

SB

10

ALASKA STATE LEGISLATURE



SENATOR GRETCHEN GUESS

Memorandum

Date: January 24, 2003

To: Senator Fred Dyson
Chair, Senate Health, Education and Social Services Committee

From: Senator Gretchen Guess 

Re: Hearing Request

Please consider this a formal request for a hearing of Senate Bill 10, "*An act relating to a minimum expenditure for the instruction component in a public school budget; and providing for an effective date.*"

This bill would seek to increase the minimum percent of the school operating expenditures spent toward the instructional component of the district budget based on their economies of scale. The required expenditures would either be maintained at the current 70 percent or increase up to 85 percent by five percent increments.

If you have any questions regarding SB 10 please feel free to contact me or my aide Maridon Boario at 2435.

Thank you very much for your consideration.

FISCAL NOTE

STATE OF ALABAMA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 479
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
 Title Minimum Expenditure for Instruction BRU K-12 Support
 Component Foundation Program
 Sponsor Representative Guess
 Requester H Special Committee on Education Component No. 141

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation has no fiscal impact on the Department of Education and Early Development. The department currently reviews all school district budgets and financial audits for compliance with the 70% minimum expenditure for instruction required by AS 14.17.520. HB 479 changes the minimum expenditure for instruction requirement for some school districts.

Prepared by: Eddy Jeans, School Finance Manager
 Division: Education & Early Development
 Approved by: Ed McLain, Deputy Commissioner
 Agency: Education & Early Development

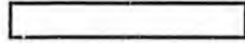
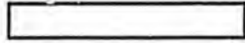
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School District	Facility ADM	# of Schools	ADM/Schools	% Required
Anchorage	49,242.50	97.00	507.65	85%
Fairbanks	14,822.00	31.00	478.13	85%
Juneau	5,404.18	13.00	415.71	85%
Mat-Su	12,979.00	34.00	381.74	80%
Kashunamiut	337.00	1.00	337.00	80%
Sitka	1,530.00	5.00	306.00	80%
Ketchikan Gateway	2,415.00	8.00	301.88	80%
Valdez	893.90	3.00	297.97	75%
Dillingham	554.00	2.00	277.00	75%
Cordova	463.00	2.00	231.50	75%
Kenai Peninsula	9,283.00	41.00	226.41	75%
Petersburg	639.33	3.00	213.11	75%
North Slope	2,062.53	10.00	206.25	75%
Nenana	195.00	1.00	195.00	70%
Kodiak Island	2,811.00	15.00	187.40	70%
Unalaska	369.90	2.00	184.95	70%
Northwest Arctic	2,210.00	12.00	184.17	70%
Klawock	173.90	1.00	173.90	70%
Lower Yukon	1,814.00	11.00	164.91	70%
St. Mary's	162.00	1.00	162.00	70%
Yupitit	460.00	3.00	153.33	70%
Nome	735.00	5.00	147.00	70%
Wrangell	441.00	3.00	147.00	70%
Lower Kuskokwim	3,694.00	28.00	131.93	70%
Skagway	121.00	1.00	121.00	70%
Bering Strait	1,779.00	15.00	118.60	70%
Delta/Grceely	588.00	5.00	117.60	70%
Bristol Bay	229.00	2.00	114.50	70%
Craig	440.00	4.00	110.00	70%
Hoonah	219.00	2.00	109.50	70%
Annette Island	301.00	3.00	100.33	70%
Denali	289.00	3.00	96.33	70%
Haines	373.00	4.00	93.25	70%
Southwest Region	769.00	9.00	85.44	70%
Galena	252.00	3.00	84.00	70%
Kake	165.00	2.00	82.50	70%
Pribilof	141.75	2.00	70.88	70%
Copper River	554.15	8.00	69.27	70%
Yakutat	129.00	2.00	64.50	70%
Alaska Gateway	439.00	7.00	62.71	70%
Tanana	51.50	1.00	51.50	70%
Aleutians East	299.00	6.00	49.83	70%
Hydaburg	95.00	2.00	47.50	70%
Chatham	224.00	5.00	44.80	70%
Iditarod Area	345.80	8.00	43.23	70%
Kuspuk	459.00	11.00	41.73	70%
Yukon/Koyukuk	453.00	11.00	41.18	70%
Yukon Flats	296.00	8.00	37.00	70%
Lake & Peninsula	419.65	15.00	27.98	70%
Southeast Island	212.00	8.00	26.50	70%
Chugach	74.00	3.00	24.67	70%
Aleutian Region	63.00	3.00	21.00	70%
Pelican	19.00	1.00	19.00	70%
TOTALS:	123,491.09	486.00	7,988.26	

School District	School Facilities	ADM 2000	ADM/School	2000 % of S.O.E.
Fairbanks	31	15499.45	499.98	67%
Anchorage	98	47520.95	484.91	72%
Juneau	13	5630.94	433.15	74%
Mat-Su	31	12093.13	390.10	73%
Sitka	5	1677.61	335.52	76%
Ketchikan	8	2560.1	320.01	69%
Kashunamiut	1	298.2	298.20	69%
Valdez	3	865.2	288.40	68%
Dillingham	2	561.8	280.90	67%
Cordova	2	485.45	242.73	66%
Kenai Peninsula	41	9800.63	239.04	68%
Petersburg	3	699.1	233.03	69%
Klawock	1	205	205.00	65%
North Slope	10	2008.9	200.89	63%
Kodiak Island	14	2732.3	195.16	70%
Northwest Arctic	12	2141.6	178.47	58%
Lower Yukon	11	1936.15	176.01	66%
Wrangell	3	505.05	168.35	70%
Nome	5	764.1	152.82	64%
St. Mary's	1	144.15	144.15	65%
Craig	3	412.35	137.45	72%
Bristol Bay	2	274.6	137.30	65%
Nenana	1	135	135.00	74%
Yupit	3	398	132.67	59%
Lower Kuskokwim	28	3614	129.07	66%
Skagway	1	128.8	128.80	60%
Delta/Greely	6	749.8	124.97	70%
Annette Islands	3	368	122.67	57%
Hoonah	2	236.75	118.38	59%
Bering Strait	15	1775.45	118.36	65%
Unalaska	3	351.91	117.30	61%
Denali	3	326.5	108.83	67%
Haines	4	401.7	100.43	63%
Tanana	1	89.75	89.75	46%
Southwest Region	9	758.25	84.25	66%
Kake	2	166.7	83.35	60%
Yakutat	2	159.75	79.88	62%
Pribilof	2	158.25	79.13	61%
Galena	3	225	75.00	69%
Copper River	8	546.05	68.26	66%
Alaska Gateway	7	436.25	62.32	68%
Hydaburg	2	107.85	53.93	61%
Aleutians East	6	299.55	49.93	62%
Yukon/Koyukuk	11	535.85	48.71	64%
Kuspuk	11	493.85	44.90	65%
Yukon Flats	8	341.1	42.64	54%
Chatham	7	257	36.71	64%
Iditarod	10	359.9	35.99	67%
Pelican	1	33.65	33.65	68%
Lake & Peninsula	15	480.95	32.06	70%
Southeast Island	10	279.55	27.96	68%
Aleutian Region	3	75.15	25.05	62%
Chugach	3	69.35	23.12	76%

School District	School Facilities	ADM 2002	ADM/School	2002 % of S.O.E.
Anchorage	98	48723.79	497.18	78%
Fairbanks	31	15061.46	485.85	77%
Juneau	13	5465.3	420.41	78%
Mat-Su	31	12633.35	407.53	77%
Kashunamiut	1	319	319.00	74%
Sitka	5	1528.71	305.74	81%
Ketchikan	8	2375.11	296.89	76%
Valdez	3	883.65	294.55	74%
Dillingham	2	550.45	275.23	74%
Cordova	2	462.95	231.48	70%
Kenai Peninsula	41	9433.09	230.08	73%
Petersburg	3	652.83	217.61	75%
North Slope	10	2028.13	202.81	65%
Kodiak Island	14	2785.39	198.96	74%
Nenana	1	195	195.00	76%
Lower Yukon	11	1986.1	180.55	68%
Northwest Arctic	12	2164.05	180.34	65%
Klawock	1	173.9	173.90	70%
Wrangell	3	465.95	155.32	74%
St. Mary's	1	151.3	151.30	68%
Yupit	3	448.95	149.65	63%
Nome	5	734.65	146.93	68%
Craig	3	407.4	135.80	75%
Lower Kuskokwim	28	3658.6	130.66	73%
Unalaska	3	369.9	123.30	72%
Skagway	1	120.7	120.70	66%
Bristol Bay	2	237.45	118.73	69%
Bering Strait	15	1733.95	115.60	70%
Hoonah	2	219	109.50	67%
Annette Islands	3	311.05	103.68	61%
Denali	3	288.25	96.08	68%
Haines	4	370.45	92.61	73%
Delta/Greely	6	537.05	89.51	73%
Yakutat	2	172	86.00	69%
Kake	2	171.62	85.81	62%
Southwest Region	9	760.9	84.54	69%
Galena	3	249.8	83.27	75%
Copper River	8	549.23	68.65	69%
Pribilof	2	136.7	68.35	61%
Alaska Gateway	7	449.7	64.24	65%
Tanana	1	55.4	55.40	47%
Hydaburg	2	99	49.50	64%
Aleutians East	6	291.5	48.58	67%
Yukon/Koyukuk	11	498.85	45.35	68%
Kuspuk	11	433.1	39.37	68%
Yukon Flats	8	312.55	39.07	61%
Iditarod	10	336.69	33.67	69%
Chatham	7	230	32.86	69%
Lake & Peninsula	15	430.5	28.70	67%
Chugach	3	72.26	24.09	74%
Southeast Island	10	224.6	22.46	69%

Aleutian Region	3	59	19.67	67%
Pelican	1	18.65	18.65	58%



School District	# ADM	# Schools	ADM/schools	FY 2003 % Classroom	
Anchorage	48886	91	537	77	
Fairbanks	14875	30	496	76	
Juneau	5463	12	455	77	This group would go up to 85 percent
Mat-Su	13019	33	395	76	
Kashunamiut	350	1	350	73	
Sitka	1509	5	302	79	This group would go up to 80 percent
Ketchikan	2371	8	296	76	
Valdez	867	3	289	75	
Dillingham	521	2	260	69	
Cordova	464	2	232	70	
Kenai Peninsula	9258	42	220	73	
Petersburg	626	3	209	71	
Nenana	204	1	204	72	This group would go up 75 percent
North Slope	1970	10	197	64	
Unalaska	393	2	196	71	
Kodiak Island	2730	14	195	74	
Lower Yukon	2053	11	187	66	
Nome	736	4	184	66	
Northwest Arctic	2142	12	178	65	
Klawock	159	1	159	65	
Delta/Greely	635	4	159	74	
Wrangell	435	3	145	75	
Yupit	424	3	141	72	
Lower Kuskokwim	3705	27	137	70	
Bristol Bay	234	2	117	68	
Bering Strait	1734	15	116	70	
Skagway	110	1	110	67	
Denali	297	3	99	68	
Craig	390	4	97	78	
Annette Islands	291	3	97	66	
Hoonah	188	2	94	59	
St. Mary's	167	2	84	70	
Southwest Region	721	9	80	68	
Galena	234	3	78	70	
Haines	312	4	78	72	
Copper River	540	7	77	69	
Kake	152	2	76	64	

Yakutat	144	2	72	67
Tanana	62	1	62	50
Alaska Gateway	430	7	61	65
Hydaburg	92	2	46	66
Aleutian East	273	6	45	65
Pribilof	136	3	45	65
Yukon/Koyukuk	445	10	44	68
Chatham	220	5	44	69
Kuspuk	427	11	39	69
Iditarod	310	8	39	68
Yukon Flats	301	8	38	62
Lake & Peninsula	413	14	29	66
Chugach	84	3	28	76
Southeast Island	204	8	25	70
Pelican	18	1	18	59
Aleutian Region	49	3	16	70

Department of Education & Early Development
70% Minimum Expenditure for Instruction

File:
Education/
% to classroo

Summary

In 1998 the legislature passed the new public school funding formula. Included in this legislation is the requirement for school districts to spend 70% of the school operating fund on instruction. The 70% requirement is in law at AS 14.17.520 and was phased in over a three-year period beginning with FY99. The minimum expenditure for instruction requirement was 60% in FY99, 65% in FY2000, and 70% in FY2001 and thereafter. Concurrently, the districts and department were required to improve statewide comparability and consistency in data reporting.

- The financial information in the FY2002 budgets, including the instructional percentages, will provide a baseline for comparative data in future years now that the implementation period and corresponding changes to data collection have been completed.

The minimum instructional expenditure law has been implemented through the three-year phase in FY99, FY00, and FY01 to the required 70% minimum on instruction. Implementation also included an emphasis on uniform expenditure classifications in order to improve statewide comparability and consistency in data reporting. A revised statewide school district chart of accounts is effective starting FY2002. This chart of account revision reflects three years of working towards increased uniform data in statewide reporting. The emphasis on collection of uniform data also brought about two changes in regulation affecting the instructional component; in FY2001 School Administration was included in instruction and in FY2002 School Administration-Support was broken out and support staff are no longer included in instruction. The 29 waivers in FY2002 are calculated under the fully revised regulations and chart of accounts, and incorporate three years of budget review and increased accuracy in financial reporting.

- Statewide the districts have shown continued improvement towards directing revenues towards instruction. In FY99 only eight districts budgeted 70% on instruction, this year 24 districts have budgeted 70% on instruction.

The increase in the number of waivers represents the implementation period and includes changes to data collection and comparability from one year to the next.

- On an individual basis 49 of the 53 school districts have increased the instructional percentage since FY99. Of the four that have not shown an increase two were affected by data reporting requirements and two are small districts with declining enrollments.

Districts have reported progress towards the 70% for instruction by reducing non-instructional staff and cutting back on other non-instructional expenditures.

- The department has focused on the administrative categories and with the new detail now provided from the revised chart of accounts the department will also focus on operations and maintenance.

The department's internal auditors review the individual districts twice a year; one budget review and one financial statement review. The reviews encompass a wide range of items and include individual correspondence to each district regarding expenditures.

- The following three spreadsheets summarize components of the 70% minimum instructional expenditure requirement.
 - 1) Operating Fund Minimum Expenditure for Instruction and Summary by Category.
 - 2) Districts' Reasons and Causes for FY2002 Budget Waiver Requests.
 - 3) Minimum Expenditure for Instruction Calculation Overview.

Department of Education & Early Development
70% Minimum Expenditure for Instruction

Operating Fund Minimum Expenditure for Instruction and Summary

	60% Instructional Percentage FY 1999 Budget	60% Instructional Percentage FY 1999 Financial Statement	65% Instructional Percentage FY 2000 Budget	65% Instructional Percentage FY 2000 Financial Statement	70% Instructional Percentage FY 2001 Budget	70% Instructional Percentage FY 2002 Budget
Alaska Gateway	62%	63%	65%	68%	69%	65%
Aleutian Region	56	62	62	62	65	67
Aleutians East Borough	50	58	64	62	69	67
Anchorage	75	72	74	72	81	78
Annette Island	65	63	65	57	69	61
Bering Strait	61	63	65	65	70	70
Bristol Bay Borough	64	65	65	65	69	69
Chatham	75	70	67	64	68	69
Chugach	67	75	70	76	72	74
Copper River	67	65	66	66	69	69
Cordova City	65	69	66	66	75	70
Craig City	67	70	71	72	73	75
Delta Greely	66	71	72	70	77	73
Denali Borough	64	63	66	67	72	68
Dillingham City	73	67	71	67	78	74
Fairbanks North Star Borough	73	73	72	72	79	77
Galena City	67	72	73	69	82	75
Haines Borough	67	66	67	68	76	73
Hoonah City	61	55	62	59	65	67
Hydaburg City	46	47	65	61	65	64
Iditarod Area	55	59	65	67	75	69
Juneau Borough	74	73	74	74	82	78
Kake City	54	57	63	60	63	62
Kashunamiut	59	58	61	69	74	74
Kenai Peninsula Borough	68	68	68	68	76	73
Ketchikan Gateway Borough	69	69	70	69	78	76
Klawock City	63	61	69	65	74	70
Kodiak Island Borough	68	69	70	70	76	74
Kuspuk	61	62	65	65	73	68
Lake & Peninsula Borough	55	64	72	70	69	67
Lower Kuskokwim	66	64	67	66	75	73
Lower Yukon	60	61	63	62	69	68
Matanuska Susitna Borough	73	74	72	73	81	77
Nenana City	69	69	75	74	75	76
Nome City	61	63	64	64	68	68
North Slope Borough	56	57	64	63	66	65
Northwest Arctic Borough	55	56	59	58	66	65
Pelican City	62	61	69	68	68	58
Petersburg City	69	69	68	69	74	75
Pribilof Islands	57	56	58	61	62	61
Sitka Borough	76	75	76	76	84	81
Skagway City	58	58	62	60	69	66
Southeast Island	66	71	65	68	69	69
Southwest Region	62	65	68	66	74	69
St. Mary's City	65	60	66	65	69	68
Tanana City	61	52	45	46	50	47
Unalaska City	64	64	66	61	72	72
Valdez City	69	68	70	68	77	74
Wrangell City	70	69	70	70	76	74
Yakutat City	65	60	62	62	69	69
Yukon Flats	52	54	52	54	57	61
Yukon/Koyukuk	63	63	63	64	69	68
Yupit	53	51	62	59	72	63
Total Waivers	13	2	16	4	24	29

Bold = Waiver Requested and Approved

SUMMARY OF PERCENTAGES BY CATEGORY

Districts below 60%	13	13	4	6	2	2
Districts between (60% - 65%)	14	16	12	13	2	6
Districts between (65% - 70%)	18	13	21	22	20	21
Districts at 70% and above	8	11	16	12	29	24
	53	53	53	53	53	53

Department of Education & Early Development
70% Minimum Expenditure for Instruction

	70% Instructional Percentage FY 2002 Budget	District Reasons and Causes for FY2002 Budget Waiver Requests						
		Economies of Scale & Small Populations at Multiple Sites	Operations and Maintenance	Costs Related to Remote Location	Increased Costs in comparison to funding Statutory Cost Differential. SB 36 Formula.	Declining Enrollment	Necessary non-instructional duties for compliance & fixed costs.	Regional Economy or Limitations in Local Support
Alaska Gateway	* 65%	x	x	x				
Aleutian Region	* 67		x	x	x			
Aleutians East Borough	* 67		x	x				
Anchorage	78							
Annette Island	* 61					x	x	
Bering Strait	70							
Bristol Bay Borough	* 69		x	x				x
Cratham	* 69			x		x		x
Chugach	74							
Copper River	* 69	x	x					
Cordova City	70							
Craig City	75							
Delta Greely	73							
Denali Borough	* 68		x			x		
Dillingham City	74							
Fairbanks North Star Borough	77							
Galena City	75							
Haines Borough	73							
Hoonah City	* 67		x		x			
Hydaburg City	* 64		x			x		
Ictitarod Area	* 69	x	x					
Juneau Borough	78							
Kake City	* 62		x	x			x	
Kashunamiut	74							
Kenai Peninsula Borough	73							
Ketchikan Gateway Borough	76							
Klawock City	70							
Kodiak Island Borough	74							
Kuspuk	* 68		x					
Lake & Peninsula Borough	* 67	x	x	x				
Lower Kuskokwim	73							
Lower Yukon	* 68	x	x	x				
Matanuska Susitna Borough	77							
Nenana City	76							
Nome City	* 68		x					
North Slope Borough	* 65		x	x				
Northwest Arctic Borough	* 65		x					
Pelican City	* 58					x		
Petersburg City	75							
Pribilof Islands	* 61		x	x		x		
Sitka Borough	81							
Skagway City	* 66						x	
Southeast Island	* 69	x	x					
Southwest Region	* 69		x					
St. Mary's City	* 68		x	x				
Tanana City	* 47		x			x		
Unalaska City	72							
Valdez City	74							
Wrangell City	74							
Yakutat City	* 69		x	x				
Yukon Flats	* 61		x					
Yukon-Koyukuk	* 68		x	x		x		
Yupit	* 63		x	x				
Totals (* = FY02 Waiver)	* 29	6	25	14	2	8	3	2

Calculation Overview

School Operating Fund Only

Calculation for FY 1999 and FY 2000	Calculation for FY 2001	Calculation for FY 2002
FY99 Minimum Expenditure for Instruction is 60%	FY01 Minimum Expenditure for Instruction is 70%	FY02 Minimum Expenditure for Instruction is 70%
FY00 Minimum Expenditure for Instruction is 65%		
100 Instruction _____	100 Instruction _____	100 Instruction _____
200 Special Education _____	200 Special Education _____	200 Special Education _____
220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____
300 Support Services – Students _____	300 Support Services – Students _____	300 Support Services – Students _____
350 Support Services – Instruction _____	350 Support Services – Instruction _____	350 Support Services – Instruction _____
	400 School Administration _____	400 School Administration _____
Total Instructional Expenditures 100-350(a) _____	Total Instructional Expenditures 100-400(a) _____	Total Instructional Expenditures 100-400(a) _____
400 School Administration _____	510 District Administration _____	450 School Administration Support _____
510 District Administration _____	550 District Administration-Support _____	510 District Administration _____
550 District Administration-Support _____	600 Operation & Maintenance _____	550 District Administration-Support _____
600 Operation & Maintenance _____	700 Student Activities _____	600 Operation & Maintenance _____
700 Student Activities _____	780 Community Service _____	700 Student Activities _____
780 Community Service _____		780 Community Service _____
Total Expenditures 100-780(b) _____	Total Expenditures 100-780(b) _____	Total Expenditures 100-780(b) _____
Total Instructional (a) divided by total expenditures (b) _____ %	Total Instructional (a) divided by total expenditures (b) _____ %	Total Instructional (a) divided by total expenditures (b) _____ %

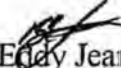
STATE OF ALASKA

Department of Education & Early Development
Education Support Services

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TO: Senator Fred Dyson
Chair
Senate HESS Committee

FROM:  Eddy Jeans, Manager
School Finance

DATE: March 25, 2003

SUBJECT: Minimum Expenditure for Instruction Requirement

During the Senate HESS meeting March 24, 2003, I offered additional information related to the minimum expenditure for instruction requirement. Following is four pages showing the history and progress of the requirement since the measure was adopted in 1999. This information is collected and evaluated annually.

Do not hesitate to contact me if I can provide further information.

Attachments

Department of Education & Early Development 70% Minimum Expenditure for Instruction – Summary

In 1998 the legislature passed the new public school funding formula. Included in this legislation is the requirement for school districts to spend 70% of the school operating fund on instruction. The 70% requirement is in law at AS 14.17.520 and was phased in over a three-year period beginning with FY99. The minimum expenditure for instruction requirement was 60% in FY99, 65% in FY2000, and 70% in FY2001 and thereafter. Concurrently, the districts and department were required to improve statewide comparability and consistency in data reporting.

FY2003 is the fifth year under the new law. In addition to the graduated instructional expenditure portion to get to the 70% mandate, the implementation also included an emphasis on uniform expenditure classifications in order to improve statewide comparability and consistency in data reporting. In FY2002 a revised statewide school district chart of accounts became effective. This chart of account revision reflects three years of working towards increased uniform data in statewide reporting. The emphasis on collection of uniform data also brought about two changes in regulation affecting the instructional component; in FY2001 School Administration was included in instruction and in FY2002 School Administration-Support was broken out and support staff are no longer included in instruction.

- Last year the department reported that the financial information in the FY2002 budgets, including the instructional percentages, would provide a baseline for comparative data in future years. The FY2002 data represents full implementation of the minimum expenditure law, substantial progress in consistent statewide data, and full reporting under the revised chart of accounts.

For the first several years of the law there was an increase in the number of waivers due to an increasing implementation percentage and other fluctuations due to changes in data collection and comparability from one year to the next.

- Statewide the districts have demonstrated improvement towards directing revenues towards instruction. In FY99 only eight districts budgeted 70% on instruction, in FY2003 26 districts have budgeted 70% on instruction. In the fifth year of the minimum expenditure for instruction law there is a consistency in those districts applying for budget waivers and patterns in the reasons and causes the districts' submit with the waiver requests. It may be that until there are further changes in revenues, or other impacts to the districts, there will be fewer changes from one year to the next in the number of districts above and below the 70% requirement.
- On an individual basis 48 of the 53 school districts have increased the instructional percentage since FY99. Of the five that have not shown an increase two were affected by data reporting requirements, two are small districts with declining enrollments and one district fell to 69% related to FY2003 insurance expense increases.

Districts have reported progress towards the 70% for instruction by reducing non-instructional staff and cutting back on other non-instructional expenditures.

- The department has focused on the administrative categories and with the new detail now provided from the revised chart of accounts the department is further reviewing operations and maintenance.

The department's internal auditors review the individual districts twice a year, one budget review that includes a waiver analysis if applicable, and one financial statement review. The reviews encompass a wide range of items and include individual correspondence to each district regarding revenues, expenditures and operations.

- The following three spreadsheets summarize components of the 70% minimum instructional expenditure requirement
 - Operating Fund Minimum Expenditure for Instruction and Summary
 - Districts' Reasons and Causes for FY2003 Budget Waiver Requests
 - Minimum Expenditure for Instruction Calculation Overview.

**Department of Education Early Development
Operating Fund Minimum Expenditure for Instruction and Summary**

	60% FY 1999 Budget	60% FY 1999 Audit	65% FY 2000 Budget	65% FY 2000 Audit	70% FY 2001 Budget	70% FY 2001 Audit	70% FY 2002 Budget	70% FY 2002 Audit	70% FY 2003 Budget
Alaska Gateway	62%	63%	65%	68%	69%	71%	65%	67%	65%
Aleutian Region	56	62	62	62	65	65	67	70	70
Aleutians East Borough	50	58	64	62	69	67	67	66	65
Anchorage	75	72	74	72	81	79	78	77	77
Annette Island	65	63	65	57	69	65	61	66	66
Bering Strait	61	63	65	65	70	70	70	* 69	70
Bristol Bay Borough	64	65	65	65	69	70	69	68	68
Chatham	75	70	67	64	68	66	69	67	69
Chugach	67	75	70	76	72	82	74	81	76
Copper River	67	65	66	66	69	73	69	72	69
Cordova City	65	69	66	66	75	75	70	71	70
Craig City	67	70	71	72	73	81	75	74	78
Delta Greely	66	71	72	70	77	76	73	74	74
Denali Borough	64	63	66	67	72	73	68	68	68
Dillingham City	73	67	71	67	78	73	74	71	69
Fairbanks North Star Borough	73	73	72	72	79	79	77	78	76
Galena City	67	72	73	69	82	80	75	70	70
Haines Borough	67	66	67	68	76	76	73	73	72
Hoonah City	61	55	62	59	65	64	67	65	59
Hydaburg City	46	47	65	61	65	63	64	63	66
Iditarod Area	55	59	65	67	75	72	69	67	68
Juneau Borough	74	73	74	74	82	81	78	79	77
ake City	54	57	63	60	63	63	62	64	64
Kashunamiut	59	58	61	69	74	73	74	76	73
Kenai Peninsula Borough	68	68	68	68	76	76	73	73	73
Ketchikan Gateway Borough	69	69	70	69	78	78	76	77	76
Klawock City	63	61	69	65	74	71	70	70	66
Kodiak Island Borough	68	69	70	70	76	76	74	73	74
Kuspuk	61	62	65	65	73	72	68	70	69
Lake & Peninsula Borough	55	64	72	70	69	70	67	65	66
Lower Kuskokwim	66	64	67	66	75	76	73	73	70
Lower Yukon	60	61	63	62	69	68	68	67	66
Matanuska Susitna Borough	73	74	72	73	81	81	77	76	76
Nenana City	69	69	75	74	75	82	76	73	72
Nome City	61	63	64	64	68	68	68	66	66
North Slope Borough	56	57	64	63	66	66	65	64	64
Northwest Arctic Borough	55	56	59	58	66	64	65	65	65
Pelican City	62	61	69	68	68	60	58	55	59
Petersburg City	69	69	68	69	74	74	75	73	71
Pribilof Islands	57	56	58	61	62	58	61	66	65
Sitka Borough	76	75	76	76	84	84	81	81	79
Skagway City	58	58	62	60	69	61	66	66	67
Southeast Island	66	71	65	68	69	68	69	69	70
Southwest Region	62	65	68	66	74	72	69	68	68
St. Mary's City	65	60	66	65	69	82	68	74	70
Tanana City	61	52	45	46	50	54	47	55	50
Unalaska City	64	64	66	61	72	70	72	74	71
Valdez City	69	68	70	68	77	78	74	76	75
Wrangell City	70	69	70	70	76	76	74	77	73
Yakutat City	65	60	62	62	69	71	69	67	67
Yukon Flats	52	54	52	54	57	55	61	59	62
Yukon/Koyukuk	63	63	63	64	69	73	68	67	68
Yupit	53	51	62	59	72	70	63	68	72
Total Waivers	13	2	16	4	24	0	29	* 1	27

Bold = Waiver Requested and Approved
***** = Waiver Requested for current year

SUMMARY OF PERCENTAGES BY CATEGORY

Districts below 60%	13	13	4	6	2	3	2	3	3
Districts between (60% - 65%)	14	16	12	13	2	4	6	3	3
Districts between (65% - 70%)	18	13	21	22	20	10	21	20	21
Districts at 70% and above	8	11	16	12	29	36	24	27	26
	53	53	53	53	53	53	53	53	53

**Department of Education and Early Development
Districts' Reasons and Causes for FY2003 Budget Waiver Requests**

District Reasons and Causes for FY2003 Budget Waiver Requests								
	70% Instructional Percentage FY 2003 Budget	Economies of Scale & Small Populations at Multiple Sites	Operations and Maintenance	Costs Related to Remote Location	Declining Enrollment	Necessary non-instructional duties for compliance & fixed costs.	Regional Economy or Limitations in Local Support	FY2003 Insurance Cost Increases
Alaska Gateway	65%	x	x	x				x
Aleutian Region	70							
Atkasook East Borough	65		x	x	x			
Anchorage	77							
Arctic Village	66		x		x	x		
Bering Strait	70							
Bristol Bay Borough	68		x	x	x		x	
Chatham	69			x	x		x	
Chugach	76							
Copper River	69	x	x					x
Cordova City	70							
Craig City	78							
Delta Greely	74							
Denali Borough	61		x		x	x		x
Dillingham City	69							x
Fairbanks North Star Borough	76							
Galena City	70							
Haines Borough	72							
Hoonah City	59		x					x
Hydaburg City	66		x		x			x
Iditarod Area	68	x	x	x				
Juneau Borough	77							
Kake City	64		x	x		x		
Kashunamiut	73							
Kenai Peninsula Borough	73							
Ketchikan Gateway Borough	76							
Klawock City	65		x		x			x
Kodiak Island Borough	74							
Kuspuk	69		x					x
Lake & Peninsula Borough	66	x	x	x	x			x
Lower Kuskokwim	70							
Lower Yukon	66	x	x	x				x
Matanuska Susitna Borough	76							
Nenana City	72							
Nome City	66		x	x				x
North Slope Borough	64		x	x				x
Northwest Arctic Borough	65		x					x
Pelican City	59				x			x
Petersburg City	71							
Pribilof Islands	65		x	x	x			x
Sitka Borough	79							
Skagway City	67					x		
Southeast Island	70							
Southwest Region	68							x
St. Mary's City	70							
Tanana City	50		x		x			x
Unalaska City	71							
Valdez City	75							
Wrangell City	73							
Yakutat City	67		x	x				x
Yukon Flats	62		x					
Yukon/Koyukuk	68		x	x	x			x
Yupit	72							
Totals	27	5	22	13	12	4	2	19

**Department of Education & Early Development
Minimum Expenditure for Instruction Calculation Overview**

School Operating Fund Only

Calculation for FY 1999 and FY 2000	Calculation for FY 2001	Calculation for FY 2002/Beyond
FY99 Minimum Expenditure for Instruction is 60%		
FY00 Minimum Expenditure for Instruction is 65%		
100 Instruction _____	100 Instruction _____	100 Instruction _____
200 Special Education _____	200 Special Education _____	200 Special Education _____
220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____	220 Special Education-Support Svc. _____
300 Support Services – Students _____	300 Support Services – Students _____	300 Support Services – Students _____
350 Support Services – Instruction _____	350 Support Services – Instruction _____	350 Support Services – Instruction _____
Total Instructional Expenditures 100-350(a) _____	Total Instructional Expenditures 100-400(a) _____	Total Instructional Expenditures 100-400(a) _____
400 School Administration _____	510 District Administration _____	450 School Administration Support _____
510 District Administration _____	550 District Administration-Support _____	510 District Administration _____
550 District Administration-Support _____	600 Operation & Maintenance _____	550 District Administration-Support _____
600 Operation & Maintenance _____	700 Student Activities _____	600 Operation & Maintenance _____
700 Student Activities _____	780 Community Service _____	700 Student Activities _____
780 Community Service _____		780 Community Service _____
Total Expenditures 100-780(b) _____	Total Expenditures 100-780(b) _____	Total Expenditures 100-780(b) _____
Total Instructional (a) divided by total expenditures (b) _____ %	Total Instructional (a) divided by total expenditures (b) _____ %	Total Instructional (a) divided by total expenditures (b) _____ %

ALASKA STATE LEGISLATURE



SENATOR GRETCHEN GUESS

SPONSOR STATEMENT SB 10

"An act relating to a minimum expenditure for the instruction component in a public school budget; and providing for an effective date."

Purpose

SB 10 will amend Alaska State law to provide a higher minimum expenditure for the instruction component in a public school budget if the school district has greater economies of scale.

Background

Currently the minimum expenditure for the instruction component in a public school budget is 70 percent of school operating expenditures. This requirement is the same for all school districts and does not take into account the differing economies of scale between districts. For example, a school district with great economies of scale such as Anchorage has the same requirement as a disparate district as Lower Yukon.

By using the average students per school as a measure of economies of scale, it is possible to require school districts which have a greater capability to provide more funding into the classroom to do just that. If by chance, their economies of scale cannot lead to more funds to the classroom, the school district can apply for a waiver.

Solution

SB 10 will require the following minimum percentages on instructional components.

School districts with an average of 401 students per school or more spend a minimum of 85 percent.

School districts with at least an average of 301 students per school but less than 401 students per school spend a minimum of 80 percent.

School districts with at least an average of 200 students per school but less than 301 students per school spend a minimum of 75 percent

School district with less than an average of 200 students per school will stay at the minimum of 70 percent.