

**HB**

**406**

<TARGET><BILL>HB 406</BILL><SUBJECT>HB  
406</SUBJECT><COMM>HEDC30</COMM></TARGET>



## Anchorage School District

### Education Center

5530 E. Northern Lights Blvd. • Anchorage, AK 99504 • 907-742-4000 • www.asdk12.org

March 26, 2018

House Education Committee  
Alaska State House of Representatives  
State Capitol Room 514  
Juneau AK, 99801

Dear Members of the House Education Committee,

As the Superintendent of Anchorage School District (ASD), I am writing in support of House Bill 406. This legislation would provide a phased period in which school districts could plan for school consolidation when experiencing decreased enrollment. Presently, the funding formula for schools does not take into account the needed transition funding to plan for efficient use of facilities and staffing.

House Bill 406 proposes provisions for school districts that will greatly assist with initial consolidations, enabling them to scale down using proven efficiencies, while still providing for the education of students. The present legislation would support districts' expenses for transportation adjustments, staffing changes, and the physical aspects of moving furniture and curriculum as districts engage in school consolidation.

Anchorage has historically provided its maximum allowable funding to support its schools, and school consolidation could save tax money for our city due to reductions in capital costs. The State will benefit as it will support fewer building sites, yet continue to support high quality educational experiences and instruction.

In ASD, we are working diligently to identify and implement efficiencies. Nevertheless, the costliest issue in education relates to staffing and compensation. While the need for teachers will continue, by combining student populations, a smaller number of support staff positions would be necessary. Considering capital and operations is a smart way to plan. Please support Alaska's urban districts by extending the school size factor to allow our district to hold harmless, which will permit us to consolidate schools as well as downsize support services.

On behalf of the Anchorage School Board, we recognize the fiscal realities which you are facing and appreciate your willingness to provide school districts with increased flexibility and discretion in a time of constricting resources. ASD embraces innovation and supports creative solutions. I want to thank you for the opportunity to share my support for your work.

Respectfully,

Deena M. Bishop, Ed.D.  
Superintendent

cc: Tam Agosti-Gisler, President, Anchorage School Board

*Educating All Students for Success in Life*

Anchorage School Board Tam Agosti-Gisler, President  
Starr Marslett, Vice President  
Kathleen Plunkett, Clerk

Elisa Snelling, Treasurer  
Bettye Davis

Dave Donley  
Andy Holleman

Superintendent Dr. Deena Bishop



House Education Committee  
Sectional Analysis

House Bill 406

**"An Act relating to the calculation of state aid for schools that consolidate; relating to the determination of the number of schools in a district; and providing for an effective date."**

**Section 1: AS 14.17.410(b)**

Adds new language to AS 14.17.410(b)(1) to provide a "consolidation transition" that allows a school district to gradually move from their current state aid amount to a lower state aid amount after consolidation of schools, within a community, and describes how and when the consolidation transition can be used.

(H) Specifies how state aid during the transition period will be calculated. The "pre-consolidation" and "post-consolidation" formula remains the same; the bill will only change how quickly the "post consolidation" amount is instituted:

(H)(i)

Consolidation Years 1 & 2: The district will receive the same funding as if the consolidated school was still separate schools.

(H)(ii)

Consolidation Year 3: The district will receive 66% of the difference between funding from pre-consolidation and post-consolidation.

(H)(iii)

Consolidation Year 4: The district will receive 33% of the difference between funding from pre-consolidation and post-consolidation.

Sections (I) – (L) specify conditions where the "consolidation transition" may not be used.

(I) When the "transitional" state aid amount would result in lower funding than under the traditional funding formula.

- (J) When a school district is already receiving additional state aid due to the Hold Harmless Clause in AS 14.17.410(b)(1)(E).
- (K) If a new facility was constructed in order to consolidate schools.
- (L) If the school was reopened and reconsolidated within the past five years.
- (M) Requires the district to provide the necessary information and calculations for the Department of Education and Early Development for verification, including a student count by school for the schools involved in the consolidation.
- (N) Defines “community” as an organized municipality or an unincorporated area with a population of less than 2,000 people to clarify which schools can be consolidated.

**Section 2: AS 14.17.905**

Adds a new subsection that allows a school that services grades K-12 in a single building and has an average daily membership (ADM) greater than 425 to be considered two separate schools for calculating state aid.

**Section 3: AS 14.17.410(b)**

Makes this Act applicable to schools which consolidate on or after the effective date of this bill.

**Section 4: Effective Date**

Provides for an immediate effective date.



House Education Committee  
**Sponsor Statement**

House Bill 406

**"An Act relating to the calculation of state aid for schools that consolidate; relating to the determination of the number of schools in a district; and providing for an effective date."**

House Bill 406 will eliminate an unanticipated obstacle to school consolidation that is found in the school size factor. Currently school districts are unintentionally discouraged from consolidating because they would abruptly lose revenue under the school size factor, even though it would otherwise make sense to do so.

The school size factor is an adjustment factor in the school funding formula that is applied to the base student allocation. It creates a multiplier in the funding formula that gets applied to every school in a district based on their average daily membership (ADM). The larger the student count, the smaller the multiplier; the smaller the student count, the larger the multiplier.

The school size factor creates an unexpected challenge for districts because when a larger school district combines schools, they automatically receive less money per student to fund that school. For districts that may be experiencing reduced student enrollment consolidation should be an option. However, as it stands, most districts are discouraged from implementing consolidation due to the potential of a sudden drop in funding per student.

HB 406 establishes a new mechanism for school consolidation in which overall funding remains the same for two years, then gradually reduces over the following two years. This will provide districts time to adjust to the reduced funding amount.

Additionally, HB 406 allows for communities that have one K-12 school with 425 students or more to be considered one elementary school and one secondary school and receive funding appropriately.

We appreciate your support for this legislation.

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version: HB 406  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB406-EED-FP-3-27-18  
Title: SCHOOL FUNDING FOR CONSOLIDATED  
SCHOOLS  
Sponsor: EDUCATION  
Requester: House Education Committee

Department: Department of Education and Early Development  
Appropriation: K-12 Aid to School Districts  
Allocation: Foundation Program  
OMB Component Number: 141

### Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Positions

Full-time							
Part-time							
Temporary							

### Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

### ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

### Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By: <u>Heidi Teshner, Director</u>	Phone: <u>(907)465-2875</u>
Division: <u>Finance and Support Services</u>	Date: <u>03/27/2018</u>
Approved By: <u>Dr. Michael Johnson, Commissioner</u>	Date: <u>03/27/18</u>
Agency: <u>Department of Education &amp; Early Development</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB406 \_\_\_\_\_

Analysis

The intent of HB406 amends the public school funding formula under AS 14.17.410 by providing a provision that assists districts that consolidate one or more schools within a community. The district must show a decline in basic need for the affected schools in order to use this provision.

The process calculates the average daily membership (ADM) for each of the schools affected by the consolidation, based on AS 14.17.410(b)(A) - (C): beginning with school size adjustment (A); district cost factor (B); special education factor 1.20 (C); and the vocational and technical instruction adjustment of 1.015, also listed under (C). The total adjusted ADM up to this point is totaled up amongst the affected schools and then divided by the total unadjusted ADM that was submitted for those schools. The same process is then repeated for the affected schools in the previous fiscal year, prior to consolidation, to establish the base. The result of those two calculations, for the base year and the consolidation year, are subtracted and is multiplied by the original ADM submitted for the first year of consolidation. The result of the multiplication is added back to the ADM adjusted after the vocational and technical instruction adjustment of 1.015.

The above calculation will only be established in the first fiscal year of consolidation and then applied in the out years as follows: the first two fiscal years following the consolidation the district can offset 100% of the reduction in basic need of the affected schools; the third fiscal year there is a 66% offset of those funds; the fourth fiscal year 33% offset of those funds; and finally completely transitioned by the fifth fiscal year.

In the following hypothetical example the numbers are representative of individual schools in a community and the letters refer to the corresponding statutory references shown above.

Affected Schools 1, 2, 3, and 4, in the prior fiscal year:

School 1 (A) x (B) x (C) x (C)

School 2 (A) x (B) x (C) x (C)

School 3 (A) x (B) x (C) x (C)

School 4 (A) x (B) x (C) x (C)

TOTAL of ADM adjustments of Schools 1, 2, 3, and 4 DIVIDED by the total ADM submitted for schools 1, 2, 3, and 4 = quotient X

\*\*\*\*\*

Consolidation of School 1 into Schools 2, 3, and 4, in the current fiscal year:

School 2 (A) x (B) x (C) x (C)

School 3 (A) x (B) x (C) x (C)

School 4 (A) x (B) x (C) x (C)

TOTAL of ADM adjustments of Schools 2, 3, and 4 DIVIDED by the total ADM submitted for schools 2, 3, and 4 = quotient Y

Quotient X of the prior fiscal year MINUS Quotient Y of the current fiscal year, MULTIPLIED by the Total ADM submitted in the current fiscal year, EQUALS the portion of ADM to be added back to the current/consolidated fiscal year's ADM as adjusted under AS 14.17.410(b)(A)-(C).

The calculation must be run each year to determine the total ADM adjustment under AS 14.17.410(b)(A)-(C) to ensure the affected schools are not above the base year prior to consolidation. If the total ADM's in the consolidation year for the affected schools increase then the provision would not be available to the district.

Following the calculation is language intended to provide additional qualifiers.

\* If one of the fiscal year's calculation of basic need, following consolidation, for the affected schools is greater than the base year, then there is no adjustment and the provision ends.

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB406

### Analysis

- \* A district may not use both the hold harmless provision and this provision at the same time.
- \* Building a new facility for consolidation purposes does not qualify a district for this provision.
- \* A district may not reopen and reconsolidate a school more than once every seven years.
- \* A district will provide the department with the schools and corresponding ADM affected by the consolidation.
- \* Defines "community" for this chapter as an organized municipality or an unincorporated village ... with a population of less than 2,000 people. This means that some communities would not qualify for this provision, such as: Anchorage, Fairbanks, North Pole, Juneau, Homer, Soldotna, Ketchikan, Kodiak, Bethel, Palmer, Wasilla, etc.

Section 1 has no fiscal impact on the department, as districts will continue to receive the same amount of funding they currently receive after the consolidation of one or more schools within a community under this provision.

Section 2 would amend AS 14.17.905, facility constituting a school, by adding a new subsection (c) to fix an unintended consequence of the number of adjustments a community, with an ADM of more than 425 and one school, can receive. Currently the law reads that a community with an ADM of 101 to 425 may receive two adjustments for school size: one for elementary and another for secondary. Once the community goes above 425 ADM however, it reduces down to one adjustment per school facility. A single site facility in the community such as Hooper Bay in Lower Yukon School District, would result in a significant loss of funding when it exceeded 425 ADM. The amended language would mitigate this by providing two adjustments for a community greater than 425 ADM with a single site facility serving grades Kindergarten through 12. If the actual FY2018 ADM of 449.40 is applied to the projection for FY2019, instead of the 425 ADM that was submitted for Hooper Bay School, then the result is a \$386.3 increase in funding.

Section 3 amends uncodified law by stating that Section 1 of this bill only applies to schools that consolidate on or after the effective date of this bill.

This act takes effect immediately under AS 01.10.070(c).

*The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2019 through FY2024 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.*

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version: HB 406  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB406-EED-PEF-3-27-18  
Title: SCHOOL FUNDING FOR CONSOLIDATED  
SCHOOLS  
Sponsor: EDUCATION  
Requester: House Education Committee

Department: Fund Capitalization  
Appropriation: Fund Capitalization (no approps out)  
Allocation: Public Education Fund (starts FY17)  
OMB Component Number: 2804

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	386.3		386.3	386.3	386.3	386.3	386.3
Miscellaneous							
<b>Total Operating</b>	<b>386.3</b>	<b>0.0</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>

**Fund Source (Operating Only)**

1004 Gen Fund (UGF)	386.3		386.3	386.3	386.3	386.3	386.3
<b>Total</b>	<b>386.3</b>	<b>0.0</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>	<b>386.3</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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Not applicable; initial version.

Prepared By: <u>Heidi Teshner, Director</u>	Phone: <u>(907)465-2875</u>
Division: <u>Finance and Support Services</u>	Date: <u>03/27/2018 11:00 AM</u>
Approved By: <u>Dr. Michael Johnson, Commissioner</u>	Date: <u>03/27/18</u>
Agency: <u>Department of Education &amp; Early Development</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB406

Analysis

The intent of HB406 amends the public school funding formula under AS 14.17.410 by providing a provision that assists districts that consolidate one or more schools within a community. The district must show a decline in basic need for the affected schools in order to use this provision.

The process calculates the average daily membership (ADM) for each of the schools affected by the consolidation, based on AS 14.17.410(b)(A) - (C): beginning with school size adjustment (A); district cost factor (B); special education factor 1.20 (C); and the vocational and technical instruction adjustment of 1.015, also listed under (C). The total adjusted ADM up to this point is totaled up amongst the affected schools and then divided by the total unadjusted ADM that was submitted for those schools. The same process is then repeated for the affected schools in the previous fiscal year, prior to consolidation, to establish the base. The result of those two calculations, for the base year and the consolidation year, are subtracted and is multiplied by the original ADM submitted for the first year of consolidation. The result of the multiplication is added back to the ADM adjusted after the vocational and technical instruction adjustment of 1.015.

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The calculation must be run each year to determine the total ADM adjustment under AS 14.17.410(b)(A)-(C) to ensure the affected schools are not above the base year prior to consolidation. If the total ADM's in the consolidation year for the affected schools increase then the provision would not be available to the district.

Following the calculation is language intended to provide additional qualifiers.

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## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB406

### Analysis

- \* A district may not use both the hold harmless provision and this provision at the same time.
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- \* Defines "community" for this chapter as an organized municipality or an unincorporated village ... with a population of less than 2,000 people. This means that some communities would not qualify for this provision, such as: Anchorage, Fairbanks, North Pole, Juneau, Homer, Soldotna, Ketchikan, Kodiak, Bethel, Palmer, Wasilla, etc.

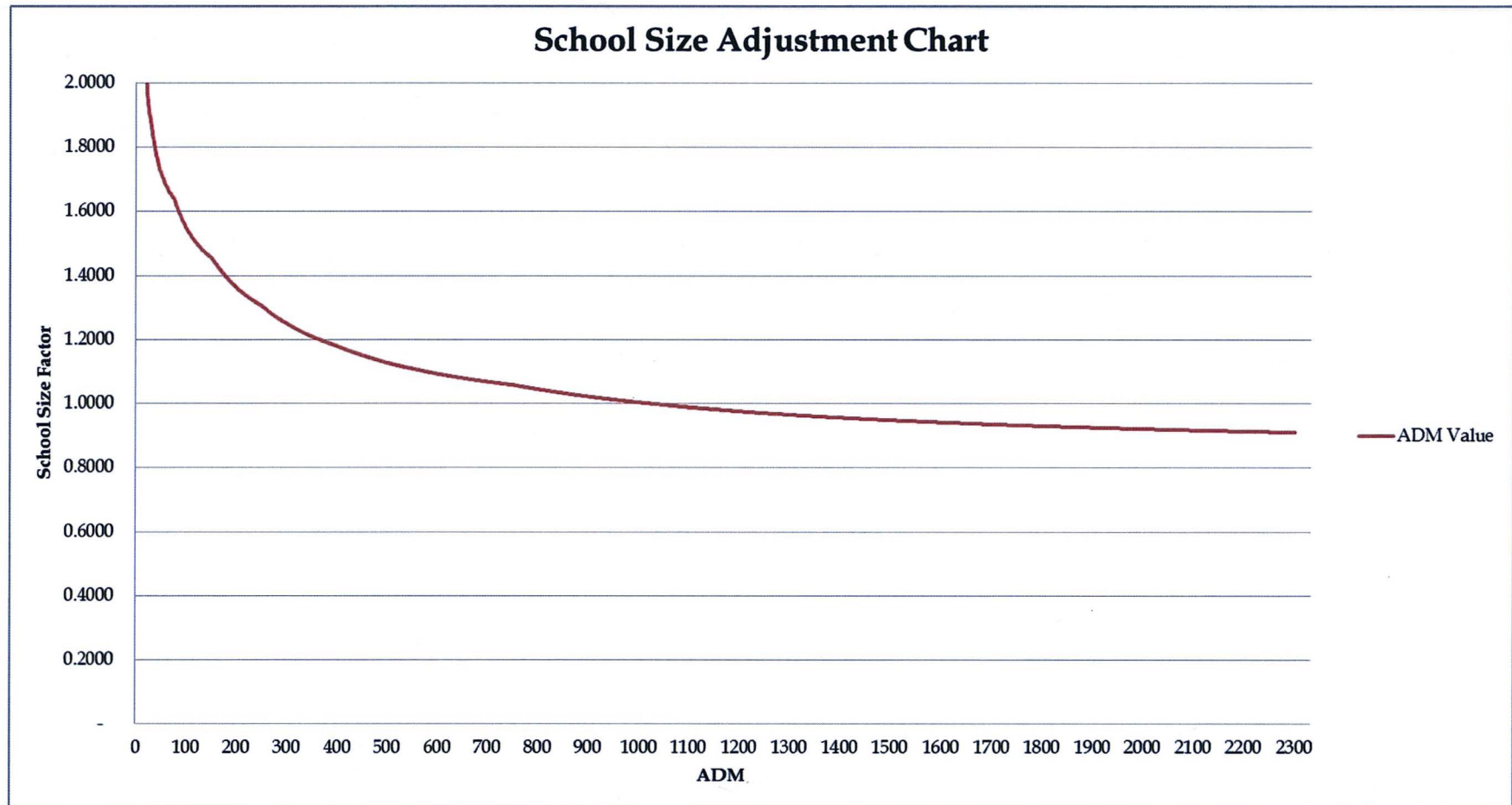
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Section 3 amends uncodified law by stating that Section 1 of this bill only applies to schools that consolidate on or after the effective date of this bill.

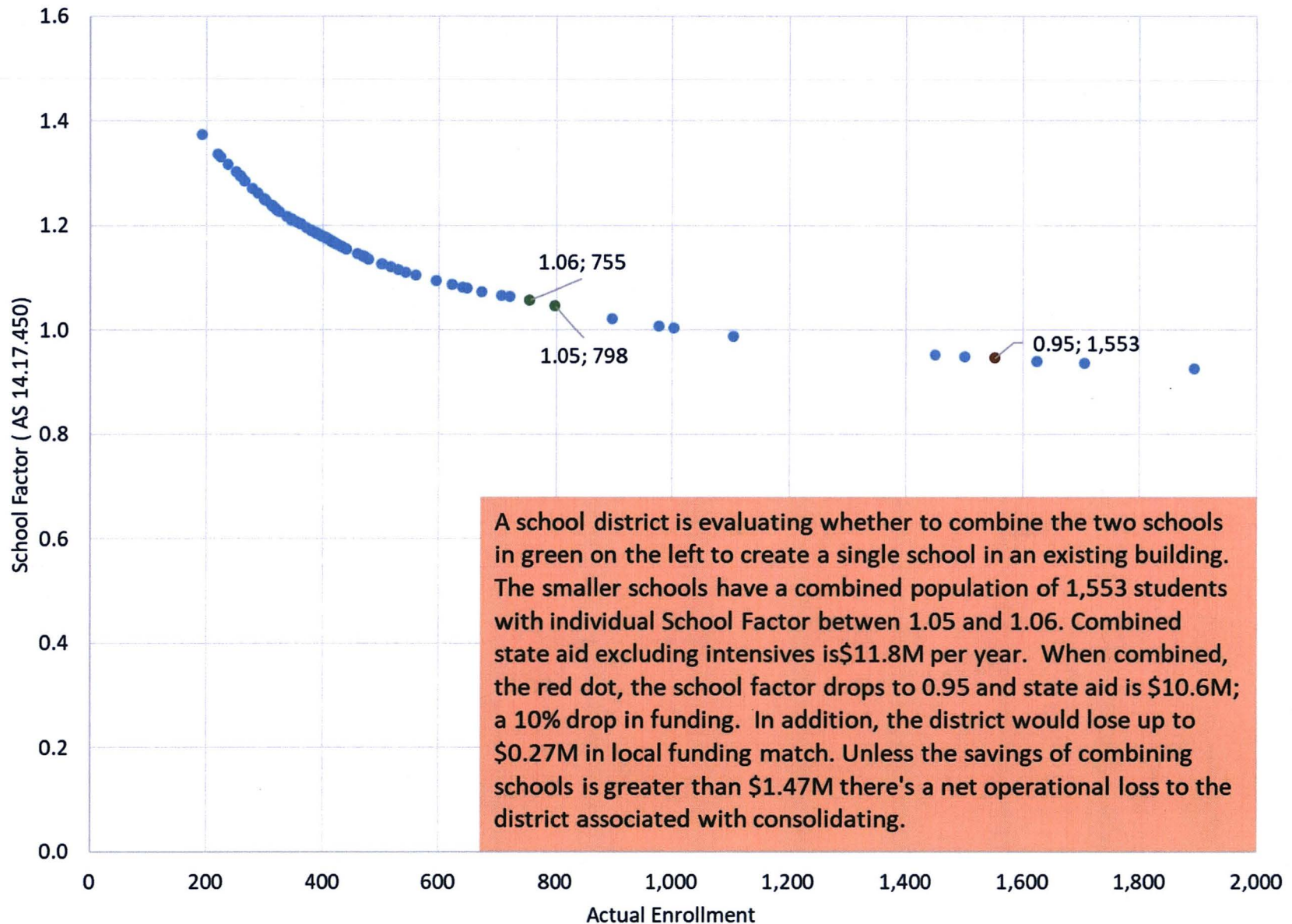
This act takes effect immediately under AS 01.10.070(c).

# Alaska's School Size Factor Adjustment AS 14.17.150(a)



# Effect of the School Size Factor on Consolidation

## Example 1



# Consolidation Example 2

In the example below, consolidating 5 elementary schools into 4 elementary schools reduces state aid to the district by \$647,000 and total aid by \$798,000. The district is unlikely to consolidate unless net savings are higher than that latter amount.

Elementary Consolidation Model		DCF					
		1.00					
		Current School ADM Revenue Allocation					
Line #	Rel. Stat.	School #1	School #2	School #3	School #4	School #5	Total
1	14.17.410(1)(A) Unadjusted ADM (Student Count)	360	340	320	375	325	1,720
2	14.17.410(1)(A) School Size Adjustment (Line 1*Formula)	433	413	394	447	399	2,086
3	14.17.410(1)(B) District Cost Factor Adj (Line 2*\$D\$2)	433	413	394	447	399	2,086
4	14.17.410(1)(C) SPED Adjustment (line 2 x 1.2)	519	496	473	537	479	2,504
5	14.17.410(1)(C) CTE Adjustment (line 3 x 1.015)	527	504	480	545	486	2,541
6	14.17.410(1) Basic Need (line 4 x \$5,930)	\$ 3,126,002	\$ 2,985,881	\$ 2,845,760	\$ 3,231,093	\$ 2,880,790	\$ 15,069,525
		School Consolidation Revenue Allocation					
		School #1	School #2	School #3	School #4	School #5	Total
7	14.17.410(1)(A) Unadjusted ADM (Student Count)	-	440	440	420	420	1,720
8	14.17.410(1)(A) School Size Adjustment (Line 1*Formula)	-	508	508	490	490	1,997
9	14.17.410(1)(B) District Cost Factor Adj (Line 2*\$J\$7)	-	508	508	490	490	1,997
9	14.17.410(1)(C) SPED Adjustment (line 2 x 1.2)	-	610	610	588	588	2,396
11	14.17.410(1)(C) CTE Adjustment (line 3 x 1.015)	-	619	619	597	597	2,432
12	14.17.410(1) Basic Need (line 4 x \$5,930)	\$ -	\$ 3,672,041	\$ 3,672,041	\$ 3,539,143	\$ 3,539,143	\$ 14,422,367
13	Distribution of displaced students	(360)	100	120	45	95	-
14	<b>Change in Revenue after Consolidation</b>						
15	Change in Formula Funding (line 5 - line 10)	\$ (647,158)					
16	Change in Local Funding	(149,248)					
17	Change in Quality Schools Grant	(1,746)					
18	Total Change in Funding (Sum 15-17)	\$ (798,151)					

# Expected State Savings Example 2, Continued

- A district with a District Cost Factor of 1.0 consolidates 5 schools with 1,720 students into 4 schools
  - Total state aid (pre-consolidation excluding intensive services factor) is \$15.07M per year.
  - After consolidation, state aid continues at \$15.07M in Years 1 and 2.
  - In Years 3, 4 and 5, state aid adjusts in equal increments until it reaches the natural level of \$14.42M per year for the 1,720 students.

## State Savings Over a Five Year Cycle

Year	Schools	State Aid (\$M)	Annual Reduction in State Aid (\$M)
Base	5	15.07	\$0.00
1	4	15.07	\$0.00
2	4	15.07	\$0.00
3	4	14.85	\$0.22
4	4	14.64	\$0.43
5	4	14.42	\$0.65

# Year 1-2 Calculations Based on Example 2

Year 1-2 Calculation			
Calculation Line	Bill Line	Notation	Calculation
A	Pg. 3, Ln 22/23	Adjusted Base Year ADM (Line 5)	2541.24
B	Pg. 3, Ln 23/24	Unadjusted Base Year ADM (Line 1)	1720.00
C	Pg. 3, Ln 21	<i>Line A/Line B</i>	<i>1.48</i>
D	Pg. 3, Ln 26/27	Adjusted Current Year ADM (Line 11)	2432.10
E	Pg. 3, Ln 27/28	Unadjusted Current Year ADM (Line 7)	1720.00
F	Pg. 3, Ln 25	<i>Line D/Line E</i>	<i>1.41</i>
G	Pg. 3, Ln 25	<i>Line C-Line F</i>	<i>0.06</i>
H	Pg. 3, Ln 30/31	<i>Line B*Line G</i>	<i>109.13</i>
I	Pg. 3/4, Ln 31/1	<i>Line D+Line H</i>	<i>2541.24</i>
J	Pg 1, Line 10	Base Student Allocation	\$5,930
Line K	Pg 1, Line 10	Line J*Line I	\$15,069,525
Prior Funding Amount		Line 6	\$15,069,525
Difference in Funding From Consolidation (Proposed 14.17.410(1)(H))			\$0

# Year 3 Calculations Based on Example 2

Year 3 Calculation			
Calculation Line	Bill Line	Notation	Calculation
A	Pg. 3, Ln 22/23	Adjusted Base Year ADM (Line 5)	2541.24
B	Pg. 3, Ln 23/24	Unadjusted Base Year ADM (Line 1)	1720.00
C	Pg. 3, Ln 21	<i>Line A/Line B</i>	1.48
D	Pg. 3, Ln 26/27	Adjusted Current Year ADM (Line 11)	2432.10
E	Pg. 3, Ln 27/28	Unadjusted Current Year ADM (Line 7)	1720.00
F	Pg. 3, Ln 25	<i>Line D/Line E</i>	1.41
G	Pg. 3, Ln 25	<i>Line C-Line F</i>	0.06
H	Pg. 3, Ln 30/31	<i>Line B*Line G</i>	109.13
<i>h</i>	Pg. 4, Ln XX	<i>Line H*.66</i>	72.03
<i>I</i>	Pg. 3/4, Ln 31/1	<i>Line D+Line h</i>	2504.13
J	Pg 1, Line 10	Base Student Allocation	\$5,930
Line K	Pg 1, Line 10	Line J*Line I	\$14,849,491
Prior Funding Amount		Current Year Funding+66% of BY-CY	\$14,849,491
Difference in Funding From Consolidation (Proposed 14.17.410(1)(H))			\$0

# Year 4 Calculations Based on Example 2

Year 4 Calculation			
Calculation Line	Bill Line	Notation	Calculation
A	Pg. 3, Ln 22/23	Adjusted Base Year ADM (Line 5)	2541.24
B	Pg. 3, Ln 23/24	Unadjusted Base Year ADM (Line 1)	1720.00
C	Pg. 3, Ln 21	<i>Line A/Line B</i>	1.48
D	Pg. 3, Ln 26/27	Adjusted Current Year ADM (Line 11)	2432.10
E	Pg. 3, Ln 27/28	Unadjusted Current Year ADM (Line 7)	1720.00
F	Pg. 3, Ln 25	<i>Line D/Line E</i>	1.41
G	Pg. 3, Ln 25	<i>Line C-Line F</i>	0.06
H	Pg. 3, Ln 30/31	<i>Line B*Line G</i>	109.13
<i>h</i>	Pg. 4, Ln XX	<i>Line H*.33</i>	36.01
<i>I</i>	Pg. 3/4, Ln 31/1	<i>Line D+Line h</i>	2468.12
J	Pg 1, Line 10	Base Student Allocation	\$5,930
Line K	Pg 1, Line 10	Line J*Line I	\$14,635,929
Prior Funding Amount		0 Current Year Funding+3% of BY-CY	\$14,635,929
Difference in Funding From Consolidation (Proposed 14.17.410(1)(H))			\$0



# Anchorage School District

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## Education Center

5530 E. Northern Lights Blvd. • Anchorage, AK 99504 • 907-742-4000 • [www.asdk12.org](http://www.asdk12.org)

March 27, 2018

House Education Committee  
Alaska State House of Representatives  
State Capitol Room 514  
Juneau AK, 99801

Dear Members of the House Education Committee,

As the Superintendent of the Anchorage School District (ASD), I am writing today to provide additional support for House Bill 406. As previously shared, this legislation would provide a phased period in which school districts could plan for school consolidation when experiencing decreased enrollment. Presently, the funding formula for schools does not take into account the needed transition funding to plan for efficient use of facilities and staffing.

Questions were posed about revenue school districts would receive as a result of the legislation and how those funds would compare to actual costs associated with school consolidation. If passed in its present form, the bill would result in no additional funding for ASD, but would, essentially, equate to flat funding. The State would provide the same amount of revenue per student as received prior to a consolidation.

Absent legislation to hold districts harmless from the present school size cost factor, ASD would experience a direct decrease in funding per pupil upon school consolidation, as schools gaining students actually receive less per student as their memberships increase per the state funding formula BSA model. HB 406 will allow time and space for the District to implement cost-savings initiatives during the first several years after a school consolidation (such as leasing a facility, possible bond for the funds required to demo a school, etc.).

Although a closed school will achieve some cost savings by lowering administrative costs (principal, support staff, nurse, custodians, counselor, etc.), teacher costs will stay the same as teacher PTR follows students to the consolidated school(s). Costs to maintain the infrastructure, for the near term, will continue to draw from the operational budget. These costs may include but are limited to the following:

- Unbudgeted costs to relocate school and classroom furniture, supplies, books, computers, projectors, etc.
- Potential increase in the number of counselors or assistant principals to the combined school(s) – dependent on the District's population-based metrics

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*Educating All Students for Success in Life*

**Anchorage School Board** Tam Agosti-Gisler, President

Starr Marssett, Vice President

Kathleen Plunkett, Clerk

Elisa Snelling, Treasurer

Bettye Davis

Dave Donley

Andy Holleman

**Superintendent** Dr. Deena Bishop

March 27, 2018  
House Education Committee  
Page Two

- Utility costs for the short-term as the District can't afford to allow pipes to freeze in the winter, safety lights in and around community playgrounds are needed, etc.
- A potential bond to demolish outdated facilities may require in excess of one year to obtain voter approval, followed by up to two years to plan and demolish a building.
- If retained the building would require maintenance and sustainment costs to continue – at least for the short term.
- Long-term cost-avoidance, for planned future bond requirements, would be realized for any facility that would be demolished.

Again, the Anchorage School Board recognizes the fiscal realities which you are facing and appreciate your willingness to provide school districts with increased flexibility and discretion in a time of constricting resources. ASD embraces innovation and supports creative solutions. I want to thank you for the opportunity to share my support for your work.

This bill is a win/win for local taxpayers as well as for the state. The capital costs of a school building would influence Alaska's monetary resources long term (building and construction/major maintenance), coupled with operational costs, the state is impacted greatly. Please allow school districts the necessary resources to make good decisions for the future without impacting the educational opportunities of students today.

Respectfully,



Deena M. Bishop, Ed.D.  
Superintendent

cc: Tam Agosti-Gisler, President, Anchorage School District



# LOWER YUKON SCHOOL DISTRICT

P.O. Box 32089 • Mountain Village, Alaska 99632

Phone: (907) 591-2411 Fax: (907) 591-2449

[www.loweryukon.org](http://www.loweryukon.org)

**Edgar Hoelscher**  
Chairman

**Dr. Rob Picou**  
Superintendent

March 27, 2018

House Education Committee  
Juneau, AK 99801

Dear House Education Committee Members,

I have been a teacher, a principal, and a superintendent in both rural and urban Alaska for the past twenty years. On behalf of the Regional School Board, the families of the Lower Yukon School District, and the staff of the Lower Yukon School District, this testimony is in support of **House Bill 406: SCHOOL FUNDING FOR CONSOLIDATED SCHOOLS.**

We are in support of House Bill 406 for the following reasons :

1. Hooper Bay is a growing community with a population of 1275. The Hooper Bay School is the largest school in LYSD. The current enrollment is at 449, well beyond the 425 specified in AS 14.17.905.
2. Every school in Alaska is funded proportionately according to its ADM during a twenty day count period. According to the current language of AS 14.17.905, Hooper Bay School is the only school in Alaska that actually gets penalized for an increase in student enrollment.
3. In current form, the provision in AS14.17.905 that calculates funding for a school with an ADM over 425 as one school instead of two schools would equate to a reduction in revenue of \$1M. A reduction in school funding of this size would have a very detrimental impact on children in the Lower Yukon School District.
4. The House Bill 406 provision correction of AS 14.17.905 in Sec 2 would hold the children of LYSD harmless from the unintended consequences of legislation that was written in 2001. In the original language of AS 14.17.905, this unintended consequence was anticipated and Hooper Bay was specifically mentioned in deliberation.

*CHILDREN FIRST*

Alakanuk Emmonak Hooper Bay Kotlik Marshall Mt. Village Pilot Station Russian Mission Scammon Bay Sheldon Point

For these reasons and many more, the Lower Yukon School District supports HB 406 and thanks you for alleviating the unintended consequences of AS 14.17.905 that would have a deleterious impact on the quality of education offered to the children of the Lower Yukon School District

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Picou". The signature is written in a cursive style with a large, stylized "R" and "P".

Rob Picou, Ph.D.

Superintendent

Lower Yukon School District

# Alaska State Legislature

State Capitol, Room 108  
Juneau, AK 99801  
Phone: 465-3875  
Representative.Harriet.Drummond@akleg.gov



Rep. Justin Parish, Vice Chair  
Rep. Tiffany Zulkosky  
Rep. Ivy Spohnholz  
Rep. Jennifer Johnston  
Rep. Chuck Kopp  
Rep. Dave Talerico

## HOUSE EDUCATION COMMITTEE Representative Harriet Drummond, Chair Explanation of Changes for HB 406 (EDU) version: 30-LS1544D

**Page 3, line 14 & Page 5, lines 5, 9, 11, 12:** All references to “state aid” within subparagraphs (H) and (I) are changed to read “basic need” to properly define the section of statute that this bill is affecting.

**Page 5, lines 22-24:** Section (M) is reworded to clarify the information that would need to be submitted by school districts to the Department of Education to calculate the consolidation transition. Instead of the more generic “appropriate calculations” the bill specifies “schools and corresponding ADM.”

**Page 5:** Section (N), which defined “community,” was deleted. This term is already appropriately defined in the Department of Education’s funding formula regulations

30-LS1544\D  
Laffen  
4/3/18

**CS FOR HOUSE BILL NO. 406(EDC)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**THIRTIETH LEGISLATURE - SECOND SESSION**

**BY THE HOUSE EDUCATION COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): HOUSE EDUCATION COMMITTEE**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the calculation of state aid for schools that consolidate; relating to**  
2 **the determination of the number of schools in a district; and providing for an effective**  
3 **date."**

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

5 **\* Section 1.** AS 14.17.410(b) is amended to read:

6 (b) Public school funding consists of state aid, a required local contribution,  
7 and eligible federal impact aid determined as follows:

8 (1) state aid equals basic need minus a required local contribution and  
9 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum  
10 obtained under (D) of this paragraph, multiplied by the base student allocation set out  
11 in AS 14.17.470; district adjusted ADM is calculated as follows:

12 (A) the ADM of each school in the district is calculated by  
13 applying the school size factor to the student count as set out in AS 14.17.450;

14 (B) the number obtained under (A) of this paragraph is

1 multiplied by the district cost factor described in AS 14.17.460;

2 (C) the ADMs of each school in a district, as adjusted  
3 according to (A) and (B) of this paragraph, are added; the sum is then  
4 multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the  
5 secondary school vocational and technical instruction funding factor set out in  
6 AS 14.17.420(a)(3);

7 (D) the number obtained for intensive services under  
8 AS 14.17.420(a)(2) and the number obtained for correspondence study under  
9 AS 14.17.430 are added to the number obtained under (C) of this paragraph **or**  
10 **under (H) and (I) of this paragraph;**

11 (E) notwithstanding (A) - (C) of this paragraph, if a school  
12 district's ADM adjusted for school size under (A) of this paragraph decreases  
13 by five percent or more from one fiscal year to the next fiscal year, the school  
14 district may use the last fiscal year before the decrease as a base fiscal year to  
15 offset the decrease, according to the following method:

16 (i) for the first fiscal year after the base fiscal year  
17 determined under this subparagraph, the school district's ADM adjusted  
18 for school size determined under (A) of this paragraph is calculated as  
19 the district's ADM adjusted for school size, plus 75 percent of the  
20 difference in the district's ADM adjusted for school size between the  
21 base fiscal year and the first fiscal year after the base fiscal year;

22 (ii) for the second fiscal year after the base fiscal year  
23 determined under this subparagraph, the school district's ADM adjusted  
24 for school size determined under (A) of this paragraph is calculated as  
25 the district's ADM adjusted for school size, plus 50 percent of the  
26 difference in the district's ADM adjusted for school size between the  
27 base fiscal year and the second fiscal year after the base fiscal year;

28 (iii) for the third fiscal year after the base fiscal year  
29 determined under this subparagraph, the school district's ADM adjusted  
30 for school size determined under (A) of this paragraph is calculated as  
31 the district's ADM adjusted for school size, plus 25 percent of the

1 difference in the district's ADM adjusted for school size between the  
2 base fiscal year and the third fiscal year after the base fiscal year;

3 (F) the method established in (E) of this paragraph is available  
4 to a school district for the three fiscal years following the base fiscal year  
5 determined under (E) of this paragraph only if the district's ADM adjusted for  
6 school size determined under (A) of this paragraph for each fiscal year is less  
7 than the district's ADM adjusted for school size in the base fiscal year;

8 (G) the method established in (E) of this paragraph does not  
9 apply to a decrease in the district's ADM adjusted for school size resulting  
10 from a loss of enrollment that occurs as a result of a boundary change under  
11 AS 29;

12 **(H) notwithstanding (A) - (C) of this paragraph, if one or**  
13 **more schools close and consolidate with one or more other schools in the**  
14 **same community and district and, as a result of the consolidation, basic**  
15 **need generated by the district's ADM of the consolidated schools as**  
16 **adjusted under (A) - (C) of this paragraph decreases, the district may use**  
17 **the last fiscal year before the consolidation as the base fiscal year to offset**  
18 **that decrease for the first four fiscal years following consolidation**  
19 **according to the following method:**

20 **(i) for the first two fiscal years after the base fiscal**  
21 **year, the district's ADM of the consolidated schools as adjusted**  
22 **under (A) - (C) of this paragraph is calculated by dividing the sum**  
23 **of the district's ADM of the consolidated schools as adjusted under**  
24 **(A) - (C) of this paragraph for the base fiscal year by the sum of the**  
25 **district's ADM of the consolidated schools for the base fiscal year**  
26 **without adjustment, and subtracting the quotient obtained by**  
27 **dividing the district's ADM of the consolidated schools for the**  
28 **current fiscal year as adjusted under (A) - (C) of this paragraph by**  
29 **the sum of the district's ADM of the consolidated schools for the**  
30 **current fiscal year without adjustment, multiplying that number**  
31 **by the sum of the district's ADM of the consolidated schools for the**

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current fiscal year without adjustment, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(ii) for the third fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph for the base fiscal year by the sum of the district's ADM of the consolidated schools for the base fiscal year without adjustment, and subtracting the quotient obtained by dividing the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph by the sum of the district's ADM of the consolidated schools for the current fiscal year, multiplying that number by the sum of the district's ADM of the consolidated schools for the current fiscal year without adjustment, multiplying that number by 66 percent, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(iii) for the fourth fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph for the base fiscal year by the sum of the district's ADM of the consolidated schools for the base fiscal year without adjustment, and subtracting the quotient obtained by dividing the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph by the sum of the district's ADM of the consolidated schools for the current fiscal year, multiplying that number by the sum of the district's ADM of the consolidated schools for the

1 current fiscal year without adjustment, multiplying that number  
2 by 33 percent, and adding that number to the sum of the district's  
3 ADM of the consolidated schools for the current fiscal year as  
4 adjusted under (A) - (C) of this paragraph;

5 (iv) to calculate the district's basic need for each  
6 fiscal year, the number obtained through the calculation in (i), (ii),  
7 or (iii) of this subparagraph is added to the number obtained under  
8 (C) of this paragraph for the remainder of the district;

9 (I) if the basic need calculated under (H)(i) - (iii) of this  
10 paragraph for one of the first four fiscal years after consolidation is less  
11 than the basic need calculated under (A) - (C) of this paragraph for that  
12 fiscal year, the basic need may not be adjusted under (H) of this  
13 paragraph for that fiscal year;

14 (J) a district may not offset a decrease under both (E) and  
15 (H) of this paragraph in the same fiscal year;

16 (K) a district may not offset a decrease under (H) of this  
17 paragraph if a new facility is constructed in the district for the  
18 consolidation;

19 (L) a district may not reopen and reconsolidate a school  
20 that was consolidated in the district more than once every seven years for  
21 purposes of the calculations made under (H) of this paragraph;

22 (M) a district offsetting a decrease under (H) of this  
23 paragraph shall provide the department with the list of schools  
24 participating in the consolidation and the corresponding ADM;

25 (2) the required local contribution of a city or borough school district is  
26 the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and  
27 personal property in the district as of January 1 of the second preceding fiscal year, as  
28 determined by the Department of Commerce, Community, and Economic  
29 Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a  
30 district's basic need for the preceding fiscal year as determined under (1) of this  
31 subsection.

1 \* **Sec. 2.** AS 14.17.905 is amended by adding a new subsection to read:

2 (c) Notwithstanding (a)(2) and (a)(3) of this section, in a community with an  
3 ADM of greater than 425 that has only one facility administered as a school for  
4 students in grades kindergarten through 12, the number of schools for the community  
5 shall be counted under (a)(2) of this section.

6 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 **APPLICABILITY.** AS 14.17.410(b), as amended by sec. 1 of this Act, applies to  
9 schools that consolidate on or after the effective date of this Act.

10 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).