fiscal resources. In most states the only fiscal resource available to school districts is property tax. Therefore, the most commonly used measure of district wealth is a district's equalized assessed property valuation. Because differences in property tax values have tended to be the major contributor to spending disparities, a measure of school district fiscal capacity is a necessity. This will allow states to target aid to the most needy districts while ensuring adherence to broader state educational policy goals. "Basic support aid, also referred to as state aid, is the main component of a state's education finance system, in most cases providing the majority of aid. Basic support aid programs are designed to distribute aid in direct relationship with educational need and inversely to local ability to pay: that is, the greater the perceived educational need of the district, the more aid it will receive compared to districts with less need; and the greater the ability of a district to finance education, the less aid it will receive compared to districts with lower ability."²⁴
- States need to examine both the positive and negative circumstances associated with the use of earmarked lottery revenues for K-12 funding schemes. Lotteries are regressive and will decline over time, thus states must be careful not to look to them as stable and predictable revenue sources.
- States should be attuned to the principle of program neutrality. The principle proposes that the distribution of state funds not result in an unintentional shift of financial support from one program to another. For example, a pupil-weighting plan understating the actual cost of special education programs could result in the district diverting funds from the regular instructional program to make up the difference.²⁵
- States should consider that funding systems in total will likely incorporate the principle of fiscal variability. This means that a state school finance system may have several dimensions—general and categorical aid, equalized and nonequalized aid—thus allowing for a variety of financial aid mechanisms.²⁶
- The distribution of state resources should be done in a manner that promotes the most efficient use of those resources at the local level.

Legislative solutions to inequitable spending patterns need to be sensitive to both taxpayer and educational equity concerns.

A Broader Federal Role in Education Finance?

Reaching a solution to school finance equity may involve a redefinition of the federal role in elementary and secondary education. The average amount of federal aid to K-12 education is about 7 percent.²⁷ Historically, the federal government has provided categorical aid to help school districts that have large populations of poor students, contain government-owned property (for example military bases) that districts cannot include in their property tax bases and, most recently, to help states finance educational reform efforts under the Goals 2000 legislation.

During the 1996 Republican National Convention, delegates approved a platform that would offer the public an education "warranty," guiding federal policy while handing state and local policymakers most of the power to decide how to use a mix of vouchers, school prayer and immigrant policy. The last two years have seen an unprecedented public debate about what the role and direction of the U.S. Department of Education should be. The debate has been played out in the national media by members of congress, the administration and former secretaries of the department and was a legitimate campaign issue for the 1996 presidential election. (Appendix D contains a complete list of federal funding for elementary and secondary education programs and a discussion of what a broader federal role in education might look like).

Conclusion

Solutions to the problem of fiscal equity in state education programs will be reached gradually.

In addition to school finance, state legislators are dealing with broader implications of educational reform, including charter schools, voucher programs and the implementation of content standards. Nonetheless, public interest in reducing the reliance on property taxes and the pressure of constitutional challenges to the school funding system have ensured that there will be a need for state legislators and governors to continue defending how schools are funded while attempting to bring more equity to finance formulas.

As Jeffrey Katz noted, "legislators are key participants in the process because the states solely determine what constitutes educational equity."²⁸ Attempts to bring greater equity to all school systems will continue to be a challenging task for state policymakers, both financially and politically. States must craft plans to address equity while being sensitive to concerns in high-spending districts that advancing equity will mean that their state aid will be cut or that local revenues will be capped or recaptured.

On the other hand, because of the prohibitive costs it would take to boost all low-spending districts, it will not be possible for most states to pursue a "leveling up" strategy as a lone solution to closing disparities in per-pupil spending and educational resources. For example, when the state of Michigan rewrote its finance system in 1994 it required additional state aid to 41 of 556 school districts to bring them up to a minimum foundation allowance level of \$4,200 in school year 1994-1995.²⁹ When ranked with all school districts, these 41 districts were at the very bottom of spending in 1993-1994.

The problem of determining how to bring fiscal equity to states and districts will be solved incrementally. It is our hope that this publication will give policymakers some insights as to how to accomplish this formidable task.

Appendix A Nontax Revenues for Education

State lotteries are an important and lucrative source of education funding in a few states. In fiscal year 1993, when NCSL carried out a 50-state survey on the topic, the following states allocated the amounts shown to K-12 education (or related purposes) from lottery proceeds.

State	Amount (millions of dollars)	Purpose	Percent of Total K-12 Coming from Lottery
California	\$502	K-12 education	1.8
Florida	831	Dept. of Education	7.4
Idaho	3	K-12 education	0.4
Illinois	588	K-12 education	5.9
Indiana	85	K-12 education	1.7
Massachusetts	533	Local Aid Fund	10.5
Michigan	427	School Aid Fund	4.1
Montana	18	K-12 education	2.6
New Hampshire	37	K-12 education	3.6
New York	961	Local governments for K-12 education	4.2
Ohio	658	K 12 education	6.4
West Virginia	4	K 12 education	0.2
Wisconsin's	200	Property tax relief	3.7
Total	\$4,847		

Appendix B Educational Goals for Kentucky

1. Its establishment, maintenance and funding are the sole responsibility of the Legislature.
2. It is free to all.
3. It is available to all Kentucky children.
4. It is substantially uniform throughout the state.
5. It provides equal educational opportunities to all Kentucky children.
6. It is monitored by the General Assembly to assure there is no waste, no duplication, no mismanagement, and no political influences.
7. Schools are operated under the premises that an adequate education is a constitutional right.
8. Sufficient funding provides each child an adequate education.
9. An "adequate education" is defined as one which develops the following seven capacities:
 - √ Communication skills necessary to function in a complex, changing civilization.
 - √ Knowledge to make economic, social, and political choices.
 - √ Understanding of governmental processes as they affect the community, state, and nation.
 - √ Sufficient self-knowledge and one's mental and physical wellness.
 - √ Sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage.
 - √ Sufficient preparation for students to choose and pursue their life's work intelligently.
 - √ Skills enabling students to compete successfully with students from other states.

Source: Opinion and Order of the Supreme Court of Kentucky, in *Rose vs. The Council for Better Education Inc.*

Appendix C

Alabama Essential Principles and Features of the "Liberal System of Public Schools" Required by the Alabama Constitution

1. Sufficient oral and written communication skills to function in Alabama, and at the national and international levels, in the communication skills to function in Alabama, and at the national and international levels, in the coming years;
2. Sufficient mathematic and scientific skills to function in Alabama, and at the national and international levels, in the coming years;
3. Sufficient knowledge of economic, social, and political systems generally, and of the history, politics and social structure of Alabama and the United States, specifically, to enable the student to make informed choices;
4. Sufficient understanding of governmental processes and of basic civic institutions to enable the student to understand and contribute to the issues that affect his or her community, state, and nation;
5. Sufficient self-knowledge and knowledge of principles of health and mental hygiene to enable the student to monitor and contribute to his or her own physical and mental well-being.
6. Sufficient understanding of the arts to enable each student to appreciate his or her cultural heritage and the cultural heritages of others;
7. Sufficient training, or preparation for advanced training, in academic or vocational skills, and sufficient guidance, to enable each child to choose and pursue life work intelligently;
8. Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in Alabama, in surrounding states, across the nation, and throughout the world, in academics or in the job market; and
9. Sufficient support and guidance so that every student feels a sense of self-worth and ability to achieve, and so that every student is encouraged to live up to his or her full human potential.

Source: Opinion and Order of Alabama Circuit Court Judge Eugene W. Reese, in *Alabama Coalition for Equity, Inc., vs. Guy Hunt, Circuit Court for Montgomery County, Alabama*.

Appendix D

Elementary Secondary Education Program and A Broader Federal Role in Education Finance

Bilingual Education

Title 1 - Compensatory Education
 Administration
 Basic State Grants
 Capital Expenses
 Even Start
 Handicapped Payments
 Migrant Programs
 Neglected and Delinquent Children
 School Improvement

Dropout Prevention

Special Education

 Basic State Grants
 Preschool Grants
 Infants and Children

Impact Aid

 Basic State Grants
 Handicapped Payments
 Construction

Goals 2000: Educate America Grant

School-to-Work

Title VI: School Improvement Program

Safe and Drug-Free Schools and Communities

Eisenhower Professional Development

Magnet Schools

Indian Education

Immigrant Education

Education for the Homeless Youth

Postsecondary Education

College Work Study

Supplemental Educational Opportunity Grants

Perkins Loans

Pell Grants

State Student Incentive Grants

A Broader Federal Role in Education Finance

Allan Odden, a national school finance expert and University of Wisconsin professor of education administration has done some extensive work in fashioning several strategies that would create a new federal role in K-12 education. He argues that the federal government should try to address the most pronounced interstate disparities, which can be found in most of the poorest states. These states now garner the highest percentage of federal categorical aid, however, their needs for additional monetary assistance remain high. The Goals 2000 program could serve as a vehicle for distributing additional money that is not earmarked for existing categorical programs.

Other ideas include:

- Although costly, a new federal role in general revenue sharing could be targeted to reduce differences in state fiscal capacity. Odden acknowledges that critics will argue that until fiscal capacity is more directly and strongly linked with differences in student achievement, a large and expensive new federal role is unwarranted. The general idea would be for the federal government to ensure a per capita tax yield across the states for similar tax efforts, similar to an intrastate guaranteed tax base program of school financing.
- Another alternative would be for the federal government to bring base education spending up to some minimum level, such as the national average expenditure per pupil or the median expenditure per-pupil level. Odden cautions that if fully funded, it would require a large boost in federal education revenues but would leave intact current differences in state education tax effort. To address this problem he suggests that federal revenue for such a program could be contingent upon a state's exerting a minimum general tax effort, using measures such as an amount of own source tax revenues per capita or a tax rate index at or above 100 on the ACIR (Advisory Commission on Intergovernmental Relations) tax effort index.
- A third, more direct alternative would be for the federal government to implement a nationwide district or school-based foundation per pupil expenditure program. This program would function just like a state foundation program. First, the federal government would set a base spending level, or a foundation per-pupil expenditure level, for all districts or schools. The amount could be adjusted using a state-by-state cost-of-education index. The federal government would make up the difference between this per pupil amount and an amount that would have to be raised by the state. The latter amount could be the yield from a statewide property tax, or it could be the yield from a statewide property tax and an amount of state general fund revenues. Such a program would address both inter-and intrastate spending differences.

Appendix E Glossary

Assessed Valuation: The value of a taxable property as determined by a government agency or tax assessor. Taxes are paid on the basis of a property's assessed valuation. The assessed valuation of property in most states and localities is usually less than the market value of the property.

Equalization: The process of compensating for differences in order to make equal. Several related concepts are useful. Capacity Equalization is the process of compensating for differences in school districts' ability to support education in order to achieve student equity and taxpayer equity. Service and programmatic equalization is the process of compensating for differences in the level of services or programs in a school or school district in order to achieve student equity.

Foundation Program: A state equalization aid program that typically guarantees a certain foundation level of expenditure for each student, together with a minimum tax rate that each school district must levy for education purposes. The difference between what a local school district raises at the minimum tax rate and the foundation expenditure is made up in state aid.

Fiscal Capacity: The total economic resources available to a government for tax purposes. In school finance, fiscal capacity is generally defined as property valuation per pupil, but several states include income or other measures of wealth with property valuation as a measure of fiscal capacity.

Recapture: A feature in state aid to education formulas where local districts which raise an amount per pupil in excess of the state guaranteed expenditure per pupil would have to pay back the excess to the state for redistribution to poorer school (i.e., those with less valuation per pupil).

Required Local Tax Rate: A term indicating the mandated property tax rate equipped for participation in the state aid system. The required local tax is usually associated with a foundation program and is often expressed in terms of mills. A millage rate is the amount of property tax dollars to be paid for each \$1,000 of assessed valuation.

Required Local Effort (RLE): A local tax that must be levied. Local funds raised by the RLE are subtracted from the total foundation funds to determine the amount of state aid the district receives.

Source: John Augenblick, Mary Fulton, and Chris Pipho. *School Finance: A Primer*, April 1991.

Appendix F Organizational Strategies to Address Equity

The National Education Association, (NEA) and the American Federation of Teachers (AFT) have both recently offered strategies for influencing ongoing educational reform and student achievement. The unions hope these initiatives will positively influence student achievement while also presenting a strong case for advancing educational equity. The NEA strategy involves the development of a "quality index" that can be used by individual schools, districts and the states to "help identify needs and priorities for how schools can gauge whether the programs in place are sufficient to help students meet world class standards." Under a five-year project the union has also released "Keys to Excellence in Your Schools" (KEYS) which provides 35 indicators for identifying strengths, weaknesses and resource needs.¹⁰

The American Federation of Teachers has released the "Lesson for Life Campaign." The national campaign is based on the public polling work of the Public Agenda Foundation and seeks to establish equity and discipline in the learning environment in order to ensure high academic standards. The initiative seeks to help all students by ensuring that the school environment can focus on learning and achievement as opposed to disruptions within classrooms. It includes the AFT Bill of Rights and Responsibilities for Learning.

A special partnership between the U.S. Chamber of Commerce's Center for Workforce Preparation, the accounting firm Coopers & Lybrand LLP and Fordham University professor Bruce Cooper has produced a resource allocation model for use by local schools and districts. The model seeks to help districts track education spending from the central office into the classroom. Such data could be used by policymakers to examine equity issues within a state and within school districts. The software produces management reports that provide community leaders, administrators and policymakers with information that can contribute to the understanding of how school districts use monetary resources. The model may have implications for addressing equity and other finance-related questions within school districts and states.

Other entities that have done similar expenditure flow analysis include the Washington, D.C. based firm Pelavin & Associates as well as Palo Alto, California, based education researchers Jay Chambers and Tom Parrish. At least three states—Ohio, Oregon and Florida—have used uniform accounting systems as a means of tracking state expenditures.

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About the Education Partners Project

In early 1994, the National Conference of State Legislatures and the Foundation for State Legislatures convened a group of state legislators, legislative staff, business organizations and nonprofit organizations to begin a conversation about the principles and components of a sound state school finance system.

The major purpose of the Education Partners Project is to encourage dialogue and build consensus among these groups because educational goals can be realized only when coupled with a sound funding system.

In addition to a report, three working papers on related education finance topics emerged from the partnership:

- The Relationship Between Educational Expenditure and Student Achievement
- The Search for Equity in School Funding
- Taxation and Revenues for Education

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This document should be attributed to those involved in the project and not to the organizations or legislative bodies to which they belong. The views presented here do not necessarily represent the position of the Foundation for State Legislatures or the National Conference of State Legislatures.

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HB 148 School Funding Formula

Overview

- 1) Determine the **size adjustment** for the funding community based on the following table. Multiply the ADM by the size factor.

Average Daily Membership (ADM)	Funding Community Size Factor
10-20	2.75
21-40	2.20
41-80	1.90
81-160	1.55
161-400	1.40
401-1,000	1.10
over 1,000	1.00

- 2) Determine the **area cost factor** assigned to the funding community listed in transition section 25. Multiply the result of step 1 by the area cost factor for that community.
- 3) Repeat step 1 and 2 for each funding community within a school district.
- 4) Determine if the funding community is the only one in the district and has an ADM less than 900. If so, determine the **single site adjustment** based on the following table.

Average Daily Membership (ADM)	Factor
1-250	1.12
251-525	1.08
526-900	1.06

- 5) Add the results of steps 1 through 4.
- 6) Multiply step 5 by the **special needs adjustment** of 1.20.
- 7) Determine the **student transportation factor** assigned to the school district listed in transition section 26. Multiply step 6 by the student transportation factor for that district. The result is the school district's **adjusted ADM**. The adjusted ADM is multiplied by the student allotment to determine the base allocation.
- 8) **Intensive funding** is determined for each funding community by multiplying the number of students receiving intensive services by the area cost factor. Adding the results for each funding community together and multiplying the result by \$22.500 determines the districts intensive funding.
- 9) The base allocation computed in step 7 is added to the intensive funding calculation in step 8 to determine the **district's need**.
- 10) **District Need = (ADM X Size Adjustment X Area Cost Factor X Single Site Adjustment X Special Needs Adjustment X Transportation Adjustment) + Intensive Funding**
- 11) **State Aid = District Need - Local Contributions**

Foundation Funding Calculations (CS SSHB 148)

Determining District Need

Kashunamiut School District
Funding Community

	ADM	Size Factor	Area Cost Factor		FC adjusted ADM
Chevak	269.00	x 1.40	x 1.32	=	497.11
_____	x	x	x	=	-
_____	x	x	x	=	-
_____	x	x	x	=	-
_____	x	x	x	=	-
			sub total		497.11
			Single Site Adjustment		1.08
			sub total		536.88
			Special Needs Adjustment		1.20
			sub total		644.26
			Student Transportation Adjustment		1.00
			District Adjusted ADM		644.26
			Student Allotment		\$3,400
					Base Funding <u>\$2,190,484</u>

Intensive Service Allocation
Funding Community

	Enrolled	Area Cost Factor		FC adjusted Intensive Count
Chevak	3.00	x 1.32	=	3.96
_____	x	x	=	-
_____	x	x	=	-
_____	x	x	=	-
_____	x	x	=	-
			Sub Total	3.96
			Intensive Allotment	\$22,500

Intensive Funding \$89,100

District Need equals Base plus Intensive funding **District Need** \$2,279,584

Determining State Aid

	District Need <u>\$2,279,584</u>
Local Effort calculations	
District Need <u>2,279,584</u> x	the lesser of 35% = <u>797,854</u>
Full Value Determination <u> </u> x	0.003 = <u> </u>
	Local Effort <u>\$0</u>
	State Aid <u>\$2,279,584</u>

Hold Harmless FY98 entitlements under existing formulas

Foundation	<u>2,121,185</u>
Pupil Transportation	<u>3,119</u>
Single Site	<u>154,940</u>
Hold Harmless Base	<u>2,279,244</u>
Hold Harmless %	<u>100%</u>
	Hold Harmless comparison <u>\$2,279,244</u>
	Additional state aid due <u>\$0</u>
	Total State Aid <u>\$2,279,584</u>
	Change in state aid <u>\$340</u>

Foundation Funding Calculations (CS SSHB 148)

Determining District Need

**Bristol Bay School District
Funding Community**

Funding Community	ADM	Size Factor	Area Cost Factor	FC adjusted ADM
<u>Bristol Bay</u>	<u>303.00</u>	x 1.40	x 1.40	<u>593.88</u>
<u>South Naknek</u>	<u>18.00</u>	x 2.75	x 1.40	<u>69.30</u>
<u> </u>	<u> </u>	x	x	<u> </u>
<u> </u>	<u> </u>	x	x	<u> </u>
<u> </u>	<u> </u>	x	x	<u> </u>
			sub total	<u>663.18</u>
			Single Site Adjustment	<u>1.00</u>
			sub total	<u>663.18</u>
			Special Needs Adjustment	<u>1.20</u>
			sub total	<u>795.82</u>
			Student Transportation Adjustment	<u>1.07</u>
			District Adjusted ADM	<u>851.53</u>
			Student Allotment	<u>\$3.400</u>

Base Funding \$2,895,202

**Intensive Service Allocation
Funding Community**

Funding Community	Enrolled	Area Cost Factor	FC adjusted Intensive Count
<u>Bristol Bay</u>	<u>2.00</u>	x 1.40	<u>2.80</u>
<u>South Naknek</u>	<u>-</u>	x 1.40	<u>-</u>
<u> </u>	<u> </u>	x	<u> </u>
<u> </u>	<u> </u>	x	<u> </u>
<u> </u>	<u> </u>	x	<u> </u>
		Sub Total	<u>2.80</u>
		Intensive Allotment	<u>\$22,500</u>

Intensive Funding \$63,000

District Need equals Base plus Intensive funding District Need \$2,958,202

Determining State Aid

			District Need	<u>\$2,958,202</u>
Local Effort calculations		the lesser of		
District Need	<u>2,958,202</u>	x 35%	=	<u>1,035,371</u>
Full Value Determination	<u>187,513,800</u>	x 0.003	=	<u>562,541</u>
			Local Effort	<u>\$562,541</u>
			State Aid	<u>\$2,395,661</u>

Hold Harmless FY98 entitlements under existing formulas

Foundation	<u>1,884,665</u>
Pupil Transportation	<u>217,455</u>
Single Site	<u>-</u>
Hold Harmless Base	<u>2,102,120</u>
Hold Harmless %	<u>100%</u>

Hold Harmless comparison \$2,102,120

Additional state aid due \$0

Total State Aid \$2,395,661

Change in state aid \$293,541

Foundation Funding Calculations (CS SSB 148)

Determining District Need

Yupit School District
Funding Community

Funding Community	ADM	x	Size Factor	x	Area Cost Factor	=	FC adjusted ADM
Akiachak	172.00	x	1.40	x	1.32	=	317.86
Akiak	122.00	x	1.55	x	1.32	=	249.61
Tuluksak	122.00	x	1.55	x	1.32	=	249.61
	x	x	x	x	x	=	-
	x	x	x	x	x	=	-
					sub total		817.08
					Single Site Adjustment		1.00
					sub total		817.08
					Special Needs Adjustment		1.20
					sub total		980.50
					Student Transportation Adjustment		1.00
					District Adjusted ADM		980.50
					Student Allotment		\$3.400

Base Funding \$3,333,700

Intensive Service Allocation
Funding Community

Funding Community	Enrolled	x	Area Cost Factor	=	FC adjusted Intensive Count
Akiachak	1.00	x	1.32	=	1.32
	x	x	x	=	-
	x	x	x	=	-
	x	x	x	=	-
	x	x	x	=	-
			Sub Total		1.32
			Intensive Allotment		\$22,500

Intensive Funding \$29,700

District Need equals Base plus Intensive funding District Need \$3,363,400

Determining State Aid

				District Need	<u>\$3,363,400</u>
Local Effort calculations			the lesser of		
District Need	3,363,400	x	35%	=	1,177,190
Full Value Determination	-	x	0.003	=	-
				Local Effort	<u>\$0</u>
				State Aid	<u>\$3,363,400</u>

Hold Harmless FY98 entitlements under existing formulas

Foundation	<u>4,279,034</u>
Pupil Transportation	<u> -</u>
Single Site	<u> -</u>
Hold Harmless Base	<u>4,279,034</u>
Hold Harmless %	<u>100%</u>
Hold Harmless comparison	<u>\$4,279,034</u>

Additional state aid due \$915,634

Total State Aid \$4,279,034

Change in state aid \$0

Fiscal Note Analysis

CONTRACTUAL: The department is requesting a one time appropriation of \$498,600 in FY98 to commission an educational cost study. The department believes it will take approximately 18 months to complete the study. Place holder area cost and transportation factors have been placed in transition sections 25 and 26 of this bill. It is the intent of the department to commission the study and adopt the results in regulation. Elements to consider in an educational cost study may included but are not limited to, certified and classified salaries, benefits, geographic location, transportation, fuel, utilities and supplies.

GRANTS: The following table lists the assumptions used to prepare the fiscal note.

Bill Reference	Sec. 29	Sec. 14.17.410(2)	Sec. 27 Transition	
Fiscal Year	Student Allocation	Required Local	Hold Harmless	Enrollment Growth
FY98	\$3,400	3.00 mills	100%	FY98 Projections
FY99	\$3,925	3.25 mills	80%	1.5%
FY00	\$3,970	3.50 mills	60%	1.5%
FY01	\$4,010	3.75 mills	40%	1.5%
FY02	\$4,045	4.00 mills	20%	1.5%
FY03	\$4,045	4.00 mills	0%	1.5%

Sectional Analysis

Section 1- Defines the purpose of the proposed public school funding program.

Section 2 - Amends Alaska statute 14.17. Listed under Section 2 are sections 14.17.300 through 14.17.990 that outline the proposed Public School Funding Program. Following is a list of the proposed sections and their titles.

- Sec. 14.17.300. Public school account.
- Sec. 14.17.400. State funding for districts.
- Sec. 14.17.410. Equalization funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for centralized correspondence study.
- Sec. 14.17.435. State funding for state boarding school.
- Sec. 14.17.440. Local contribution.
- Sec. 14.17.450. Funding communities.
- Sec. 14.17.460. Funding community size factor.
- Sec. 14.17.470. Area cost and transportation factors.
- Sec. 14.17.475. Base student allocation.
- Sec. 14.17.500. Student count estimate.
- Sec. 14.17.505. Fund balance in school operating fund.
- Sec. 14.17.510. Determination of full and true value by Department of Community and Regional Affairs.
- Sec. 14.17.520. Minimum expenditure for instruction.
- Sec. 14.17.600. Student counting periods.
- Sec. 14.17.610. Distribution of public school funding.
- Sec. 14.17.900. Construction and implementation of chapter.
- Sec. 14.17.910. Restrictions governing receipt and expenditure of district money.
- Sec. 14.17.920. Regulations.
- Sec. 14.17.990. Definitions.

Year 1 1998 - CS SS HB 148

Student allocation \$3,400

100% Hold Harmless
Req. Local @ 3 mills

	FY98 Projected ADM	WL ADM	Level I Base	Intensive Allocation	Level I	1996 Assessed Value	Assessed Value @ 3 Mills or 35% of Level I	Level I State Support
ALASKA GATEWAY	568 00	1,353 03	4,600,302	76,950	4,677,252		0	4,677,252
ALEUTIAN REGION	33 00	85 87	291,958		291,958		0	291,958
ALEUTIANS EAST	369 00	1,008 62	3,429,308	89,100	3,518,408	92,545,800	277,637	3,240,771
ANCHORAGE	46,790 50	58,539 67	199,034,878	14,827,500	213,862,378	13,295,065,500	39,885,197	173,977,181
ANNETTE ISLANDS	390 00	742 99	2,526,166		2,526,166		0	2,526,166
BERING STRAIT	1,781 36	4,694 09	15,959,906	129,375	16,089,281		0	16,089,281
BRISTOL BAY	321 00	851 53	2,895,202	63,000	2,958,202	187,513,800	562,541	2,395,661
CHATHAM	332 00	792 35	2,693,990	47,250	2,741,240		0	2,741,240
CHUGACH	160 00	423 78	1,440,852		1,440,852		0	1,440,852
COPPER RIVER	759 50	1,373 77	4,670,818	70,875	4,741,693		0	4,741,693
CORDOVA	530 00	853 85	2,903,090	102,600	3,005,690	166,181,680	498,545	2,507,145
CRAIG	447 00	669 11	2,274,974	70,875	2,345,849	78,670,700	236,012	2,109,837
DELTA/GREELY	839 00	1,418 58	4,823,172	153,900	4,977,072		0	4,977,072
DENALI	395 00	865 89	2,944,026		2,944,026	115,814,500	347,444	2,596,582
DILLINGHAM	580 00	1,114 08	3,787,872	207,900	3,995,772	135,188,600	405,566	3,590,206
FAIRBANKS	16,350 50	20,771 23	70,622,182	4,680,000	75,302,182	3,879,123,580	11,637,371	63,664,811
GALENA	180 00	456 01	1,550,434	89,100	1,639,534	17,707,000	53,121	1,586,413
HAINES	442 00	658 75	2,239,750	70,875	2,310,625	156,454,400	469,363	1,841,262
HOONAH	274 00	527 22	1,792,548	236,250	2,028,798	24,700,900	74,103	1,954,695
HYDABURG	107 50	235 15	799,510	23,625	823,135	5,098,200	17,695	805,440
IDITAROD	436 00	1,336 25	4,543,250	148,500	4,691,750		0	4,691,750
JUNEAU	5,599 17	6,987 70	23,758,384	1,552,500	25,310,884	2,093,307,500	6,279,923	19,030,961
KAKE	190 00	379 13	1,289,042	23,625	1,312,667	17,411,300	52,234	1,260,433
KASHUNAMIUT	269 00	644 26	2,190,484	89,100	2,279,584		0	2,279,584
KENAI	10,579 00	14,856 10	50,510,740	1,440,000	51,950,740	3,714,200,960	11,142,603	40,808,137
KETCHIKAN	2,832 00	3,534 34	12,016,756	270,000	12,286,756	1,090,044,100	3,270,132	9,016,624
KLAWOCK	220 00	434 65	1,477,810	47,250	1,525,060	15,993,700	47,981	1,477,079
KODIAK	2,811 00	4,131 29	14,046,386	261,900	14,308,286	877,746,500	2,633,240	11,675,046
KUSPUK	517 00	1,436 83	4,885,222	29,700	4,914,922		0	4,914,922
LAKE AND PENINSULA	510 00	1,695 66	5,765,244	29,700	5,794,944	68,133,100	204,399	5,590,545
LOWER KUSKOKWIM	3,521 50	7,637 00	25,965,800	712,800	26,678,600		0	26,678,600
LOWER YUKON	1,845 00	4,257 88	14,476,792	29,700	14,506,492		0	14,506,492
MAT-SU	12,605 00	17,278 67	58,747,478	2,542,500	61,289,978	2,339,858,260	7,019,575	54,270,403
NENANA	170 00	382 89	1,301,826	25,650	1,327,476	16,529,900	49,590	1,277,886
NOME	771 00	1,466 71	4,986,814	29,700	5,016,514	153,709,500	461,129	4,555,385
NORTH SLOPE	2,037 00	4,778 39	16,246,526	313,875	16,560,401	12,130,115,480	5,796,140	10,764,261
NORTHWEST ARCTIC	2,044 00	4,870 90	16,561,060	97,875	16,658,935	263,071,000	789,213	15,869,722
PELICAN	40 00	124 19	422,246		422,246	15,566,600	46,700	375,546
PETERSBURG	782 00	1,116 05	3,794,570	90,000	3,884,570	225,246,500	675,740	3,208,830
PRIBILOF	211 00	582 96	1,982,064	63,000	2,045,064		0	2,045,064
SITKA	1,750 00	2,184 00	7,425,600	225,000	7,650,600	583,301,700	1,749,905	5,900,695
SKAGWAY	130 00	284 36	966,824		966,824	126,841,600	338,388	628,436
SOUTHEAST	264 00	737 63	2,507,942	47,250	2,555,192		0	2,555,192
SOUTHWEST	738 00	1,914 26	6,508,484	29,700	6,538,184		0	6,538,184
ST MARYS	140 00	384 97	1,308,893		1,308,898	4,448,700	13,346	1,295,552
TANANA	100 00	294 57	1,001,538		1,001,538	5,900,100	17,700	983,838
UNALASKA	375 00	925 07	3,145,238	29,700	3,174,938	351,372,100	1,054,116	2,120,822
VALDEZ	900 00	1,375 13	4,675,442	141,750	4,817,192	953,915,450	1,686,017	3,131,175
WRANGELL	525 00	756 62	2,572,508	67,500	2,640,008	133,739,200	401,218	2,238,790
YAKUTAT	174 00	384 42	1,307,028	76,950	1,383,978	32,101,900	96,305	1,287,672
YUKON FLATS	462 00	1,551 53	5,275,202		5,275,202		0	5,275,202
YUKON-KOYUKUK	552 00	1,722 51	5,856,534	151,650	6,008,184		0	6,008,184
YUPIIT	458 00	980 50	3,333,700	29,700	3,363,400		0	3,363,400
ACS	1,669 86	2,003 83	6,813,022	0	6,813,022		0	4,428,464
MEHS	285 00	478 80	1,627,920	0	1,627,920		0	1,627,920
TOTALS	128,119 89	191,345 68	\$650,575,312	\$20,535,750	\$670,111,062	\$43,367,419,810	\$98,290,190	\$570,436,314

Level I Student Allocation \$3,400

100% Hold Harmless
Student allocation \$3,400
Req. Local @ 3 mills

	Proposed Total State/Local	Existing Total State/Local	State/Local Difference Proposed less Existing	AS 14.17 Proposed HB 148 State Aid	AS 14.17 & .09 Existing Formula projected State Aid	Change in State Aid
ALASKA GATEWAY	5,771,740	5,771,740	0	5,711,740	5,711,740	0
ALEUTIAN REGION	773,299	773,299	0	768,249	768,249	0
ALEUTIANS EAST	4,517,068	4,517,068	0	3,801,968	3,801,968	0
ANCHORAGE	279,957,881	279,957,881	0	194,503,463	194,503,463	0
ANNETTE ISLANDS	2,576,166	1,834,264	741,902	2,526,166	1,784,264	741,902
BERING STRAIT	18,231,141	18,231,141	0	17,200,141	17,200,141	0
BRISTOL BAY	3,574,780	3,281,239	293,541	2,395,661	2,102,120	293,541
CHATHAM	2,781,240	2,736,944	44,296	2,741,240	2,696,944	44,296
CHUGACH	1,893,397	1,893,397	0	1,872,397	1,872,397	0
COPPER RIVER	6,627,803	6,627,803	0	6,542,803	6,542,803	0
CORDOVA	3,702,679	3,702,679	0	2,936,382	2,936,382	0
CRAIG	2,938,945	2,938,945	0	2,572,117	2,572,117	0
DELTA/GREELY	5,589,169	5,589,169	0	5,540,169	5,540,169	0
DENALI	4,051,077	4,051,077	0	3,225,984	3,225,984	0
DILLINGHAM	5,093,724	5,093,724	0	4,279,224	4,279,224	0
FAIRBANKS	99,142,561	99,142,561	0	72,062,561	72,062,561	0
GALENA	2,268,955	2,268,955	0	1,930,422	1,930,422	0
HAINES	3,642,562	3,642,562	0	2,354,107	2,354,107	0
HOONAH	2,663,806	2,663,806	0	2,212,423	2,212,423	0
HYDABURG	1,270,222	1,270,222	0	1,078,255	1,078,255	0
IDITAROD	5,454,647	5,454,647	0	5,349,217	5,349,217	0
JUNEAU	36,417,809	36,417,809	0	22,091,809	22,091,809	0
KAKE	1,794,804	1,794,804	0	1,492,694	1,492,694	0
KASHUNAMIUT	2,357,584	2,357,244	340	2,279,584	2,279,244	340
KENAI	75,872,228	75,872,228	0	48,142,151	48,142,151	0
KETCHIKAN	17,665,366	17,665,366	0	10,365,300	10,365,300	0
KLAWOCK	1,820,059	1,820,059	0	1,693,207	1,693,207	0
KODIAK	18,924,918	18,924,918	0	14,014,888	14,014,888	0
KUSPUK	5,820,204	5,820,204	0	5,710,204	5,710,204	0
LAKE AND PENINSULA	8,135,645	8,135,645	0	6,877,145	6,877,145	0
LOWER KUSKOKWIM	40,567,281	40,567,281	0	39,867,281	39,867,281	0
LOWER YUKON	15,352,190	15,352,190	0	14,977,190	14,977,190	0
MAT-SU	84,767,919	84,767,919	0	64,013,187	64,013,187	0
NENANA	1,804,643	1,804,643	0	1,730,519	1,730,519	0
NOME	6,923,968	6,923,968	0	5,450,503	5,450,503	0
NORTH SLOPE	38,854,261	40,382,357	(1,528,096)	10,764,261	12,292,357	(1,528,096)
NORTHWEST ARCTIC	21,134,063	21,134,063	0	18,099,143	18,099,143	0
PELICAN	671,628	671,628	0	614,834	614,834	0
PETERSBURG	5,317,626	5,317,626	0	3,602,176	3,602,176	0
PRIBILOF	2,062,064	2,056,134	5,930	2,045,064	2,039,134	5,930
SITKA	10,770,514	10,770,514	0	6,673,858	6,673,858	0
SKAGWAY	1,470,594	1,470,594	0	851,641	851,641	0
SOUTHEAST	3,498,604	3,498,604	0	3,423,504	3,423,504	0
SOUTHWEST	8,062,092	8,062,092	0	7,536,092	7,536,092	0
ST. MARYS	1,619,534	1,619,534	0	1,579,534	1,579,534	0
TANANA	1,449,091	1,449,091	0	1,321,091	1,321,091	0
UNALASKA	3,808,251	3,808,251	0	2,173,304	2,173,304	0
VALDEZ	7,722,421	7,722,421	0	3,982,638	3,982,638	0
WRANGELL	3,843,553	3,843,553	0	2,746,823	2,746,823	0
YAKUTAT	1,854,557	1,854,557	0	1,516,557	1,516,557	0
YUKON FLATS	6,814,646	6,814,646	0	6,447,719	6,447,719	0
YUKON/KOYUKUK	6,907,725	6,907,725	0	6,842,725	6,842,725	0
YUPIIT	4,399,921	4,399,921	0	4,279,034	4,279,034	0
ALYESKA CORRES.	4,428,464	4,022,889	405,575	4,428,464	4,022,889	405,575
MI. EDGE CUMBE	1,708,000	1,708,000	0	1,708,000	1,708,000	0
OTHER	27,245,135	27,245,135	0	27,245,135	27,245,135	0
TOTAL	944,390,224	944,426,736	(36,512)	698,191,948	698,228,460	(36,512)