

SB

146

SFIN

FILE

Revision Date: _____ Dept. Affected: Revenue
 Title: Public School Funding/Child Care Grants BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senator Wilken
 Requestor: (S) HES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	180.0	180.0	180.0	180.0	180.0	180.0
TRAVEL	4.0	4.0	4.0	4.0	4.0	4.0
CONTRACTUAL	6.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	5.0	5.0	5.0	5.0	5.0	5.0
EQUIPMENT	12.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	207.0	195.0	195.0	195.0	195.0	195.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	2,603.0	2,603.0	2,603.0	2,603.0	2,603.0	2,603.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried Phone: (907) 465-3682
 Division: Income and Excise Audit Date: January 19, 1998
 Approved by Commissioner: Wilson L. Condon Date: January 19, 1998
 Agency: Revenue

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BILL ANALYSIS

The Department of Revenue is only addressing the sections related to a change in the state's tax structure.

Section 21 amends AS 43 by adding a new chapter, Chapter 42, to establish provisions for an Organized Borough Employment tax. Under the new chapter, an employment tax would be imposed on each individual who receives compensation for services performed in the unorganized borough outside of a home rule or first class city as an employee or receives self-employment earnings from business activities conducted in the unorganized borough outside of a home rule or first class city. The tax would be three percent of annual compensation paid or self-employment earnings.

DOR would implement procedures and forms to collect the tax revenue from self employed individuals on a quarterly basis. The Department of Labor will administer the collection of employment tax from employees through Labor's unemployment insurance withholding program. Employers would be required to withhold the tax from each employee's salary or other compensation and remit the tax to the Department of Labor quarterly.

The tax shall be deposited in the general fund. Tax revenue may be appropriated to the public school account established under AS 14.17.300. The tax provision would be effective January 1, 1998. for the school tax.

OPERATING EXPENDITURES

This fiscal note assumes that Department of Revenue would collect school employment tax payments from self employed persons and Department of Labor would collect school employment tax payments from employees through Labor's unemployment insurance withholding program.

Department of Revenue estimates that total operating costs to administer the employment tax program would be \$207.0 in FY 1998 and \$195.0 thereafter. Costs include \$180.0 for personal services which would cover costs for 1 full-time Accounting Supervisor I (range 16), 1 full-time

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Tax Examiner II (range 14), 2 full time Administrative Clerk III (range 10) and 1 three-month seasonal Administrative Clerk II (range 8) positions, all located in Juneau. \$15.0 is included for other line item costs and \$12.0 one time cost for computers.

The Accounting Supervisor I position would be responsible for overseeing administration of the program, management reporting, and public inquiries. The TE II position is responsible for compliance and enforcement. The Administrative Clerk III positions would be responsible for year-round activity which would include processing of quarterly payment and annual filings. The necessary computer programming changes would be handled by in-house programmers, unless additional budget reductions are realized.

New Revenue

See attached spreadsheet.

**Alaska Department of Revenue
Income and Excise Audit Division**

Projected State Revenue Increases from 3% Public School Tax on Self-employed in the Unorganized Borough

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REVENUE FORECASTS FROM 3% TAX ON THE SELF-EMPLOYED IN THE UNORGANIZED BOROUGH

	Number of Employees	FY 99	FY 00	FY 01	FY 02	FY 03
Revenue from tax	4,995	<u>\$2,603,044</u>	<u>\$2,603,044</u>	<u>\$2,603,044</u>	<u>\$2,603,044</u>	<u>\$2,603,044</u>

Assumptions and data sources: We assume that the ratio of self-employed to employed is the same for the unorganized borough as for the state. We use the 1995 Bureau of Economic Analysis total nonfarm proprietors estimate for Alaska (80,496) and total employment figure (372,606 which includes the self employed) to derive this ratio $(80,496 / (372,606 - 80,496) = .2755)$. We also use the amount of employment in REAAs in the unorganized borough (Alaska Department of Labor estimate of 18,127 which excludes the self employed) and the Bureau of Economic Analysis' estimated proprietor income of \$17,371. Thus we have an estimate of 4,995 $(18,127 * .2755)$ and a total annual revenue from the self-employed in the unorganized borough of \$2,603,044 $(4,995 * (\$17,371 * .03))$.

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSB 146(HES)

1998 LEGISLATIVE SESSION

Revision Date: 1-20-98

Department Affected: Education

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

BRU: K-12 Support

Sponsor: Senate HESS

Component: Foundation Program

Requester: Senate 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	498.6					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	3,424.2	3,424.2	3,424.2	3,424.2	3,424.2	3,424.2
MISCELLANEOUS						
TOTAL OPERATING	3,922.8	3,424.2	3,424.2	3,424.2	3,424.2	3,424.2

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	3,922.8	3,424.2	3,424.2	3,424.2	3,424.2	3,424.2
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	3,922.8	3,424.2	3,424.2	3,424.2	3,424.2	3,424.2

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.

If the base student allocation number in section 26 changes then the amount on the fiscal note will change.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 1/21/98

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

Date: 1/21/98

Agency: Education

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FIN

Fiscal Note Analysis

CONTRACTUAL: This bill requires a one time appropriation of \$498,600 in FY99 to commission an educational cost study. The department believes it will take approximately 18 months to complete the study. 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
FY99	\$3,800	3.00 mills	100%
FY00	\$3,905	3.00 mills	98%
FY01	\$3,945	3.00 mills	95%
FY02	\$3,975	3.00 mills	90%
FY03	\$4,020	3.00 mills	0%
FY04	\$4,020	3.00 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. Public school funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for 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 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.

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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 - amends AS 14.11.008(b), new reference of average daily membership from AS 14.17.025(a)(1) to AS 14.17.510.

Section 9 - amends AS 14.14.115(c)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 10 - 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 11 - amends AS 14.16.080(a), new reference of public school funding from AS 14.17.024 to AS 14.17.235.

Section 12 - 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 13 - amends AS 14.30.305, new reference of funding from Foundation.

Section 14 - 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 15 - amends AS 14.30.650, changes the funding mechanism for the Special Education Service Agency (SESA). The allocation will be based on an allocation of \$470 per students in the state on the federal count excluding students reported as learning disabled and speech impaired. Currently the allocation is based on 2% of the total foundation special education allocation or \$85 per special education child whichever is greater.

Section 16 - amends AS 14.36.030(a), new reference of funding from Foundation support.

Section 17 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

Section 18 - amends AS 29.60.030(d), new reference of state aid from AS 14.17.140 to AS 14.17.510.

Section 19 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 20 - amends AS 36.10.125(c), new reference of funding from foundation money.

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Section 21 - make amendments to Alaska Taxation Statutes.

Section 22 - 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 23 - repeals 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 14.30.315(a).

Section 24 - amends repeals AS 14.17.460, AS 14.17.470 effective July 1, 1999.

Section 25 - Transition: Transition funding, 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 26 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 27 - Transition: Base student allocations, establishes the student allocation amounts each year for 5 years.

Section 28 - Transition: Funding Communities, requires funding communities serving less than 10 ADM to be counted at the largest funding community for funding purposes.

Section 29 - Required Report, establishes a joint committee of House and Senate members selected by the HESS Chairs and includes a representative from the Department of Education.

FISCAL NOTE

No. 3

Bill Version: C.S.B.146(HES)

(S) Publish Date: 1/23/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date (Note if correction): _____
 Title: Public School Funding/Child Care
Grants
 Sponsor: Senate HES
 Requestor: Senate HES

Department Affected: Labor
 BRU: Employment Security
 Component: Unemployment Insurance

COMPONENT SERIAL NO. 2276

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	77.1	78.3	78.3	78.3	78.3	78.3
TRAVEL						
CONTRACTUAL	615.2	515.2	515.2	515.2	515.2	515.2
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	13.0					
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	707.3	595.5	595.5	595.5	595.5	595.5

CAPITAL						
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CHANGE IN REVENUE	14,257.9	14,257.9	14,257.9	14,257.9	14,257.9	14,257.9
FUND SOURCE #	1004	1004	1004	1004	1004	1004

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	707.3	595.5	595.5	595.5	595.5	595.5
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	707.3	595.5	595.5	595.5	595.5	595.5

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rebecca Gamez *Rebecca Gamez* Phone: 465-2711
 Division: Employment Security Division Date: 1/22/98
 Approved by Commissioner: Tom Cashon, Commissioner
 Agency: Department of Labor Date: 1/22/98

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Fiscal Note for CSSB 146 (HES)-#3

Alaska Department of Labor
Employment Security Division

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CSSB 146 imposes a three percent tax on wage and business income generated from a business situs or activity located in the unorganized borough outside a home rule or first class city. The revenue generated is to be deposited into the general fund subject to discretionary appropriation to the public school account.

For employees covered under AS 23.20, the tax will be withheld by their employers and submitted to the Department of Labor (DOL) with their quarterly unemployment insurance (UI) contribution reports. The withholding tax on non-covered employees, and the tax on self-employment earnings, will be submitted quarterly to the Department of Revenue (DOR).

DOL and DOR will use existing forms, reports, and automated systems to the extent possible. DOL would collect the employee part of the tax for DOR by adapting automated and manual procedures already in place for collecting UI contributions, with the addition of some new procedures. No federal grant money may be used to collect a non-UI tax, so all design, programming, and ongoing costs would be state-funded.

The collection scenario assumes the following:

- DOL's role will be limited to that of a servicing agency to DOR to collect and account for the quarterly tax on UI-covered employees.
- DOL will use separate report forms, data collection, and accounting to collect the tax, but will make use of current databases, employer accounts, and tracking whenever feasible.
- DOL will use U.S. census federal information processing system (FIPS) codes to identify unorganized borough job sites. This will require site-specific data from employers, a new data base in the UI tax system, and new coding and data entry functions.
- DOL will implement a cross-match system for checking the employment tax returns against UI contributions and will provide underpayment information to DOR.
- DOR will administer all audits, enforcement, refunds, and penalties.
- Projected taxes at 3% of \$475,264.7 in estimated wages paid in the unorganized borough is \$14,257.9.

ATTACHMENT

Fiscal Note for CSSB 146 (HES)##3

Alaska Department of Labor
Employment Security Division
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Revenues to be Collected

3% tax times \$475,264.7 in estimated wages paid in
the unorganized borough \$14,257.9

Operating Costs

A 1.5% cost of living rate was inserted for FY99 & FY00 personal services. One time items were not included in FY00 or beyond.

Personal Services

Two positions will be needed to administer the employment tax program. Both positions will be located in Juneau.

New Accounting Technician I	42.5
New Administrative Clerk II	<u>34.6</u>
Total Personal Services	77.1

These two positions will perform the following tasks:

Examine and process quarterly returns and payments from employers; reconcile payments from employers; respond to written and telephonic inquiries; and provide information and technical assistance to individuals who complete the quarterly reports.

Travel

No travel will be required for the additional tax collection.

Contractual Services

Communication (Basic phone & toll charges)	6.0
Postage & Advertising	17.5
Printing - tax forms & informational outreach to employers	10.0
Department Indirect @ 8% of Personal Services	6.2
Departmental Data Processing Charge back @ 11% of Personal Services	8.5
Office Space Lease costs	5.4
Data Processing contract - conversion of existing system & develop database for integration of FIPS code info on unorganized borough job sites	250.0
Data Processing Support-Administrative Services Division	150.0
Data Processing contract - additional key punch items from quarterly reports	30.0
Prorated portion @ 10% of the existing Tax Section costs	<u>131.6</u>
Total Contractual Services	615.2

Supplies

Figured at \$1,000 per new employee 2.0

Equipment

One time request for FY99 purchase of standard office
equipment for two new employees.

Computers	8.0
Office Furniture	<u>5.0</u>
Total Equipment	13.0

Total FY99 Fiscal Note Request

707.3

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 146 (HES)

Revision Date (Note if correction): _____
 Title: Public School Funding/Child Care
Grants
 Sponsor: Senate HES
 Requestor: Senate HES

Department Affected: Labor
 BRU: Employment Security
 Component: Unemployment Insurance

COMPONENT SERIAL NO. 2276

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	77.1	78.3	78.3	78.3	78.3	78.3
TRAVEL						
CONTRACTUAL	615.2	515.2	515.2	515.2	515.2	515.2
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	13.0					
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	707.3	595.5	595.5	595.5	595.5	595.5

CAPITAL						
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CHANGE IN REVENUE	14,257.9	14,257.9	14,257.9	14,257.9	14,257.9	14,257.9
FUND SOURCE #	1004	1004	1004	1004	1004	1004

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	707.3	595.5	595.5	595.5	595.5	595.5
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
TOTAL	707.3	595.5	595.5	595.5	595.5	595.5

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rebecca Gamez *Rebecca Gamez* Phone: 465-2711
 Division: Employment Security Division Date: 1/22/98
 Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 1/22/98

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ATTACHMENT
Fiscal Note for CSSB 146 (HES)
Alaska Department of Labor
Employment Security Division
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- DOL will use separate report forms, data collection, and accounting to collect the tax, but will make use of current databases, employer accounts, and tracking whenever feasible.
- DOL will use U.S. census federal information processing system (FIPS) codes to identify unorganized borough job sites. This will require site-specific data from employers, a new data base in the UI tax system, and new coding and data entry functions.
- DOL will implement a cross-match system for checking the employment tax returns against UI contributions and will provide underpayment information to DOR.
- DOR will administer all audits, enforcement, refunds, and penalties.
- Projected taxes at 3% of \$475,264.7 in estimated wages paid in the unorganized borough is \$14,257.9.

ATTACHMENT

Fiscal Note for CSSB 146 (HES)

Alaska Department of Labor

Employment Security Division

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Revenues to be Collected

3% tax times \$475,264.7 in estimated wages paid in
the unorganized borough

\$14,257.9

Operating Costs

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Contractual Services

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Data Processing Support-Administrative Services Division	150.0
Data Processing contract - additional key punch items from quarterly reports	30.0
Prorated portion @ 10% of the existing Tax Section costs	<u>131.6</u>
Total Contractual Services	615.2

Supplies

Figured at \$1,000 per new employee 2.0

Equipment

One time request for FY99 purchase of standard office
equipment for two new employees.

Computers	8.0
Office Furniture	<u>5.0</u>
Total Equipment	13.0

Total FY99 Fiscal Note Request

707.3

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSB 146(HES)

1998 LEGISLATIVE SESSION

Revision Date: 2/2/98

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: Schools for the Handicapped

Sponsor: Senate HESS

Requester: Senate Finance

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	167.3	167.3	167.3	167.3	167.3	167.3
MISCELLANEOUS						
TOTAL OPERATING	167.3	167.3	167.3	167.3	167.3	167.3

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	167.3	167.3	167.3	167.3	167.3	167.3
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	167.3	167.3	167.3	167.3	167.3	167.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary)

Section 15 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: *[Signature]*

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

Date: 2-2-98

Agency: Education

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FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSB 146(HES)

1997 LEGISLATIVE SESSION

Revision Date: 4/8/97

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: Senate HESS

Requester: Senate HESS

COMPONENT SERIAL NO. 151

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	153.7	153.7	153.7	153.7	153.7	153.7
MISCELLANEOUS						
TOTAL OPERATING	153.7	153.7	153.7	153.7	153.7	153.7

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	153.7	153.7	153.7	153.7	153.7	153.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	153.7	153.7	153.7	153.7	153.7	153.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

Section 15 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: 4/8/97

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

Agency: Education

Date: 4/8/97

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. CSSB 146(HES)

Revision Date: 4/8/97
Title: An act relating to the public school funding program; repealing the public school foundation program; relating
Sponsor: Senate HESS
Requester: Senate HESS

Department Affected: Education
BRU: K-12 Support
Component: Foundation Program

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	-617.5	-106.8	-148.2	325.5	464.6	-1,352.2
MISCELLANEOUS						
TOTAL OPERATING	-118.9	-106.8	-148.2	325.5	464.6	-1,352.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	-118.9	-106.8	-148.2	325.5	464.6	-1,352.2
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-118.9	-106.8	-148.2	325.5	464.6	-1,352.2

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: 4/8/97
Approved by Commissioner: Shirley J. Holloway, Ph. D., Commissioner
Agency: Education Date: 4/8/97

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CSSB 146(HES) - Public School Funding Program - 4-8-97

Fiscal Note Analysis

CONTRACTUAL: This bill requires 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. 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	\$3,800	3.00 mills	100%	FY98 Projections
FY99	\$3,905	3.00 mills	98%	1.5%
FY00	\$3,945	3.00 mills	95%	1.5%
FY01	\$3,975	3.00 mills	90%	1.5%
FY02	\$4,020	3.00 mills	0%	1.5%
FY03	\$4,020	3.00 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. Public school funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for 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 factors.
- Sec. 14.17.475. Base student allocation.
- Sec. 14.17.480. Declining ADM adjustment.
- 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.

CSSB 146(HES) - Public School Funding Program - 4-8-97

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 - amends AS 14.11.008(b), new reference of average daily membership from AS 14.17.025(a)(1) to AS 14.17.510.

Section 9 - amends AS 14.14.115(c)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 10 - 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 11 - amends AS 14.16.080(a), new reference of public school funding from AS 14.17.024 to AS 14.17.235.

Section 12 - 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 13 - amends AS 14.30.305, new reference of funding from Foundation.

Section 14 - 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 15 - amends AS 14.30.650, changes the funding mechanism for the Special Education Service Agency (SESA). The allocation will be based on an allocation of \$470 per students in the state on the federal count excluding students reported as learning disabled and speech impaired. Currently the allocation is based on 2% of the total foundation special education allocation or \$85 per special education child whichever is greater.

Section 16 - amends AS 14.36.030(a), new reference of funding from Foundation support.

Section 17 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

Section 18 - amends AS 29.60.030(d), new reference of state aid from AS 14.17.140 to AS 14.17.510.

Section 19 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 20 - amends AS 36.10.125(c), new reference of funding from foundation money.

CSSB 146(HES) - Public School Funding Program - 4-8-97

Section 21 through 32 - make amendments to Alaska Taxation Statutes.

Section 33 - 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 34 - repeals 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 14.30.315(a).

Section 35 - amends repeals AS 14.17.460, AS 14.17.470 effective July 1, 1999.

Section 36 - Transition: Transition funding, 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 37 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 38 - Transition: Base student allocations, establishes the student allocation amounts each year for 5 years.

Section 39 - Transition: Funding Communities, requires funding communities serving less than 10 ADM to be counted at the largest funding community for funding purposes.

Section 40 - Required Report, establishes a joint committee of House and Senate members selected by the HESS Chairs and includes a representative from the Department of Education.

Section 41 - Establishes January 1, 1998, as the effective date for section 21 of the bill.

Section 42 - Establishes January 1, 1998, as the effective date for AS 14.17.410(b)(3) of section 2 of the bill.

Section 43 - Establishes July 1, 1997 as the effective date of the bill, except for section 42.

SECTIONS REPEALED IN SB 146

Sec. 14.17.010. Public school foundation account.

(a) The public school foundation account is established. The account consists of appropriations for distribution to school districts, the state boarding school, and for centralized correspondence study programs under this chapter.

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

Sec. 14.17.021. State foundation aid.

(a) Beginning July 1, 1995, the amount of state foundation aid for which a city or borough school district may qualify in a fiscal year is calculated by subtracting from the basic need defined in (a) of this section the required local contributions under AS 14.17.025(a) and 90 percent of eligible federal impact aid for that fiscal year.

(b) Beginning July 1, 1995, the amount of state foundation aid for which a regional educational attendance area may qualify in a fiscal year is calculated by subtracting from the basic need defined in (c) of this section 96 percent of eligible federal impact aid for that fiscal year.

(c) The basic need of a school district is determined by multiplying the area cost differential of the district under AS 14.17.051 by the number of instructional units in the district under AS 14.17.031 and then multiplying that product by the instructional unit value in AS 14.17.056.

(d) The department may make adjustments to a district's state foundation aid for a fiscal year to correct underpayments made in previous fiscal years.

Sec. 14.17.022. Money for centralized correspondence study.

Money for providing centralized correspondence study programs for students not enrolled in an approved school district correspondence study program includes an allocation from the public school foundation account in an amount calculated by multiplying the instructional unit value in AS 14.17.056 by the total number of instructional units, as determined by applying the number of correspondence students to the formula for elementary schools in AS 14.17.041(b)(1), then multiplying that product by 65 percent.

Sec. 14.17.024. Money for state boarding school

(a) Money for the instructional services provided in a fiscal year by the state boarding school established under AS 14.16.010 includes an allocation from the public school foundation account in an amount calculated by

(1) multiplying the instructional unit value in AS 14.17.056 by the total number of instructional units under AS 14.17.031 for that fiscal year, as determined by treating the school as if it were a school district consisting of a single funding community;

(2) multiplying the product determined under (1) of this subsection by the area cost differential that is applicable to calculation of the entitlement for the adjacent school district under AS 14.17.051; and

(3) adding 10 percent of the eligible federal impact aid received for that fiscal year on behalf of the school plus any federal impact aid received on behalf of the school which the state, under P.L. 81-874 (20 U.S.C. 236 - 244), as amended, and regulations adopted under it, could not consider as local resources if the school were considered a school district.

(b) In addition to the amount calculated and payable under (a) of this section, the governor shall request from the legislature appropriation of any program receipts or federal food service reimbursements or other federal aid, other than aid under P.L. 81-874 (20 U.S.C. 236 - 244), as amended, received on behalf of the school, and other amounts necessary for the expenses of operating the state boarding school, including

(1) domiciliary services, including room, board, custodial services, and other reasonable expenses related to the operation and maintenance of dormitory and other residential facilities for students;

(2) student transportation services, to include one round trip for each student between the student's place of residence and the site of the state boarding school during each school year; and

(3) maintenance and operation of the school's physical plant.

(c) Money received by the state boarding school for purposes described in (a) of this section may be used for the purposes described in (b) of this section, and money received for the purposes described in (b) may be used for the purposes described in (a).

Sec. 14.17.025. Local contributions.

(a) Local contributions to a city or borough school district shall include at least the lesser of

(1) the equivalent of a four mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Community and Regional Affairs under AS 14.17.140 and AS 29.45.110; or

(2) 35 percent of the district's basic need for the preceding fiscal year, as determined under AS 14.17.021(b).

Sec. 14.17.025. Local contributions. continued

(b) In addition to the local contributions required under (a) of this section, local contributions to a city or borough school district in a fiscal year may include no more than the greater of

(1) the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Community and Regional Affairs under AS 14.17.140 and AS 29.45.110; or

(2) 23 percent of the district's basic need for the fiscal year under AS 14.17.021(b), as adjusted under AS 14.17.225(b).

(c) The department may by regulation reduce the maximum local contribution specified in (b) of this section if necessary to keep revenue or expenditure disparities among school districts in the state in compliance with federal equalization requirements under sec. 5(d) - (2) of P.L. 81-874 (20 U.S.C. 240(d)(2)), as amended, and regulations adopted under it.

(d) Local contributions are not required in a regional educational attendance area. Interest earnings and other local revenue in a regional educational attendance area are not considered local revenue for current operating expenditures, and are subject to regulation and disposition by the department.

(e) A state foundation aid payment may not be made to a city or borough school district in which the requirements of (a) of this section have not been met.

(f) For the first three fiscal years in which a newly formed city or borough school district operates schools, local contributions may be less than the amount that would otherwise be required under (a) of this section, except that

(1) local contributions in the second fiscal year of operations must be at least the greater of

(A) the local contributions, excluding federal impact aid, for the previous fiscal year; or

(B) the sum of 10 percent of the district's eligible federal impact aid for that year and the equivalent of a two mill tax levy on the full and true value of the taxable real and personal property in the newly formed city or borough school district as of January 1 of the second preceding fiscal year, as determined by the Department of Community and Regional Affairs under AS 14.17.140 and AS 29.45.110; and

(2) in the third year of operation, local contributions must be at least the greater of

(A) the local contributions, excluding federal impact aid, for the previous fiscal year; or

(B) the sum of 10 percent of the district's eligible federal impact aid for that year and the equivalent of a three mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the

Sec. 14.17.025. Local contributions. continued

second preceding fiscal year, as determined by the Department of Community and Regional Affairs under AS 14.17.140 and AS 29.45.110.

(g) A school district is eligible for additional state aid in the amount by which the local contributions that would otherwise have been required under (a) of this section exceed the district's actual local contributions under (f) of this section.

(h) In this section "newly formed district" means those formed after July 1, 1988.

Sec. 14.17.026. Supplementary state aid for regional educational attendance areas.

Beginning July 1, 1995, in addition to the state foundation aid for which a regional educational attendance area may qualify under AS 14.17.021(b), a regional educational attendance area may qualify for supplementary state aid. The amount of supplementary state aid for which a regional educational attendance area may qualify in a fiscal year is calculated by multiplying the area cost differential of the regional educational attendance area under AS 14.17.051 by the number of instructional units in the regional educational attendance area determined under AS 14.17.031 and then multiplying that product by a unit allotment of \$500.

Sec. 14.17.031. Allowable instructional units.

(a) The department shall adopt regulations defining funding communities within each district that reflect geographic and attendance area factors. For the purpose of determining instructional units, students are counted in the district and the funding community from which they receive educational services. The total number of instructional units in a school district is the sum of the following units for each funding community within the district, as determined by the department:

(1) the number of units for elementary and secondary students determined under AS 14.17.041(a) or (b);

(2) the number of units for vocational education determined under AS 14.17.043;

(3) the number of units for special education determined under AS 14.17.045; and

(4) the number of units for bilingual education determined under AS 14.17.047.

(b) If the total elementary and secondary instructional units that a school district is eligible to receive under (a) of this section decrease by 10 percent or more from one fiscal year to the next, the school district may use the last fiscal year before the reduction as a base fiscal year and offset its reduction according to the following schedule: (1) for the first fiscal year after

Sec. 14.17.031. Allowable instructional units. continued

the base fiscal year, the school district is eligible to receive the total elementary and secondary instructional units determined under (a)(1) of this section plus 75 percent of the difference in total elementary and secondary instructional units between the base fiscal year and the first fiscal year after the base fiscal year; (2) for the second fiscal year after the base fiscal year, the school district is eligible to receive the total elementary and secondary instructional units determined under (a)(1) of this section plus 50 percent of the difference in total elementary and secondary instructional units between the base fiscal year and the second fiscal year after the base fiscal year; (3) for the third fiscal year after the base fiscal year, the school district is eligible to receive the total elementary and secondary instructional units determined under (a)(1) of this section plus 25 percent of the difference in total elementary and secondary instructional units between the base fiscal year and the third fiscal year after the base fiscal year. The schedule established in this subsection is available to a school district for the three fiscal years following the base fiscal year only if the total elementary and secondary instructional units received by the school district under (a)(1) of this section for each fiscal year are less than the total elementary and secondary instructional units received by the school district in the base fiscal year. This subsection does not apply to a decrease in total elementary and secondary instructional units resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29.

Sec. 14.17.041. Elementary and secondary instructional units.

(a) For funding communities that have an average daily membership of less than 200 in grades K-6 or less than 200 in grades 7-12, combined elementary and secondary instructional units are determined under the following table:

ADM	No. Instructional Units
1 - 10	2
11 - 20	$2 + ((ADM-10)/5)$
21 - 60	$4 + ((ADM-20)/8)$
61 - 120	$9 + ((ADM-60)/12)$
121 - 525	$14 + ((ADM-120)/15)$

(b) For funding communities that are not included under (a) of this section,

(1) instructional units for elementary students are determined by the formula:

Sec. 14.17.041. Elementary and secondary instructional units. continued

units = $15 + ((ADM-200)/17)$, where ADM is the number of students in average daily membership in grades kindergarten through 6;

(2) instructional units for secondary students are determined by the formula:

units = $18 + ((ADM-200)/13)$, where ADM is the number of students in average daily membership in grades 7 through 12.

(c) Kindergarten students who attend school less than four hours a day are counted as 0.5 ADM under (a) and (b) of this section.

(d) District correspondence or other students who do not regularly attend school on a daily basis are counted in the appropriate grade level of the funding community with the highest ADM in the district.

Sec. 14.17.043. Vocational education instructional units.

Vocational education instructional units for vocational education courses approved by the department are calculated as the sum, for all of those courses in the funding community, of the products obtained by multiplying 0.05 by the ADM full-time equivalent of the course, and then by the cost weighting factor for the course determined under department regulations. A funding community in which a vocational education course approved by the department is operated receives a minimum of 0.10 instructional units for vocational education, or each district in which a vocational education course is operated receives a minimum of 1.00 instruction units, whichever is greater.

Sec. 14.17.045. Special education instructional units.

(a) An exceptional child, as defined in AS 14.30.350, who is enrolled in a special education program, approved by the department, on the last day of the counting period for which a determination is being made, generates 0.025 instructional units if the child receives gifted services, 0.056 instructional units if the child receives resource services, 0.1 instructional units if the child receives self-contained services, or 0.333 instructional units if the child receives intensive or hospital/homebound services, as those categories of service are defined by the department by regulation, in the funding community in which the child is served. A child may be counted in one special education category only.

(b) Notwithstanding (a) of this section, in a district that offers a special education program each funding community receives a minimum of 0.25 instructional units for special education for each funding community in which a child is served or the district receives a minimum of 1.00 instructional units for special education, whichever is greater.

Sec. 14.17.045. Special education instructional units. continued

(c) Notwithstanding (a) of this section, the commissioner may distribute foundation aid money allocated under this section to a district to fund a special education pilot project in the state if

(1) the project is designed to demonstrate appropriate alternative methods to meet the educational needs of

(A) students who would otherwise receive resource, self-contained, or intensive services and generate funding at those levels; or

(B) students who in the district's opinion are likely to be referred for special education services;

(2) the amount to be annually distributed to a district for implementation of a pilot project is

(A) in place of the instructional units that the district could have claimed under (a) of this section for the provision of resource and self-contained services; and

(B) equal to the amount that the district would have received under (a) of this section if it had counted the same percentage of its students for resource and self-contained services as it counted on the last day of the most recent counting period before the pilot project was approved;

(3) the pilot project does not exceed three years;

(4) the total number of pilot projects approved under this section does not exceed eight in the state at any one time;

(5) the project complies with the requirements of federal law, including 20 U.S.C. 1400 - 1485 (Individuals with Disabilities Education Act);

(6) the district proposing the project provides details of how students shall be educated and how student achievement shall be measured; and

(7) the commissioner finds that the project is in the best interests of the students and the state.

(d) Special education for children requiring intensive services shall be funded under (a) of this section. Nothing in this subsection prevents a district from providing intensive services in an innovative manner and in the least restrictive environment.

Sec. 14.17.047. Bilingual education instructional units.

A student for whom an appropriate bilingual program must be provided under regulations adopted by the department, and who is enrolled in a bilingual program, approved by the department, as of the last day of the counting period for which a determination is being made, generates, in the funding community in which the student is served, the number of bilingual education instructional units that is the product obtained by multiplying 0.042 by the student's language dominance category weight under department regulations. A funding community in which a bilingual program approved by the department is operated receives a minimum of 0.10 instructional units

Sec. 14.17.047. Bilingual education instructional units. continued

for bilingual education, or a district in which a bilingual program is operated receives a minimum of 1.00 instructional units, whichever is greater.

Sec. 14.17.051. Area cost differential.

The area cost differential for a school district is as follows:

School District	Area Cost Differential
Adak	1.27
Alaska Gateway	1.19
Aleutian Region	1.31
Anchorage	1.00
Annette Island	1.03
Bering Strait	1.39
Bristol Bay	1.27
Chatham	1.03
Chugach	1.14
Copper River	1.14
Cordova	1.11
Craig	1.03
Deltareely	1.16
Dillingham	1.27
Fairbanks	1.04
Galena	1.30
Haines	1.05
Hoonah	1.08
Hydaburg	1.03
Iditarod	1.33
Juneau	1.00
Kake	1.03
Kashunamiut	1.33
Kenai	1.00
Ketchikan	1.00
King Cove	1.27
Klawock	1.03
Kodiak	1.09
Kuspuk	1.33
Lake & Peninsula	1.31
Lower Kuskokwim	1.42
Lower Yukon	1.35
Matanuska-Susitna	1.00
Nenana	1.20
Nome	1.34
North Slope	1.45

Sec. 14.17.051. Area cost differential. continued

Northwest Arctic	1.45
Pelican	1.08
Petersburg	1.00
Pribilof	1.30
Railbelt	1.23
Sand Point	1.27
Sitka	1.00
Skagway	1.05
Southeast Island	1.04
Southwest Region	1.31
St. Mary's	1.30
Tanana	1.30
Unalaska	1.27
Valdez	1.11
Wrangell	1.00
Yakutat	1.08
Yukon Flats	1.46
Yukon-Koyukuk	1.34
Yupit	1.41

Sec. 14.17.056. Instructional unit value.

The instructional unit value is \$61,000.

Sec. 14.17.080. Student count estimates.

Each district shall prepare and submit to the department, by October 15 of each fiscal year, in the manner and on forms prescribed by the department, an estimate of its average daily membership and other student count data for the succeeding fiscal year, upon which computations can be made of the amount of estimated state foundation aid for which the district will be eligible under AS 14.17.021 in that fiscal year. In making this estimate, the district shall consider its average daily membership, other student count data, the pattern of growth or decline in preceding years, and other pertinent information available to the district. The preliminary reports required by this section are the basis for estimating the need for state foundation aid for the next fiscal year.

Sec. 14.17.082. Fund balance in school operating fund.

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

Sec. 14.17.082. Fund balance in school operating fund. continued

(b) The department shall review the annual audit of each district for the preceding fiscal year to ascertain its year-end operating fund balance. The amount by which the unreserved portion of that balance exceeds the amount permitted in (a) of this section shall be deducted from the state foundation aid that would otherwise be paid to the district in the current fiscal year.

Sec. 14.17.140. Determination of full and true value by Department of Community and Regional Affairs.

(a) To determine the amount of local effort under AS 14.17.025 and to aid the department and the legislature in planning, the Department of Community and Regional Affairs, in consultation with the assessor for each district, shall determine the full value of the taxable real and personal property in each city or borough district. If there is no local assessor or current local assessment for a district, then the Department of Community and Regional Affairs shall make the determination of full value from information available. In making the determination, the Department of Community and Regional Affairs shall be guided by AS 29.45.110. The determination of full value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each district. Duplicate copies shall be sent to the commissioner. The governing body of a borough or city that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Community and Regional Affairs only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

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

Sec. 14.17.160. Student counting periods.

(a) Within two weeks after the end of the 20-school-day period ending the fourth Friday in October, each district shall transmit a report to the department that, under regulations adopted by the department, reports its average daily membership for that counting period, and other student count information that will aid the department in making a determination of its state foundation aid. If it makes the district eligible for more state foundation aid, a district may transmit, within two weeks after the 20-school-day period ending the second Friday in February, a similar report for that counting period. For centralized correspondence study, the October report shall be based on the period from July 1 through the fourth Friday in October, except that summer school students shall be counted as a proportionate fraction as determined by the department. The department may make necessary corrections in the report submitted, and shall notify the district of changes

Sec. 14.17.160. Student counting periods. continued

made. The commissioner shall notify the governor of additional appropriations the commissioner estimates to be necessary to fully fund the public school foundation program for the current fiscal year.

(b) Upon written request and for good cause shown, the commissioner may permit a district to use a 20-school-day counting period other than the periods set out in (a) of this section. However, the counting period must be 20 consecutive school days.

Sec. 14.17.170. Distribution of state foundation aid.

(a) The department shall determine the state foundation aid for each school district in a fiscal year on the basis of the district's data reported under AS 14.17.160 for the counting period that makes the district eligible for the greatest number of instructional units. On or before the 15th day of each of the first nine months of each fiscal year, 1/12 of each district's state foundation aid shall be distributed on the basis of the data reported for the preceding fiscal year. On or before the 15th day of each of the last three months of each fiscal year, one-third of the balance of each district's state foundation aid shall be distributed, after the balance has been recomputed on the basis of student count and other data reported for the current fiscal year.

(b) If a district receives more state aid money than it is entitled to receive under this chapter, it shall immediately remit the amount of overpayment to the commissioner, to be returned to the public school foundation account. Upon an adequate showing of a cash flow shortfall, and in the discretion of the commissioner, the department may make advance payments to a school district. The total of advance payments may not exceed the amount of state foundation aid for which the district is eligible for the fiscal year.

Sec. 14.17.190. Restrictions governing receipt and expenditure of money from public school foundation account.

(a) The public school foundation money distributed to a district during a year shall be received, held, and expended by the district subject to the provisions of law and regulations adopted by the department.

(b) Each district shall maintain complete financial records of the receipt and disbursement of public school foundation money, money acquired from local effort, and other money received by the district. The records must be in the form required by the department and are subject to audit by the department at any time.

Sec. 14.17.200. Regulations.

The department shall adopt regulations to implement this chapter.

Sec. 14.17.210. State aid to newly established district schools.

(a) A regional educational attendance area school that becomes a city or borough district school is considered a regional educational attendance area school for purposes of financial support until the expiration of a complete fiscal year after the date on which the school becomes a city or borough district school. This subsection does not prevent a local government from spending money to contribute to the financial support of a regional educational attendance area school that becomes a city or borough district school.

(b) For each subsequent fiscal year, the state shall disburse to the city or borough school district only the money to which the district is entitled under the public school foundation program.

Sec. 14.17.220. Purpose.

It is the intention of the legislature, in enacting this public school foundation program, to assure an equitable level of educational opportunities for those in attendance in the public schools of the state. Except for the limitations of AS 14.17.025, this chapter may not be interpreted as preventing a public school district from providing educational services and facilities beyond those assured by the foundation program.

Sec. 14.17.225. Construction and implementation of chapter; pro rata reductions.

(a) This chapter does not create a debt of the state. Each district shall establish, maintain, and operate under a balanced budget. The state is not responsible for the debts of a school district.

(b) Money to carry out the provisions of AS 14.17.010 - 14.17.190 may be appropriated annually by the legislature into the public school foundation account. If amounts in the account are insufficient to meet the allocations authorized under AS 14.17.010 - 14.17.190 for a fiscal year, each district's basic need shall be reduced pro rata as necessary to make the funds available sufficient to meet the allocations for that fiscal year.

Sec. 14.17.250. Definitions.

In this chapter, unless the context otherwise requires

(1) "ADM full-time equivalent" means the aggregate class periods of pupil membership in specified classes for the student counting period for which a determination is being made, divided by the total number of all class periods in the student counting period;

Sec. 14.17.250. Definitions. continued

(2) "average daily membership" or "ADM" means the aggregate days of membership of pupils divided by the actual number of days in session for the counting period for which a determination is being made;

(3) "district" means any city or borough school district or regional educational attendance area;

(4) "eligible federal impact aid" for a fiscal year means the amount of federal aid received by the district as of March 1 of the fiscal year as payment for its entitlement for the application submitted during the preceding fiscal year, including advance payments, and adjustments received since March 1 of the preceding fiscal year from prior year applications, under 20 U.S.C. 237-239 (P.L. 81-874, secs. 2-4), as amended, except payments received under 20 U.S.C. 238(d)(3)(B)(ii) (P.L. 81-874, sec. 3(d)(2)(B)(ii), to the extent the state may consider that aid as local resources under that Act and the regulations adopted under it;

(5) "fiscal year" means the year beginning July 1 and ending June 30 for which allotments and entitlements are computed or distributed;

(6) "local contributions" means appropriations to the school operating fund by the city or borough, interest earnings that a district is allowed to keep and spend on school operations, state tuition payments, the value of in-kind services performed by the city or borough, and 10 percent of the district's eligible federal impact aid;

(7) "public school foundation account" means the account created by AS 14.17.010 for use in financing education in public elementary and secondary schools;

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

Sec. 14.30.315. State support of programs for gifted children.

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

SENATE BILL 146: PUBLIC SCHOOL FUNDING

Analysis of Selected Sections (CSSB 146 (HES)) 0-LS0775/Q

Sec. 14.17.300 (Page 1, line 12)

A public school account is established and the account consists of appropriations to school districts, the state boarding school, and for centralized correspondence study.

Sec. 14.17.410 (Page 2, line 15)

State aid equals state support less local contribution. The formula to determine state support is as follows:

State Support = (A/ADM X Per Student \$) + Intensive Services Funding

A/ADM = ADM X (Size Factor X Area Factor X Single Site Factor) X Special Needs Factor

A/ADM = Adjusted Average Daily Membership

In AS 14.17.410 (b)(2) the required local contribution of a city or borough school district is stated as the equivalent of a three mill tax levy, not to exceed 100 percent of the district's state support for the preceding fiscal year.

In AS 14.17.410 (b)(3) the local contribution of a REAA is outlined as the employment tax collected from individuals employed in the REAA for the preceding fiscal year.

In AS 14.17.410 (c) public school funding is defined to include assessment normalization funding. Each school district who receives state support will receive additional state support based on the school district's property wealth as compared to the average statewide assessment. The amount of funding allocated depends on the district's relative wealth and the district's comparative student enrollment. The total dollars available for equalization is the product of the total statewide assessment times 3 mills.

AS 14.17.410 (a) clarifies that in the fiscal year following the fiscal year in which the employment tax is collected, a REAA is, subject to appropriation, entitled to receive money collected as an employment tax.

Sec. 14.17.420 (Page 4, line 7)

Every school district is eligible for a special needs factor of 1.20 plus an additional \$22,500 for each special education student who needs and receives intensive services.

Each school district must have on file with the Department of Education a plan that indicates the special education, gifted and talented education, vocational education, and bilingual education services that will be provided to students.

Sec. 14.17.430 (Page 4, line 26)

State funding for the state centralized correspondence study program or a district program that offers a statewide correspondence study program will be 65% of the base student allocation.

Sec. 14.17.440 (Page 5, line 8)

City and borough school districts may contribute in excess of the required local contribution.

Sec. 14.17.450 (Page 5, line 14)

The Department of Education shall adopt regulations defining funding communities. The regulations may not allow for funding communities smaller than 10 students.

Sec. 14.17.460 (Page 5, line 18)

The ADM of each funding community in a school district is multiplied by a funding community size factor as set out in this section. For a single-site school district, the district's ADM will be multiplied by the appropriate factor listed in AS 14.17.460(b).

Sec. 14.17.470 (Page 6, line 6)

The area cost factor for each individual funding community is listed in this section.

Sec. 14.17.475 (Page 15, line 2)

The base student allocation will be \$4,020 in 2002.

The Department of Education shall submit to the legislature each year by January 15 a proposed base student allocation that considers the cost-of living

Sec. 14.17.475 continued
changes as measured by the Anchorage Consumer Price Index for all urban consumers.

Sec. 14.17.500 (Page 15, line 9)
This section, entitled *Student count estimate*, was previously enacted as AS 14.17.080.

Sec. 14.17.505 (Page 15, line 20)
This section, entitled *Fund balance in school operating fund*, was previously enacted as AS 14.17.082.

Sec. 14.17.510 (Page 15, line 29)
This section, entitled *Determination of full and true value by Department of Community and Regional Affairs*, was previously enacted as AS 14.17.140.

Sec. 14.17.600 (Page 16, line 19)
This section, entitled *Student counting periods*, was previously enacted as AS 14.17.160.

Sec. 14.17.610 (Page 17, line 10)
This section, entitled *Distribution of public school funding*, was previously enacted as AS 14.17.170.

Sec. 14.17.900 (Page 17, line 29)
This section, entitled *Construction and implementation of chapter*, was previously enacted as AS 14.17.225.

Sec. 14.17.910 (Page 18, line 7)
This section, entitled *Restrictions governing receipts and expenditure of district money*, was previously enacted as AS 14.17.190.

Sec. 14.17.990 (Page 18, line 20)
This section, entitled *Definitions*, was previously enacted as AS 14.17.250.

Sec. 5 – Sec. 14 (Page 19, line 14 – Page 21, line 21)
The changes made in these sections are technical in nature.

Sec. 15 (Page 21, line 22)
The Special Education Service Agency shall receive \$470 for each special education student included in the federal count of special education students, excluding students reported as learning disabled and speech impaired.

Sec. 16 – Sec. 20 (Page 22, line 3 – Page 24, line 13)

The changes made in these sections are technical in nature.

Sec. 21 (Page 24, line 14)

A 3 percent employment tax is levied upon each individual who receives compensation for services performed in the unorganized borough outside of a home rule or first class city. An individual's self-employment earnings from business activities conducted in an unorganized borough will also be subject to the employment tax.

The employment tax shall be withheld each pay period and shall be remitted quarterly by the employer to the Department of Labor. The Department of Labor shall provide to the Department of Revenue information that relates to the employment tax. The money collected by the Department of Revenue shall be separately accounted for by REAA. The legislature may appropriate the balance of this account to the public school account.

Sec. 23 (Page 28, line 24)

The statutes repealed by this legislation are listed in this section. The text of the repealed statutes is attached to this document.

Sec. 24 (Page 28, line 28)

Sec. 14.17.460, funding community size factor table, and Sec. 14.17.470, area cost factor table, are repealed July 1, 2000.

Sec. 25 (Page 28, line 29)

If a school district receives less public school funding under the new plan, the district is eligible for transition funding according to the following table:

<u>FISCAL YEAR BEGINNING</u>	<u>PERCENTAGE OF STATE AID</u>
July 1, 1998	100%
July 1, 1999	98%
July 1, 2000	95%
July 1, 2001	90%

In order to be eligible for transition funding, a city and borough must contribute at least the mill equivalent as follows:

Beginning July 1, 1998 – 4 mill equivalent
Beginning July 1, 1999 – 5 mill equivalent
Beginning July 1, 2000 – 6 mill equivalent
Beginning July 1, 2001 – 7 mill equivalent

Sec. 27 (Page 30, line 4)

The base student allocation during the transition phase is as follows:

<u>FISCAL YEAR BEGINNING</u>	<u>BASE STUDENT ALLOCATION</u>
July 1, 1998	\$3,800
July 1, 1999	\$3,905
July 1, 2000	\$3,945
July 1, 2001	\$3,975

Sec. 28 (Page 30, line 11)

In determining state support the students in a funding community smaller than 10 ADM on the effective date of SB 146 will be included in the largest funding community in the school district.

Sec. 29 (Page 30, line 16)

A Senate and House HESS joint committee shall be formed for the purpose of conducting a study of size and area cost factors. The study must be completed by December 31, 1999. The study will offer recommendations for funding, community size and area cost factors, school size, school location, and school curriculum, but may not include recommendations on the manner in which a school is governed.

Sec. 30 (Page 30, line 31)

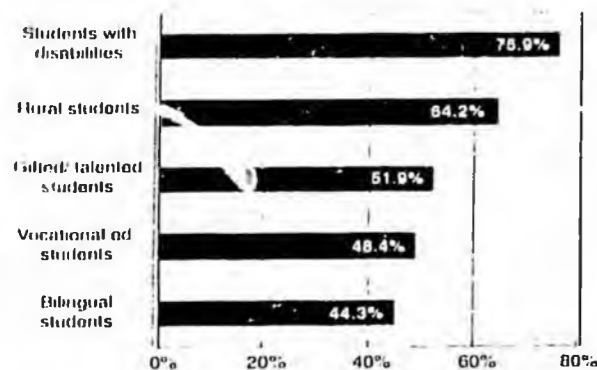
The employment tax enacted by Sec. 21 applies to income received on or after January 1, 1999.

Sec 32 (Page 31, line 7)

The required local contribution from an REAA provision takes effect January 1, 1999.

■ Nearly 70% of voters believe that districts receiving additional money for students in programs, such as special education, should be required to spend the money, dollar for dollar, on programs for these students.

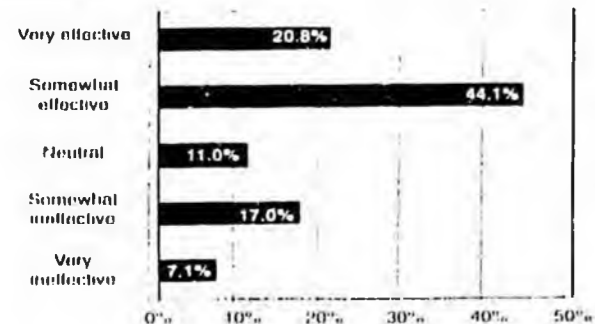
■ Alaskans generally support funding some students at higher levels than others. The following graph shows the percentage of Alaska voters who favor spending more on students in special categories.



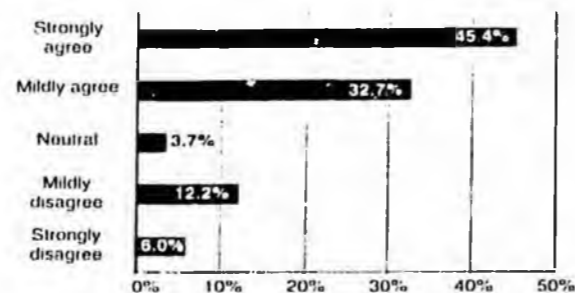
School Governance

The survey found that, although most Alaska voters believe that parent and community groups have influence in schools, they favor increased parental involvement and authority.

"Parent and community involvement is encouraged in some schools through Parent Advisory Councils, Advisory School Boards, or Parent Teacher Associations. How effective do you think these groups are in influencing decision-making in schools in your area?"

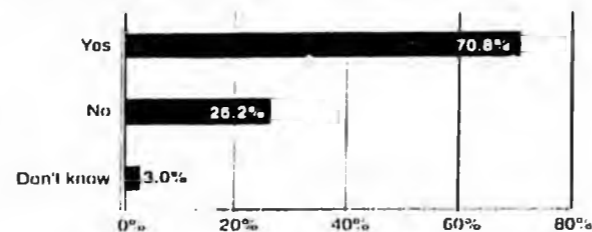


"Some people say that parental involvement at all schools should be changed, improved or structured differently. They argue that parents are in the best position to make decisions regarding education, as opposed to the current system whereby decisions are made by district administrators, superintendents and school boards. Do you strongly agree, mildly agree, mildly disagree or strongly disagree with this proposal for increased parental involvement in schools?"



Respondents agreed overwhelmingly that parents should be allowed to decide which schools their child attends.

"Do you think that parents should be allowed to decide which school their child attends?"



The survey also found:

- Alaska voters split evenly on whether local councils of parents and community members should have authority to hire and fire principals.
- 54% of voters do not want local councils to hire teachers and support staff.
- 48% of voters support a voucher system for public schools. Nearly the same percentage supports a voucher system that includes private schools.

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January 1996

About the Survey

Early in 1995, Governor Tony Knowles asked the State Board of Education to recommend changes in the way the state funds public schools. The governor called the present school funding formula a "convoluted method of calculations, exclusions, exemptions and differentials."

While researching the issue of school funding, the Board saw that school funding and school governance are closely linked. This survey attempts to uncover citizen attitudes toward the public schools, the way the state funds schools, and the way schools and school districts are governed.

Hellenthal and Associates conducted the survey by interviewing 1,284 Alaska voters. Of these Alaskans, 47% said they have school children in their household. The survey's margin of error is plus or minus 2.73%.

The interviews were conducted by phone between October 5 and 21, 1995. The persons interviewed were chosen at random from lists of registered voters. At least thirty persons were interviewed from each legislative house district in Alaska.

This brochure highlights a portion of the questions and responses in this survey.

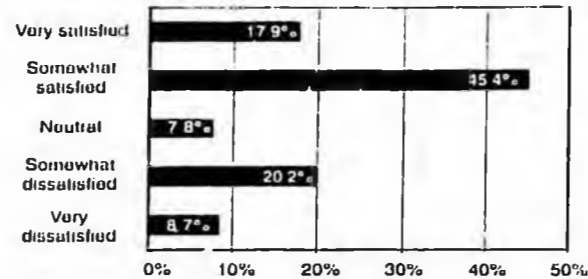
For additional information or a copy of the survey, write the Department of Education at the following address:

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Education Survey
801 W. Tenth Street, Suite 200
Juneau, AK 99801-1894
(907) 465-2821
e-mail: hgamble@educ.state.ak.us

Attitudes Toward Public Education

The majority of Alaska voters are satisfied with public schools in general, but nearly 30 percent of Alaskans say they are dissatisfied.

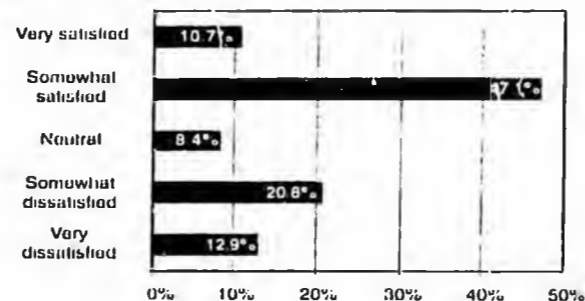
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However, of respondents with children in a local school, 77% reported being satisfied with the quality of education at their child's school, while 18% are dissatisfied.

Nearly 58% of Alaska voters are satisfied with their local school boards, but about one-third are dissatisfied.

"How satisfied are you with how well your school board is working in your area?"



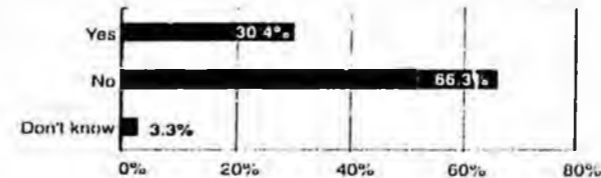
The survey also found:

- Nearly 95% of Alaska voters believe that a good public school education should be made equally available to all children. Almost 93% say they are interested in education issues.

School Funding

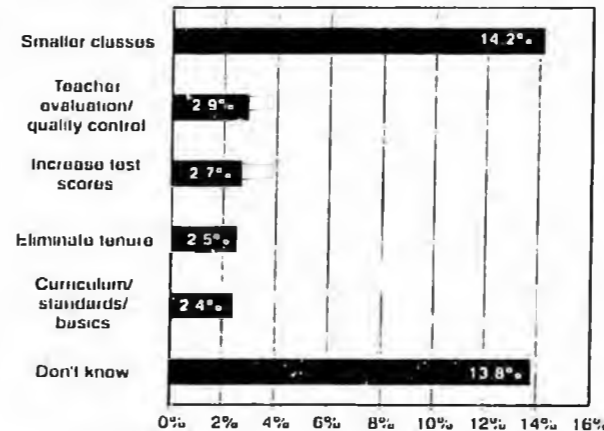
The survey found that only one in three Alaska voters believes that significant increases in education funding would improve the quality of education.

"If state funding of education was increased significantly tomorrow, do you think the quality of education in the state would increase?"



In an open-ended question, respondents reported some of the changes they would need to see that would make them more likely to support increased funding for education. Smaller class size, teacher quality and tenure issues, higher test scores, and better curriculum, higher standards and back-to-basics were the most frequent responses.

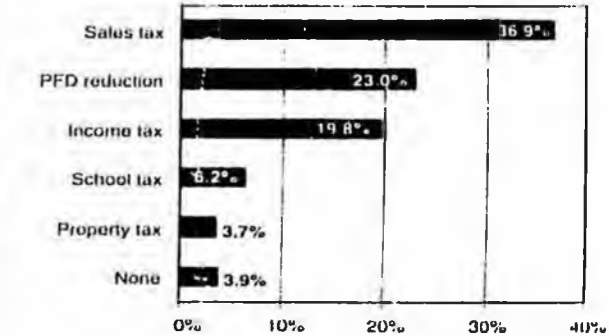
"What's the main thing you'd like to see happen that would make you more likely to pay more money for education?"



Five tax options were presented to respondents: a 1.5% sales tax, a 1% income tax, a 3 mill property tax, a \$160 Permanent Fund deduction, and a \$200 school tax. All of the proposed taxes yield annual revenue in the range of \$60 million to \$80 million. When

asked to make a choice among the tax options, more voters favored the sales tax.

"If the State needed to raise funds in some way to pay for education in Alaska, which of the five revenue sources we discussed would you be most supportive of...?"

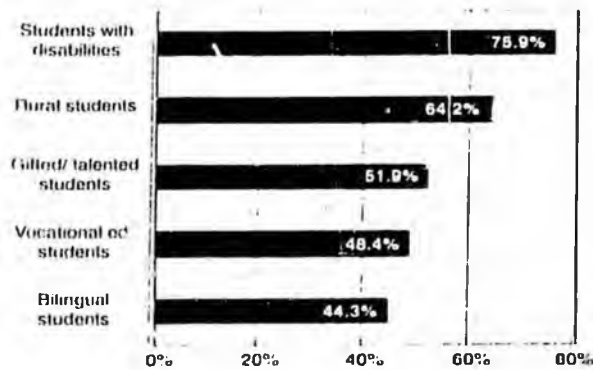


The survey also found:

- Nearly half the state's voters think that Alaska is in financial trouble.
- Alaska voters are three times more likely to support cutting expenditures than raising taxes to alleviate state financial problems.
- More than 52% of voters believe that some districts receive too much funding while others receive too little.
- 57% of voters are unaware of the Foundation Formula for school funding. Another 9% are aware of its existence but unfamiliar with how it works.
- 81% believe the state's method of funding schools should be simplified.
- 73% of voters support funding education based on an amount per student, with additional amounts added for special needs, rather than the current instructional unit method.
- Half of those surveyed feel it is reasonable for rural school districts to receive twice the per student funding of urban schools.
- 43% say it makes sense to place all schools into one of four cost brackets representing costs in urban communities, small communities on the road system, rural hubs such as Bethel, and remote rural communities.

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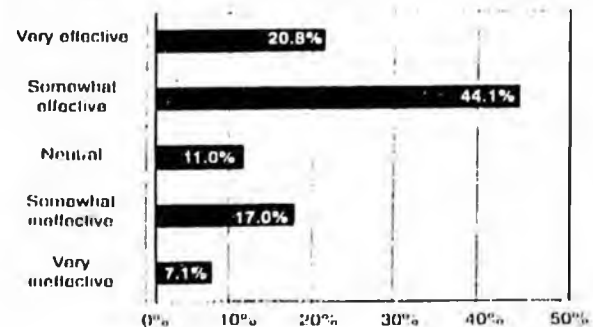
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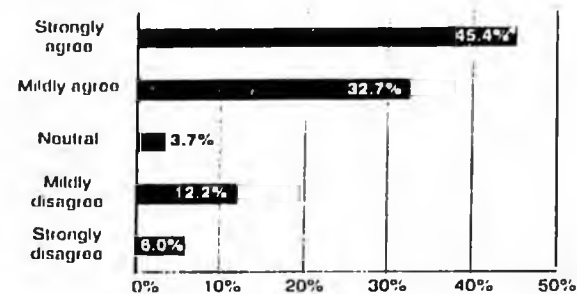
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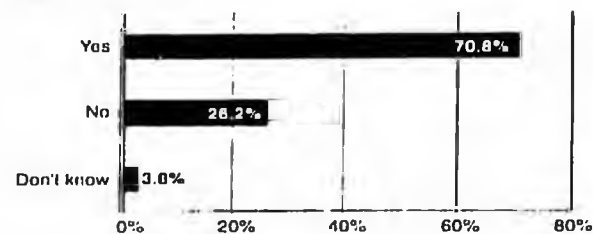


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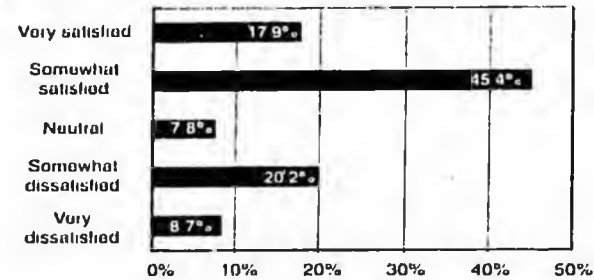
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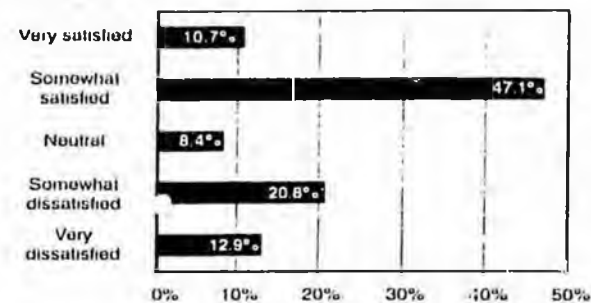
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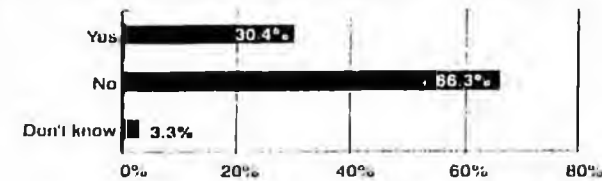
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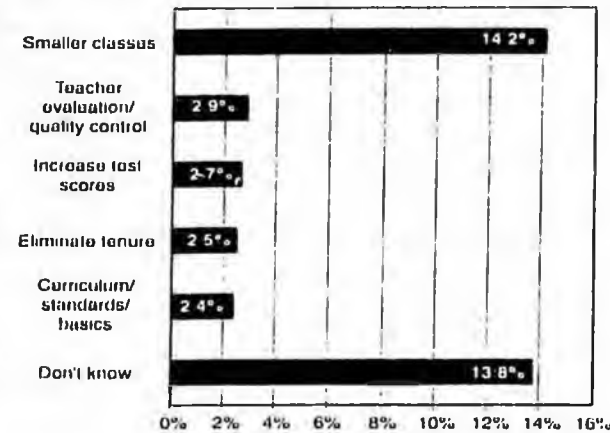
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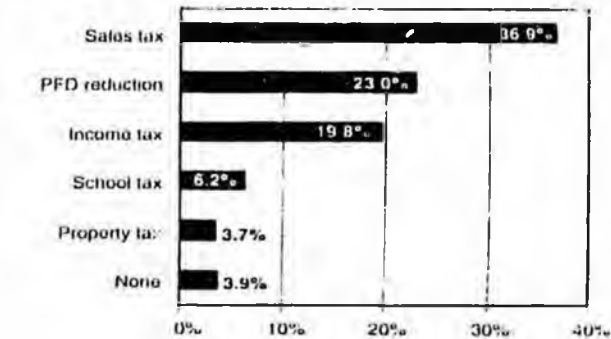
"What's the main thing you'd like to see happen that would make you more likely to pay more money for education?"



Five tax options were presented to respondents: a 1.5% sales tax, a 1% income tax, a 3 mill property tax, a \$160 Permanent Fund deduction, and a \$200 school tax. All of the proposed taxes yield annual revenue in the range of \$60 million to \$80 million. When

asked to make a choice among the tax options, more voters favored the sales tax.

"If the State needed to raise funds in some way to pay for education in Alaska, which of the five revenue sources we discussed would you be most supportive of...?"



The survey also found:

- Nearly half the state's voters think that Alaska is in financial trouble.
- Alaska voters are three times more likely to support cutting expenditures than raising taxes to alleviate state financial problems.
- More than 52% of voters believe that some districts receive too much funding while others receive too little.
- 57% of voters are unaware of the Foundation Formula for school funding. Another 9% are aware of its existence but unfamiliar with how it works.
- 81% believe the state's method of funding schools should be simplified.
- 73% of voters support funding education based on an amount per student, with additional amounts added for special needs, rather than the current instructional unit method.
- Half of those surveyed feel it is reasonable for rural school districts to receive twice the per student funding of urban schools.
- 43% say it makes sense to place all schools into one of four cost brackets representing costs in urban communities, small communities on the road system, rural hubs such as Bethel, and remote rural communities.