

LEG. FINANCE - BILLS 1985 - 1986 2262

SB 404 cont. - SB 408

2262

1 TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING CONDI-
2 TIONS OR CIRCUMSTANCES ARISES]:

3 (1) nonpayment of premiums, including nonpayment of addi-
4 tional premiums, calculated in accordance with the current rating
5 manual of the insurer, justified by a physical change in the insured
6 property or a change in its occupancy or use;

7 (2) conviction of the insured of a crime having as one of
8 its necessary elements an act increasing a hazard insured against;

9 (3) discovery of fraud or material misrepresentation made
10 by the insured or a representative of the insured in obtaining the
11 insurance or by the insured in pursuing a claim under the policy;

12 (4) discovery of a grossly negligent act or omission by the
13 insured that substantially increases the hazards insured against; or

14 (5) physical changes in the insured property that result in
15 the property becoming uninsurable.

16 * Sec. 6. AS 21.36.220 is amended to read:

17 Sec. 21.36.220. NOTICE OF CANCELLATION. An insurer may not
18 exercise its right to cancel a personal insurance policy unless a
19 written notice of cancellation is mailed or delivered to the named
20 insured, at the address shown in the policy, at least 20 days before
21 the effective date of cancellation. However, if [, EXCEPT THAT WHEN]
22 cancellation is for nonpayment of premium, the notice shall be mailed
23 or delivered to the named insured at the address shown in the policy
24 at least 10 days before the effective date of cancellation, and must
25 [SHALL] include or be accompanied by a statement of the reason for the
26 cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO RENEW A
27 POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12 MONTHS.]

28 * Sec. 7. AS 21.36.220 is amended by adding a new subsection to read:

29 (b) An insurer may not exercise its right to cancel a policy of

1 business or commercial insurance unless a written notice of cancella-
2 tion is mailed or delivered to the named insured, at the address shown
3 in the policy, and to the agent or broker of record, at least 60 days
4 before the effective date of cancellation. However, if cancellation
5 is for nonpayment of premium, the notice shall be mailed or delivered
6 to the named insured at the address shown in the policy and to the
7 agent or broker of record at least 10 days before the effective date
8 of cancellation, and must include or be accompanied by a statement of
9 the reason for the cancellation.

10 * Sec. 8. AS 21.36 is amended by adding a new section to read:

11 Sec. 21.36.235. RETURN OF PREMIUM UPON CANCELLATION. If an
12 insurer cancels a policy under AS 21.36.220(b), it shall return any
13 unearned premium to the agent or broker of record or directly to the
14 insured or premium finance company, if applicable, by the effective
15 date of cancellation, except that if cancellation is for nonpayment of
16 premium, any unearned premium shall be returned within 30 days after
17 the notice of cancellation is given. If the unearned premium is
18 returned by the insurer to a person other than the insured, that
19 person shall promptly return the unearned premium to the insured
20 unless otherwise provided by agreement between the person and the
21 insured.

22 * Sec. 9. AS 21.36.240 is amended to read:

23 Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to
24 renew a personal insurance policy in force for less than 12 months.
25 An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR
26 MORE] unless a written notice of nonrenewal is mailed or delivered to
27 the named insured, at the address shown in the policy, at least 20
28 days for a personal insurance policy, and at least 60 days for a
29 business or commercial insurance policy, before the expiration date of

1 the policy [,] or of the anniversary date of a policy written for a
2 term longer than one year or with no fixed expiration date. This
3 section does not apply

4 (1) if the insurer has in good faith manifested in any way
5 its willingness to renew;

6 (2) in case of nonpayment of premium for the expiring
7 policy; or

8 (3) if the insured fails to pay the premium as required by
9 the insurer for renewal.

10 * Sec. 10. AS 21.36.250 is amended to read:

11 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
12 bile liability insurance is cancelled, other than for nonpayment of
13 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
14 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
15 PLIES], the insurer shall notify the named insured of possible eligi-
16 bility for automobile insurance through the automobile assigned risk
17 plan, or automobile insurance plan. The notification must [SHALL]
18 accompany or be included in the notice of cancellation or nonrenewal
19 required by AS 21.36.220 [AS 21.36.230] and 21.36.240.

20 * Sec. 11. AS 21.36.310 is amended to read:

21 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 - 21.36.310

22 (1) "business or commercial insurance" means insurance
23 other than personal insurance, life insurance, disability insurance,
24 title insurance, or an annuity contract;

25 (2) "nonpayment of premium" means failure of the named
26 insured to discharge when due any obligations of the named insured in
27 connection with the payment of premium on a policy, or any installment
28 of the premium, whether the premium is payable directly to the insurer
29 or its agent or indirectly under any premium finance plan or extension

1 of credit;

2 (3) "personal automobile insurance" means insurance not
3 related to business or commercial activities, covering [(2) "POLICY"
4 MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN
5 AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile
6 liability [COVERAGE], uninsured or underinsured motorists [MOTORIST
7 COVERAGE], automobile medical payments [COVERAGE], or automobile
8 physical damage [COVERAGE], that is delivered or issued for delivery
9 in this state, [INSURING AS THE NAMED INSURED, ONE INDIVIDUAL OR HUS-
10 BAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD,] and under which the
11 insured vehicles are of the following types only:

12 (A) a motor vehicle of the private passenger or sta-
13 tion wagon type that is not used as a public or livery convey-
14 ance, nor rented to others, or

15 (B) any other four-wheel motor vehicle with a load
16 capacity of 1,500 pounds or less that is not used in the occupa-
17 tion, profession, or business of the insured, nor used as a
18 public or livery conveyance, nor rented to others;

19 (4) "personal insurance" does not include an annuity con-
20 tract or a policy of life insurance, disability insurance, or title
21 insurance; the term means personal automobile insurance, or insurance
22 covering

23 (A) loss of or damage to real property that is used
24 predominantly for residential purposes and that does not consist
25 of more than four dwelling units;

26 (B) loss of or damage to personal property, including
27 personal effects, household furniture, fixtures and equipment
28 located in not more than four dwelling units; or

29 (C) legal liability of natural persons for loss of,

1 damage to, or injury to, persons or property if the insurance
2 does not cover liability arising from or in connection with
3 business or commercial activities;

4 (5) [(3)] "renewal" or "renew" means

5 (A) the issuance and delivery by an insurer of a
6 policy replacing at the end of the policy period a policy previ-
7 ously issued and delivered by the same insurer,

8 (B) the issuance and delivery of a certificate or
9 notice extending the term of a policy beyond its policy period or
10 term, or

11 (C) the extension of the term of a policy beyond its
12 policy period or term under a provision for extending the policy
13 by payment of a continuation premium.

14 * Sec. 12. AS 21 is amended by adding a new chapter to read:

15 CHAPTER 76. JOINT INSURANCE ARRANGEMENTS.

16 Sec. 21.76.010. AUTHORITY TO ESTABLISH JOINT INSURANCE ARRANGE-
17 MENTS. (a) Municipalities, school districts, and regional educa-
18 tional attendance areas may enter into cooperative agreements with
19 each other for the purpose of establishing, operating, or participat-
20 ing in joint insurance arrangements through which the participating
21 members agree to pool contributions and

22 (1) assume risks from losses on a group basis; or

23 (2) purchase coverage on a group basis.

24 (b) A joint insurance arrangement under (a)(1) of this section
25 may be only for property insurance.

26 (c) A joint insurance arrangement under (a)(2) of this section
27 may be for any kind of insurance defined by this title except for

28 (1) life, annuity, disability, and title insurance; and

29 (2) surety.

1 (d) A joint insurance arrangement shall be considered an alter-
2 native or supplement to any other policy or contract of insurance
3 authorized or required by law, including insurance under AS 21.75.

4 Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE. A joint
5 insurance arrangement may not be considered insurance for the purpose
6 of any other law of the state and is not subject to regulations of the
7 director except as expressly provided in this chapter.

8 Sec. 21.76.030. GENERAL PROVISIONS OF COOPERATIVE AGREEMENTS. A
9 cooperative agreement shall provide for the proper operation of the
10 joint insurance arrangement, and include provisions for

11 (1) administration of the arrangement by a board of direc-
12 tors, specifying the number of members of the board and other require-
13 ments necessary for the proper functioning of the board;

14 (2) appointment of an administrator and other persons as
15 necessary for the proper functioning of the arrangement;

16 (3) organization of the arrangement, including a roster of
17 participating members and the names of the members of the board of
18 directors;

19 (4) procedures to establish and promote an aggressive risk
20 management and program among the members of the arrangement, including
21 procedures for identifying and reducing the risks that can be reduced
22 through implementing better safety technologies and improved work
23 techniques and procedures;

24 (5) enforcing the collection of contributions or payments
25 in default from members of the arrangement;

26 (6) the addition of new members to the arrangement or the
27 withdrawal of members from the arrangement;

28 (7) the method of apportioning costs and disposition of
29 excess contributions;

1 (8) transmission of financial statements and audit reports
2 of the arrangement to participating members;

3 (9) terminating the arrangement and disposing of its as-
4 sets; and

5 (10) establishing and administering a joint insurance fund.

6 Sec. 21.76.040. FINANCIAL PROVISIONS OF AGREEMENTS. (a) A
7 cooperative agreement must include a provision requiring an annual
8 determination by a casualty actuary who is a member of the American
9 Academy of Actuaries that procedures for establishing reserves for
10 losses of the joint insurance arrangement are actuarially sound.

11 (b) A joint insurance arrangement shall be subject to an annual
12 independent audit. The audit shall be conducted in accordance with
13 generally accepted auditing standards and must include a review of the
14 actuarial assumptions used for establishing the reserves under (a) of
15 this section. The audit report must include certification from a
16 casualty actuary who is a member of the American Academy of Actuaries
17 that the actuarial assumptions continue to be sound and the level of
18 the reserves are adequate.

19 (c) A joint insurance arrangement shall use a method of account-
20 ing that conforms with generally accepted government accounting prin-
21 ciples.

22 Sec. 21.76.050. CONTRACTING WITH PRIVATE ADMINISTRATORS. A
23 cooperative agreement may authorize the board of directors to enter
24 into contracts for services necessary to perform the functions of a
25 joint insurance arrangement. The person contracting to perform the
26 functions must be appropriately licensed under this title if this
27 title so requires.

28 Sec. 21.76.060. DELEGATION OF POWER TO SETTLE CLAIMS. A cooper-
29 ative agreement may delegate to the board of directors, or authorize

1 delegation by the board to another person or group, the power to
2 compromise, arbitrate, or otherwise settle claims on behalf of the
3 arrangement.

4 Sec. 21.76.070. EXCESS INSURANCE. A cooperative agreement may
5 authorize the board of directors to purchase excess or catastrophic
6 insurance on behalf of the joint insurance arrangement. The cost of
7 the insurance shall be apportioned in the manner specified in the
8 joint insurance agreement. The board may purchase insurance under
9 this section only from an insurer authorized to do business in the
10 state or from an unauthorized insurer if the insurance is placed
11 through a licensed surplus lines broker.

12 Sec. 21.76.080. JOINT INSURANCE FUND. (a) A joint insurance
13 arrangement shall establish a joint insurance fund. The fund consists
14 of money

15 (1) contributed by members of the joint insurance arrange-
16 ment through budgetary appropriations or transfers from a self-insur-
17 ance reserve; and

18 (2) collected by the joint insurance arrangement through
19 subrogation of a claim paid from the fund to a member of the arrange-
20 ment.

21 (b) An expenditure may be made from a joint insurance fund only
22 to pay claims, losses, or benefits, including interest on them, and
23 the administrative and adjustment expenses incurred in connection with
24 them, involving the types of protection for which the fund provides
25 coverage as specified in the joint insurance agreement.

26 (c) The administrator shall keep the fund separate from other
27 funds of a member of a joint insurance arrangement.

28 (d) For each type of protection offered by the joint insurance
29 arrangement, the method of accounting must show the order, source,

1 date, and amount of each payment from the fund.

2 (e) Within 60 days of the end of the fiscal year, the adminis-
3 trator shall furnish a detailed report of the operation and condition
4 of the fund to the board of directors and the director of insurance.
5 The report furnished to the director of insurance shall be available
6 for public inspection.

7 (f) Money held by a fund as reserves and money not needed for
8 daily operations may be invested by the board of directors.

9 (g) A fund may not be terminated unless the administrator certi-
10 fies that an amount of money sufficient to pay accrued and contingent
11 expenditures has been placed in a fully collateralized escrow account.

12 Sec. 21.76.090. FILING OF AGREEMENT. The board of directors
13 shall file a copy of the cooperative agreement with the director of
14 insurance at least 60 days before the effective date of the agreement.
15 The agreement shall be available for public inspection.

16 Sec. 21.76.100. REGULATIONS. A cooperative agreement may au-
17 thorize the board of directors to adopt regulations not inconsistent
18 with law for the fair and equitable administration of the joint insur-
19 ance arrangement and the joint insurance fund.

20 Sec. 21.76.110. SUBROGATION. A joint insurance arrangement has
21 a cause of action for reimbursement of money paid to a participating
22 member for a loss or injury if the participating member recovers money
23 for the loss or injury from a third party. The joint insurance ar-
24 rangement also has a direct cause of action for reimbursement against
25 a third party responsible for loss or injuries sustained by a partic-
26 ipating member if the joint arrangement has paid money to the partic-
27 ipating member for the loss or injuries.

28 Sec. 21.76.900. DEFINITIONS. In this chapter

29 (1) "adjustment expenses" means expenses for investigative,

1 processing, legal, actuarial, arbitration, and settlement services
2 incurred in the adjustment of losses, claims, or benefits;

3 (2) "administrator" means a person or group appointed by
4 the board of directors to administer a joint insurance arrangement or
5 a joint insurance fund;

6 (3) "board" or "board of directors" means the board of
7 directors provided for in a cooperative agreement;

8 (4) "cooperative agreement" means a written agreement
9 entered into by two or more entities described in AS 21.76.010 for the
10 purpose of establishing, operating, or participating in a joint insur-
11 ance arrangement;

12 (5) "fund" or "joint insurance fund" means a fund estab-
13 lished under AS 21.76.080;

14 (6) "joint insurance arrangement" means a joint insurance
15 arrangement authorized under AS 21.76.010.

16 * Sec. 13. AS 21.39.155(a) is amended to read:

17 (a) The director may require carriers, except a reciprocal
18 insurer formed by and insuring only a group of municipalities or
19 nonprofit public utilities under AS 21.75 or a joint insurance ar-
20 angement formed under AS 21.76, as a condition of writing a line of
21 insurance dealing with workers' compensation, to participate in an
22 assigned risk pool if the director finds that mandatory carrier part-
23 icipation is in the public interest.

24 * Sec. 14. AS 21.80.180(5) is amended to read:

25 (5) "insolvent insurer" means an insurer
26 (A) authorized to transact insurance in this state,
27 except an assessable reciprocal insurer formed by and insuring
28 only municipalities or nonprofit public utilities, a joint insur-
29 ance arrangement formed under AS 21.76, the Medical Indemnity

1 Corporation of Alaska, and the Health Care Providers Joint Under-
2 writing Association established under AS 21.88, either at the
3 time the policy was issued or when the insured event occurred,
4 and

5 (B) determined to be insolvent by a court of compe-
6 tent jurisdiction;

7 * Sec. 15. AS 21.80.180(6) is amended to read:

8 (6) "member insurer" means a person, except an assessable
9 reciprocal insurer formed by and insuring only municipalities or
10 nonprofit public utilities, a joint insurance arrangement formed under
11 AS 21.76, the Medical Indemnity Corporation of Alaska, and the Health
12 Care Providers Joint Underwriting Association established under
13 AS 21.88, who

14 (A) writes any kind of insurance to which this chap-
15 ter applies under AS 21.80.020 including the exchange of recipro-
16 cal or interinsurance contracts, and

17 (B) is licensed to transact insurance in this state;

18 * Sec. 16. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.

19 * Sec. 17. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. SB 405
Title : Ak Grain Reserve Program

Sponsor : Sen. Coghill
Requestor : Senate Resources Committee
Date of Request : 3/12/86

FISCAL DETAIL

Agency Affected : Natural Resources
BRU : Agricultural Management

Components : Agricultural Revolving Loan Fund

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Carol Wilson *RW* Phone : 465-2400

Division : Commissioner's Office Date : 3/13/86

Approved by Commissioner : James D. Arnold, Deputy Date : 3/13/86

Agency : Department of Natural Resources

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Offered: 4/28/86
Referred: Rules

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 405 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to loans under the Alaska grain
7 reserve program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 03.12.030(a) is amended to read:

11 (a) The department may make a loan to a state grain producer
12 secured by grain grown by that producer in 1983 - 1987 [1983 OR 1984].
13 Grain that is used as collateral for a loan made under this chapter
14 must be graded number four or better, except that hulless barley may
15 be accepted as collateral under conditions determined by the commis-
16 sioner.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

Chapter 12. Alaska Grain Reserve Program.

Section

20. Duties of the department
30. Conditions on loans

Section

40. Alaska grain reserve revolving loan
fund
200. Definitions

Sec. 03.12.020. Duties of the department [Repealed effective January 1, 1988]. In carrying out the purposes of this chapter the department shall

- (1) make loans to state grain producers under the conditions set out in this chapter;
- (2) administer and inspect stored grain held as collateral for loans made under this chapter; and
- (3) administer the Alaska grain reserve revolving loan fund (AS 03.12.040). (§ 1 ch 100 SLA 1983; am § 1 ch 109 SLA 1984)

Sec. 03.12.030. Conditions on loans [Repealed effective January 1, 1988]. (a) The department may make a loan to a state grain producer secured by grain grown by that producer in 1983 or 1984. Grain that is used as collateral for a loan made under this chapter must be graded number four or better, except that hulless barley may be accepted as collateral under conditions determined by the commissioner.

(b) The amount of a loan made under this chapter is determined by multiplying 90 percent of the United States Department of Agriculture target price per ton for the type and grade of grain offered as collateral by the total tonnage of the collateral.

(c) The interest rate on a loan made under this chapter is equal to the interest rate on a loan made under AS 03.10.030(a).

(d) Grain that is held as collateral for a loan made under this chapter shall be stored in a storage facility approved by the department. The borrower may provide storage for the grain if the department determines that the storage provided by the borrower will adequately protect the department's interest in the grain. The department may inspect a storage facility provided by a borrower at any time and shall adopt regulations setting standards for storage facilities. Storage costs shall be paid to the borrower by the department during the term of the loan at the United States Department of Agriculture grain reserve loan storage rate.

(e) A borrower may not remove, sell, or otherwise dispose of grain held as collateral for a loan under this chapter without the consent of the department. All proceeds from the sale of collateral, up to an amount equal to the value originally assigned to that collateral under (b) of this section, plus accrued interest on the portion of the loan secured by that collateral, shall be applied to the outstanding balance of the loan.

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(f) A loan made under this chapter shall be for a term that may not exceed three years. The borrower shall make annual payments of accrued interest during the term of the loan.

(g) In this section references to grain grading standards, target prices, volume or weight calculations and inspection standards, indicate standards, prices, or calculations that are in accordance with applicable United States Department of Agriculture standards.

(h) A loan may not be made under this chapter to a producer that is eligible to participate in federal grain reserve loan programs. (§ 1 ch 100 SLA 1983; am § 2 ch 109 SLA 1984)

Revisor's notes. — In 1984, "of the Department of Natural Resources." added at the end of the second sentence in subsection (a) in 1984, was deleted.

Effect of amendments. — The 1984

amendment added "except that hulless barley may be accepted as collateral under conditions determined by the commissioner" at the end of the second sentence in subsection (a).

Sec. 03.12.040. Alaska grain reserve revolving loan fund [Repealed effective January 1, 1988]. The Alaska grain reserve revolving loan fund is established in the department for the purpose of financing loans made under this chapter. The fund consists of appropriations made to it by the legislature and repayments of principal and accrued interest on loans made from the fund. (§ 1 ch 100 SLA 1983; am § 3 ch 109 SLA 1984)

Effect of amendments. — The 1984 amendment inserted "revolving" in the catchline and in the first sentence and

added "and repayments of principal and accrued interest on loans made from the fund" at the end of the second sentence.

Sec. 03.12.200. Definitions [Repealed effective January 1, 1988]. In this chapter

- (1) "commissioner" means the commissioner of natural resources;
- (2) "department" means the Department of Natural Resources;
- (3) "fund" means the Alaska grain reserve revolving loan fund; and
- (4) "grain" means barley, wheat or oats. (§ 1 ch 100 SLA 1983; am § 4 ch 109 SLA 1984)

Effect of amendments. — The 1984 amendment inserted "revolving" in paragraph (3).

Offered: 4/28/86
Referred: Rules

Original sponsors: Coghill and
Kerttula

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SENATE BILL NO. 405 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to loans under the Alaska grain
7 reserve program; and providing for an effective
8 date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 03.12.030(a) is amended to read:
11 (a) The department may make a loan to a state grain producer
12 secured by grain grown by that producer in 1983 - 1987 [1983 OR 1984].
13 Grain that is used as collateral for a loan made under this chapter
14 must be graded number four or better, except that hulless barley may
15 be accepted as collateral under conditions determined by the commis-
16 sioner.
17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

Introduced: 2/13/86
Referred: Resources
and Finance

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 405

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to loans under the Alaska grain
reserve program."

7

8

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

9

* Section 1. AS 03.12.030(a) is amended to read:

10

(a) The department may make a loan to a state grain producer

11

secured by grain grown by that producer in 1983 - 1987 [1983 OR 1984].

12

Grain that is used as collateral for a loan made under this chapter

13

must be graded number four or better, except that hulless barley may

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be accepted as collateral under conditions determined by the commis-

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sioner.

COMMITTEE REPORT
SENATE

FURTHER:

3/17/86

Date 4/28/86

Mr. President

The Committee on FINANCE considered SB 405
relating to loans under the Alaska grain reserve program.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 405 (Fin)
- new title
- ~~same title~~ and recommends "DO PASS"
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
DNR
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
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MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Chairman
[Signature]
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SB 405

Title : Ak Grain Reserve Program

Sponsor : Sen. Coghill

Requestor : Senate Resources Committee

Date of Request : 3/12/86

FISCAL DETAIL

Agency Affected : Natural Resources

BRU : Agricultural Management

Components : Agricultural Revolving Loan Fund

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	0	0	0	0	0

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Carol Wilson *[Signature]* Phone : 465-2400

Division : Commissioner's Office Date : 3/13/86

Approved by Commissioner : Norm D. Smith, Deputy Date : 3/13/86

Agency : Department of Natural Resources

- Distribution (by Agency preparing fiscal note) :
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)

Bradley
4/16/86

Original sponsor: Coghill

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 405 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to loans under the Alaska grain
7 reserve program; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 03.12.030(a) is amended to read:

11 (a) The department may make a loan to a state grain producer
12 secured by grain grown by that producer in 1983 - 1987 [1983 OR 1984].
13 Grain that is used as collateral for a loan made under this chapter
14 must be graded number four or better, except that hulless barley may
15 be accepted as collateral under conditions determined by the commis-
16 sioner.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).
19
20
21
22
23
24
25

Senator John B. (Jack) Coghill
Alaska State Legislature

Conch V
Juneau, Alaska 99811
(907) 465-4921

Box 55028
North Pole, Alaska 99705
(907) 488-7332

April 14, 1986

MEMORANDUM

TO: Senator Jan Faiks
Senate Finance Committee

FROM: Senator Jack Coghill

RE: SB 405



I have introduced SB 405, a bill that will extend the Alaska Grain Reserve Program through 1987 at the request of the Department of Natural Resources. The original intent in setting up the Grain Reserve was to set up a base so that farmers would be able to participate in the Federal Grain Reserve Program. The oversight in the sunset of the original Grain Reserve made this impossible for all farmers to make the base acreage requirements and the non-standard varieties of barley grown in Alaska do not meet present Federal eligibility requirements. No monies will have to be allocated for this program since there are funds available within the program to make new loans.

The Grain Reserve allows Alaskan farmers to market grain in an orderly manner by providing loans to the farmer once the crop is harvested. The farmer can pay planting and harvesting expenses without selling all of the crops at harvest, a time when prices are generally their lowest point for the year. Another reason this is advantageous to the farmer is that with the in state market often times he cannot sell all of the crop at harvest because the market is saturated. As the crop is sold the loan is paid back along with interest computed at 8%.

The program so far has been successful and it does help farmers pay back other loans on time. The grain is graded and inspected. The amount loaned for the grain is based on the grade. For example #2 or better barley could yield a \$97.00 per ton loan amount. A lower quality barley would qualify for a lesser amount. Loans are made for a period of up to three years. If after the three year period the loan is not repaid the state will take ownership of any remaining grain.

Introduced: 2/13/86
Referred: Resources
and Finance

1 IN THE SENATE

BY COGHILL

2

SENATE BILL NO. 405

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to loans under the Alaska grain
7 reserve program."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 03.12.030(a) is amended to read:

10 (a) The department may make a loan to a state grain producer
11 secured by grain grown by that producer in 1983 - 1987 [1983 OR 1984].
12 Grain that is used as collateral for a loan made under this chapter
13 must be graded number four or better, except that hulless barley may
14 be accepted as collateral under conditions determined by the commis-
15 sioner.

COMMITTEE REPORT
SENATE

FURTHER: Finance

2/13/86

Date 3/14/86

Mr. President

The Committee on RESOURCES considered SB 405
relating to loans under the Alaska grain reserve program.

and (a majority of the committee) ~~(the committee)~~ reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Allis Stangorshi
Chairman

Do Pass
Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER:

3/26/86

Date _____

Mr. President

The Committee on FINANCE considered SB 407

making a special appropriation to the Department of Community and Regional Affairs for a grant to the North Slope Borough; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS**

Chairman

Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

2/13/86

Date 3/25/86

Mr. President

The Committee on C&RA considered SB 407

making a special appropriation to the Department of Community and Regional Affairs for a grant to the North Slope Borough; efd.

and (a majority of the committee) the committee reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

V. Fischer

J. [unclear]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Julius Sussalardi No Rec

[unclear] No Rec

Edw De Vries
Chairman

N. L.
Chairman recommendation

Introduced: 2/13/86
Referred: Community and Regional
Affairs and Finance

Funding Information
General Fund 385,000
Other Funds -0-
\$ 385,000

1 IN THE SENATE

BY FERGUSON

2 SENATE BILL NO. 407

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Community and Regional Affairs for a grant to
8 the North Slope Borough; and providing for an effec-
9 tive date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$385,000 is appropriated from the general fund
12 to the Department of Community and Regional Affairs for payment as a grant
13 under AS 37.05.315 to the North Slope Borough for general governmental
14 purposes, to offset loss of revenue due to a boundary change.

15 * Sec. 2. This Act takes effect on the effective date of the incorpo-
16 ration of a municipality named Northwest Arctic Borough.

ALASKA STATE LEGISLATURE

14th Legislature 2nd Session

SENATE BILL NO. 407..

By FERGUSON

"An Act making a special appropriation to the Department of Community and Regional Affairs; and providing for an effective date."

Introduced in the Senate 2/13, 19. 86

HISTORY IN THE SENATE

19	86	Read first time and referred to Committee on C&RA AND FINANCE												
2	13													
3	20	Reported back with <i>C&RA</i> recommendation that <i>2 do pass</i> , <i>3 no rec, to Finance</i> . <u>Fix:</u>												
		Read second time and												
		Read third time and												
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
Excused	Excused													
		<table border="0"> <tr> <td>Reconsideration</td> <td></td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
Reconsideration														
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
Excused	Excused													
		Reported correctly engrossed Signed by President Sent to House												

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Read first time and referred to Committee on												
		Reported back with recommendation that												
		Read second time and												
		Read third time and												
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
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Excused	Excused													
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Reconsideration														
PASS	Effective Date													
Yeas	Yeas													
Nays	Nays													
Absent	Absent													
Excused	Excused													
		Reported correctly engrossed Signed by Speaker Returned to Senate												

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

Introduced: 2/13/86
Referred: Community and Regional
Affairs and Finance

Funding Information
General Fund \$ 385,000
Other Funds -0-
\$ 385,000

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 407

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Depart-

7

ment of Community and Regional Affairs for a grant to

8

the North Slope Borough; and providing for an effec-

9

tive date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11

* Section 1. The sum of \$385,000 is appropriated from the general fund

12

to the Department of Community and Regional Affairs for payment as a grant

13

under AS 37.05.315 to the North Slope Borough for general governmental

14

purposes, to offset loss of revenue due to a boundary change.

15

* Sec. 2. This Act takes effect on the effective date of the incorpo-

16

ration of a municipality named Northwest Arctic Borough.

COMMITTEE REPORT

SENATE

FURTHER:

4/25/86

Date 4/29/86

Mr. President

The Committee on FINANCE considered SB 408
state aid to education; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 408 (Finance)
- new title
- same title and recommends Do Pass
- and attached a ^{Finance} "LETTER OF INTENT" NEW FISCAL NOTE
- SRC
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]

Doug Frick

Rick Halford

[Signature]

[Signature]

[Signature]

co - [Signature]
Chairman

do pass
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : CSSB 408 (Fin)
 Title : Act relating to state aid to education
 Sponsor : Senator Ferguson
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : All
 BRU : _____
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	----------	----------	----------	----------	----------	----------

REVENUE	0	0	0	0	0	0
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS :

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : _____
 Division : Senator Jan Faiks, Co-Chairman
Senate Finance Committee

Phone : 465-4523
 Date : April 29, 1986

Approved by Commissioner : _____
 Agency : _____

Date : _____

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB407
4/29/86

Ferguson
#1
[Signature]

14.30.285(b) is amended to read:

(b) An identified exceptional child may be sent to an educational program or residential school outside the child's community or school district if the child resides in a community or school district where an appropriate educational program cannot reasonably be made available and if the department determines that provision of special education and related services in another educational program or residential school is appropriate. If the school district and the department approve the enrollment of the exceptional child in another educational program or residential school outside the child's community or school district and the child is enrolled, the child's education expenses shall be paid as follows:

(1) except as otherwise provided by (2) of this subsection, the sending district shall pay [THE RECEIVING DISTRICT, PROGRAM, OR SCHOOL AN AMOUNT OF MONEY EQUAL TO THE SENDING DISTRICT'S LOCAL COST-PER-PUPIL RATE] all costs associated with the transfer.

(2) the department [SHALL PAY THE REMAINDER OF THE ANNUAL COST OF THE CHILD'S EDUCATION ABOVE THAT PROVIDED FOR IN (1) OF THIS SUBSECTION] may provide financial assistance to the district for a child's education provided for in (1) of this subsection under regulations adopted by the Department.

4/29/86
SFC-86

ELI

AMENDMENT BY
ELIASON

CSSB 408 (HESS)

PAGE 8, Line 26 after the word "Borough" Insert:

"Chatham School District"

PAGE 9, LINE 5 DELETE: CHATHAM SCHOOL DISTRICT

4/29/86
Fry
3
M

LETTER OF INTENT

CSSB 408 (FIN)

It is the intent of the Legislature that the Department utilize the following methodology to implement the formula contained in Senate Bill No. 408.

I. Calculation of Instructional Units (AS 14.17.041):

- A) Elementary school units are calculated using schedule (a), except for those districts which fall under schedule (f). Units are based on the district elementary school ADM (grades K-6 and pre-elementary special education students) as a total, except in the case of elementary schools in distinct communities more than twenty miles distant from district headquarters or inaccessible by road. Units for each school more than twenty miles distant from district headquarters or inaccessible by road are counted separately.
- B) Secondary school (grades 7-12) units are calculated using schedule (b), except for those districts which fall under schedule (f). Each high school's ADM and units are counted separately. Junior high schools are not counted separately from high schools, except when located in a distinct community without any other secondary school.
- C) For districts falling under schedules (a) and (b), instructional units for sites offering only grades K-8 are computed using schedule (a) only.
- D) Combined secondary and elementary units for single city municipal school districts are calculated using schedule (f). Units are based on the districtwide ADM (K-12 and preelementary special education). For districts with less than 500 ADM, units for ADM from 61 - 499 are calculated with that clause from schedule (f). Districts with 500 - 999 ADM use that schedule (f) clause to calculate units for all ADM over 500.

School year 1986 - 1987 projected initial enrollments were employed in our calculations for Steps I. A) - C).

- E) Vocational education units are calculated with schedule (c). Units are based on districtwide FTE ADM. We used 1985 actual enrollment as a proxy.
- F) Special education units are calculated according to schedule (d). Units are to be based on districtwide ADM. Unweighted 1986 - 1987 enrollment projections were used.
- G) Bilingual education units are calculated with schedule (e). Units are based on districtwide weighted ADM. The weights used were those in 1978 regulations. Categories "A" and "B" ADM count as 1 ADM, "C" and "D" as .2 ADM, and "E" as .1 ADM. 1985 actual enrollment as a proxy in the absence of enrollment projections by language categories were used.
- H) Correspondence education units are calculated using the elementary education schedule (a). For districts using schedule (f), correspondence ADM are added to K-12 ADM for calculation of the districtwide units under that schedule.

II. Remote School Instructional Units (AS 14.17.031(c)):

- A) Remote school units for each district are calculated using the schedule in 14.17.031(c). Remote schools have been defined as all schools with 32 or fewer ADM, excluding schools in Anchorage and Fairbanks, per 1978 DOE practice.

III. Each district's instructional units calculated under steps I and II are summed and multiplied by the district's instructional unit allotment.

IV. Each district's basic need (AS 14.17.021(b)) is calculated by multiplying the instructional unit amount by the number of the district's instructional units per step III.

V. State aid for each district is determined by multiplying the basic need from Step IV by each district's equalized percentage (AS 14.17.021(c)). Equalized percentage for each district is equal to $1 - ((1 - 97\%) \times V_i/V_s)$. V_i equals the full and true value of taxable real and personal property per ADM within a city/borough district and V_s equals the average valuation per ADM for all city/borough districts. State aid must equal at least 97% of basic need. Thus V_i/V_s is effectively capped at 1.00.

General Methodological Procedures: All ADM's and all Instructional Units were rounded upward.

Further, it is the intent of the legislature that the Department of Education exercise its statutory authority to require school districts to submit to the department any information or reports which are reasonably necessary to assist the department in the establishment of a management information system for public schools to provide accurate and consistent data on numbers of students, personnel, revenues, and expenditures for each district.

Further, it is the intent of the legislature that funds remaining in the secondary formula account after the allocation required under AS 14.17.023(a) be used to cover emergency, unique and special education circumstances. For example, the Lake and Peninsula School District faces unique circumstances in providing basic education in its 14 schools. These 14 schools are scattered over a wide area, as large as some states in the lower 48. The schools are not serviced by regular transportation services. The cost of getting basic supplies to the schools can run as high as 300% greater than adjacent school districts, and as much 1000% greater than Alaska school districts which are located in the State's road system.

Further, it is the intent of the legislature that special education circumstances that have an enormous financial impact like Kake School District with three multiple handicapped children should receive funding through AS 14.17.023(b).

Further, it is the intent of the legislature that the Department of Education draft regulations to accommodate these types of unique and special education situations. Capital projects may not be funded from the emergency, unique or special education account.



Alaska State Legislature

Senate

Official Business

M E M O R A N D U M

Pouch V
State Capitol
Juneau, Alaska 99811

TO: ALL LEGISLATORS
FROM: SENATOR FRANK R. FERGUSON
DATE: APRIL 25, 1986
SUBJ: CS SB 408 (HESS)

SB 408 RETURNS THE FOUNDATION FORMULA FROM THE ADM APPROACH TO THE INSTRUCTIONAL UNIT APPROACH. UNDER SB 408, THERE IS THE BASIC ALLOCATION TOTTALLING \$456.5 MILLION PLUS A SECONDARY FORMULA ACCOUNT THAT WILL RECEIVE \$6.6 MILLION WITH A POTENTIAL FOR UP TO \$20 MILLION.

LAST SESSION, THE SECONDARY FORMULA ACCOUNT RECEIVED NO FUNDING INITIALLY BUT MOVEMENT IN STUDENT POPULATION FIGURES GENERATED \$13 MILLION FOR THE ACCOUNT.

THIS SESSION, THE SECONDARY FORMULA ACCOUNT WILL INITIALLY RECEIVE \$6.6 MILLION. WITH THE SAME MOVEMENT IN STUDENT POPULATION FIGURES DUE TO OVER ESTIMATES BY SCHOOL DISTRICTS, THERE WILL BE BETWEEN \$10 AND \$14 MILLION THAT WILL BE ADDED TO THE \$6.6 MILLION. THUS, THE SECONDARY FORMULA ACCOUNT WILL HAVE UP TO \$20 MILLION.

THE SECONDARY FORMULA ACCOUNT IS ALLOCATED AS FOLLOWS:

80 PERCENT FOR LOCAL TAX EQUALIZATION FOR THOSE DISTRICTS WITH A TWO OR MORE MILL RATE OF LOCAL EFFORT AND WHO ARE ABOVE THE STATEWIDE AVERAGE. LAST YEAR, ANCHORAGE, FAIRBANKS, JUNEAU, KETCHIKAN, KENAI, MAT-SU, CORDOVA AND SITKA RECIEVED FUNDING FROM THE 80 PERCENT ALLOCATION.

20 PERCENT FOR UNIQUE, EMERGENCY AND SPECIAL EDUCATION CIRCUMSTANCES WHEREBY A SCHOOL DISTRICT'S FINANCIAL RESOURCES ARE INSUFFICIENT TO MEET THE DESCRIBED NEED. THE SCHOOL DISTRICTS APPLY TO D.O.E. FOR FUNDING FROM THIS ALLOCATION.

ASSUMING THE AMOUNT RECEIVED LAST YEAR INTO THE SECONDARY FORMULA ACCOUNT IS AVAILABLE (WHICH IS \$7 MILLION BELOW THE AMOUNT PROJECTED FOR THE NEXT FISCAL YEAR), 45 SCHOOL DISTRICTS DO BETTER UNDER SB 408 THAN UNDER THE EXISTING ADM APPROACH.

EVEN WITHOUT THE SECONDARY FORMULA ACCOUNT, 41 SCHOOL DISTRICTS FARE BETTER UNDER SB 408 THAN UNDER THE EXISTING ADM APPROACH.

CLEARLY, THE INSTRUCTIONAL UNIT APPROACH CONTAINED IN SB 408 IS MORE EQUITABLE THAN AN ADM APPROACH.

SCHOOL DISTRICTS THAT FARE BETTER UNDER CSSB 408 (HESS) THAN UNDER AN ADM APPROACH INCLUDE: ANCHORAGE, FAIRBANKS, JUNEAU, KETCHIKAN, MATANUSKA-SUSITNA, ALL REAA'S AND MANY MORE.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

P O BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3762

Senate Committee on Health, Education and Social Services

SECTIONAL ANALYSIS

CSSB 408 (HESS) Relating to state aid to education.
April 25, 1986

Section 1 Defines state aid based on instructional units, with an adjustment based on local property wealth.

Section 2 Establishes a secondary formula account to be funded from within the foundation account, should excess funds be available through an overestimate of student populations statewide. Districts with local contribution in excess of the statewide average or who suffer unique or emergency circumstances would be eligible for funds from the secondary account. (Special education and factors unique to remote school districts are specified as eligible for funding under this section). The fund would be capped at \$20 million, with any additional amount being prorated among all districts in the state.

Section 3 Requires the Department of Education to submit a supplemental appropriation request to the legislature if PL 874 funds should decline.

Section 4 Provides for instructional units to be calculated based on the following categories: elementary, secondary, vocational education, special education, bilingual education, correspondence. Correspondence students would be included in the elementary count, each secondary school would be counted separately, and remote schools would use a separate schedule that recognizes the higher costs associated with those schools. Provides a hold harmless provision for districts that lose more than 10% of their funding in any given year.

Section 5 Lays out tables of instructional units for the categories mentioned above. Establishes a separate schedule for single city districts with less than 1000 students. Provides for special education students to be counted on a "per head" (ADM) basis, and vocational education students to be counted on a "full time equivalent" (FTE) basis.

CSSB 408 (HESS), page 2
April 25, 1986

Section 6 Establishes "instructional unit allotments" (the old area differential) for each district, ranging from 80% for Skagway to 185% for Yupiit.

Section 7 Establishes the instructional unit value at \$42,184.

Section 8 Requires districts to submit data to the Department on standardized forms and as of a specific date.

Section 9 Prohibits any new school district from being formed unless the proposed district has more than 250 students, or unless the Department determines formation of the district is in the best interest of the state.

Section 10 Clarifies that the Department of Community and Regional Affairs will determine the equalized percentage addressed in Section 1.

Section 11 Establishes dates on which the student counts, which are the basis for determining the amount of state aid, will be taken. Deletes the current statutory provision that allows the Department to withhold half of a district's June payment pending a final determination of the district's state aid.

Section 12 Defines elementary school as a combination of pre-elementary special education through grade 8.

Section 13 Defines secondary school as grades 7 through 12, and deletes the current statutory reference to junior high schools.

Section 14 Repeals the current requirement that a school district spend 55% of its budget on instruction. The repeal will facilitate standardized reporting efforts.

Section 15 Provides for an effective date of July 1, 1986.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

P O BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3762

Senate Committee on Health, Education and Social Services

LETTER OF INTENT

CSSB 408 (HESS)

It is the intent of the Legislature that the Department utilize the following methodology to implement the formula contained in Senate Bill No. 408.

I. Calculation of Instructional Units (AS 14.17.041):

- A) Elementary school units are calculated using schedule (a), except for those districts which fall under schedule (f). Units are based on the district elementary school ADM (grades K-6 and pre-elementary special education students) as a total, except in the case of elementary schools in distinct communities more than twenty miles distant from district headquarters or inaccessible by road. Units for each school more than twenty miles distant from district headquarters or inaccessible by road are counted separately.
- B) Secondary school (grades 7-12) units are calculated using schedule (b), except for those districts which fall under schedule (f). Each high school's ADM and units are counted separately. Junior high schools are not counted separately from high schools, except when located in a distinct community without any other secondary school.
- C) For districts falling under schedules (a) and (b), instructional units for sites offering only grades K-8 are computed using schedule (a) only.
- D) Combined secondary and elementary units for single city municipal school districts are calculated using schedule (f). Units are based on the districtwide ADM (K-12 and preelementary special education). For districts with less than 500 ADM, units for ADM from 61 - 499 are calculated with that clause from schedule (f). Districts with 500 - 999 ADM use that schedule (f) clause to calculate units for all ADM over 60.

School year 1986 - 1987 projected initial enrollments were employed in our calculations for Steps I. A) - C).

- E) Vocational education units are calculated with schedule (c). Units are based on districtwide FTE ADM. We used 1985 actual enrollment as a proxy.
- F) Special education units are calculated according to schedule (d). Units are to be based on districtwide ADM. Unweighted 1986 - 1987 enrollment projections were used.
- G) Bilingual education units are calculated with schedule (e). Units are based on districtwide weighted ADM. The weights used were those in 1978 regulations. Categories "A" and "B" ADM count as 1 ADM, "C" and "D" as .2 ADM, and "E" as .1 ADM. 1985 actual enrollment as a proxy in the absence of enrollment projections by language categories were used.
- H) Correspondence education units are calculated using the elementary education schedule (a). For districts using schedule (f), correspondence ADM are added to K-12 ADM for calculation of the districtwide units under that schedule.

II. Remote School Instructional Units (AS 14.17.031(c)):

- A) Remote school units for each district are calculated using the schedule in 14.17.031(c). Remote schools have been defined as all schools with 32 or fewer ADM, excluding schools in Anchorage and Fairbanks, per 1978 DOE practice.

III. Each district's instructional units calculated under steps I and II are summed and multiplied by the district's instructional unit allotment.

IV. Each district's basic need (AS 14.17.021(b)) is calculated by multiplying the instructional unit amount by the number of the district's instructional units per step III.

V. State aid for each district is determined by multiplying the basic need from Step IV by each district's equalized percentage (AS 14.17.021(c)). Equalized percentage for each district is equal to $1 - ((1 - 97\%) \times V_i/V_s)$. V_i equals the full and true value of taxable real and personal property per ADM within a city/borough district and V_s equals the average valuation per ADM for all city/borough districts. State aid must equal at least 97% of basic need. Thus V_i/V_s is effectively capped at 1.00.

General Methodological Procedures: All ADM's and all Instructional Units were rounded upward.

Further, it is the intent of the legislature that the Department of Education exercise its statutory authority to require school districts to submit to the department any information or reports which are reasonably necessary to assist the department in the establishment of a management information system for public schools to provide accurate and consistent data on numbers of students, personnel, revenues, and expenditures for each district.

Further, it is the intent of the legislature that funds remaining in the secondary formula account after the allocation required under AS 14.17.023(a) be used to cover emergency, unique and special education circumstances. For example, the Lake and Peninsula School District faces unique circumstances in providing basic education in its 14 schools. These 14 schools are scattered over a wide area, as large as some states in the lower 48. The schools are not serviced by regular transportation services. The cost of getting basic supplies to the schools can run as high as 300% greater than adjacent school districts, and as much 1000% greater than Alaska school districts which are located in the State's road system.

Further, it is the intent of the legislature that special education circumstances that have an enormous financial impact like Kake School District with three multiple handicapped children should receive funding through AS 14.17.023(b).

Further, it is the intent of the legislature that the Department of Education draft regulations to accommodate these types of unique and special education situations.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
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Senate Committee on Health, Education and Social Services

LETTER OF INTENT

CSSB 408 (HESS)

It is the intent of the Legislature that the Department utilize the following methodology to implement the formula contained in Senate Bill No. 408.

I. Calculation of Instructional Units (AS 14.17.041):

- A) Elementary school units are calculated using schedule (a), except for those districts which fall under schedule (f). Units are based on the district elementary school ADM (grades K-6 and pre-elementary special education students) as a total, except in the case of elementary schools in distinct communities more than twenty miles distant from district headquarters or inaccessible by road. Units for each school more than twenty miles distant from district headquarters or inaccessible by road are counted separately.
- B) Secondary school (grades 7-12) units are calculated using schedule (b), except for those districts which fall under schedule (f). Each high school's ADM and units are counted separately. Junior high schools are not counted separately from high schools, except when located in a distinct community without any other secondary school.
- C) For districts falling under schedules (a) and (b), instructional units for sites offering only grades K-8 are computed using schedule (a) only.
- D) Combined secondary and elementary units for single city municipal school districts are calculated using schedule (f). Units are based on the districtwide ADM (K-12 and preelementary special education). For districts with less than 500 ADM, units for ADM from 61 - 499 are calculated with that clause from schedule (f). Districts with 500 - 999 ADM use that schedule (f) clause to calculate units for all ADM over 60.

School year 1986 - 1987 projected initial enrollments were employed in our calculations for Steps I. A) - C).

- E) Vocational education units are calculated with schedule (c). Units are based on districtwide FTE ADM. We used 1985 actual enrollment as a proxy.
- F) Special education units are calculated according to schedule (d). Units are to be based on districtwide ADM. Unweighted 1986 - 1987 enrollment projections were used.
- G) Bilingual education units are calculated with schedule (e). Units are based on districtwide weighted ADM. The weights used were those in 1978 regulations. Categories "A" and "B" ADM count as 1 ADM, "C" and "D" as .2 ADM, and "E" as .1 ADM. 1985 actual enrollment as a proxy in the absence of enrollment projections by language categories were used.
- H) Correspondence education units are calculated using the elementary education schedule (a). For districts using schedule (f), correspondence ADM are added to K-12 ADM for calculation of the districtwide units under that schedule.

II. Remote School Instructional Units (AS 14.17.031(c)):

- A) Remote school units for each district are calculated using the schedule in 14.17.031(c). Remote schools have been defined as all schools with 32 or fewer ADM, excluding schools in Anchorage and Fairbanks, per 1978 DOE practice.

III. Each district's instructional units calculated under steps I and II are summed and multiplied by the district's instructional unit allotment.

IV. Each district's basic need (AS 14.17.021(b)) is calculated by multiplying the instructional unit amount by the number of the district's instructional units per step III.

V. State aid for each district is determined by multiplying the basic need from Step IV by each district's equalized percentage (AS 14.17.021(c)). Equalized percentage for each district is equal to $1 - ((1 - 97\%) \times V_i/V_s)$. V_i equals the full and true value of taxable real and personal property per ADM within a city/borough district and V_s equals the average valuation per ADM for all city/borough districts. State aid must equal at least 97% of basic need. Thus V_i/V_s is effectively capped at 1.00.

General Methodological Procedures: All ADM's and all Instructional Units were rounded upward.

Further, it is the intent of the legislature that the Department of Education exercise its statutory authority to require school districts to submit to the department any information or reports which are reasonably necessary to assist the department in the establishment of a management information system for public schools to provide accurate and consistent data on numbers of students, personnel, revenues, and expenditures for each district.

Further, it is the intent of the legislature that funds remaining in the secondary formula account after the allocation required under AS 14.17.023(a) be used to cover emergency, unique and special education circumstances. For example, the Lake and Peninsula School District faces unique circumstances in providing basic education in its 14 schools. These 14 schools are scattered over a wide area, as large as some states in the lower 48. The schools are not serviced by regular transportation services. The cost of getting basic supplies to the schools can run as high as 300% greater than adjacent school districts, and as much 1000% greater than Alaska school districts which are located in the State's road system.

Further, it is the intent of the legislature that special education circumstances that have an enormous financial impact like Kake School District with three multiple handicapped children should receive funding through AS 14.17.023(b).

Further, it is the intent of the legislature that the Department of Education draft regulations to accommodate these types of unique and special education situations.

Original sponsor: Ferguson

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 408 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid to education; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.30.285(b) is amended to read:

10 (b) An identified exceptional child may be sent to an education-
11 al program or residential school outside the child's community or
12 school district if the child resides in a community or school district
13 where an appropriate educational program cannot reasonably be made
14 available and if the department determines that provision of special
15 education and related services in another educational program or
16 residential school is appropriate. If the school district and the
17 department approve the enrollment of the exceptional child in another
18 educational program or residential school outside the child's
19 community or school district and the child is enrolled, the child's
20 education expenses shall be paid as follows:

21 (1) except as otherwise provided by (2) of this subsection,
22 the sending [SCHOOL] district shall pay [THE RECEIVING DISTRICT,
23 PROGRAM, OR SCHOOL AN AMOUNT OF MONEY EQUAL TO THE SENDING DISTRICT'S
24 LOCAL COST-PER-PUPIL RATE] all costs associated with the transfer;

25 (2) The department [SHALL PAY THE REMAINDER OF THE ANNUAL
26 COST OF THE CHILD'S EDUCATION ABOVE THAT PROVIDED FOR IN (1) OF THIS
27 SUBSECTION] may provide financial assistance to the district for a
28 child's education provided for in (1) of this subsection under
29 regulations adopted by the Department.

1 * Sec. 2. AS 14.17.021 is repealed and reenacted to read:

2 Sec. 14.17.021. STATE AID. (a) The amount of state aid for
3 which each school district may qualify is calculated by multiplying
4 the basic need as defined in (b) of this section by the equalized
5 percentage as defined in (c) of this section.

6 (b) The basic need of each school district is determined by
7 multiplying the instructional unit allotment of the district as de-
8 fined in AS 14.17.051 by the number of instructional units in the
9 district by the instructional unit value.

10 (c) The equalized percentage for each city/borough school dis-
11 trict is computed according to formula $P_i = 1 - (1-k) V_i/V_s$ in which

12 (1) P_i (equalized percentage) = percent of need to be pro-
13 vided by the state;

14 (2) K (minimum level of state support of basic need) = 97
15 percent;

16 (3) V_i (valuation per pupil in average daily membership in
17 the district) = full and true value of taxable real and personal
18 property within the city/borough district divided by the average daily
19 membership of the district;

20 (4) V_s = average of the valuation per pupil in average
21 daily membership for all the city/borough districts of the state;

22 (5) state aid as computed under this section constitutes at
23 least 97 percent of the basic need, of each school district;

24 (6) for the purpose of calculating the amount of equalized
25 percentage under this section, V_i/V_s may not exceed 1.00.

26 * Sec. 3. AS 14.17.023 is repealed and reenacted to read:

27 Sec. 14.17.023. SECONDARY FORMULA ACCOUNT. (a) The Department
28 of Education shall allocate 80 percent of the funds remaining after
29 the allocation under AS 14.17.021 - 14.17.056 are recomputed in

1 accordance with AS 14.17.170 to school districts whose:

2 (1) local contribution to education for each student in
3 average daily membership in the preceding fiscal year exceeds the
4 statewide average local contribution to education for each pupil in
5 average daily membership for the preceding fiscal year; and

6 (2) local contribution to education for the preceding
7 fiscal year exceeds the amount that would be generated by a two-mill
8 levy on the full and true value of taxable real and personal property
9 in the district, as determined under AS 14.17.140, for the preceding
10 fiscal year.

11 (b) The Department of Education may use funds remaining after
12 the allocations under (a) of this section to help a school district
13 remedy unique or emergency circumstances that cannot be remedied using
14 other funds available to the school district for the current fiscal
15 year. The Department of Education may use funds allocated under this
16 subsection to address any shortfall in funding for special education
17 in those districts who successfully demonstrate their existing level
18 of service is significantly impacted under this chapter. Each fiscal
19 year, a school district may apply to the commissioner of education for
20 financial assistance under this subsection. The commissioner shall
21 adopt regulations to establish standards of eligibility and expendi-
22 ture of funds under this subsection.

23 (c) Each fiscal year, the Department of Education shall allocate
24 to each school district that qualifies for funds under (a) of this
25 section an amount equal to the portion of the school district's local
26 contribution to education for each student in average daily membership
27 in the preceding fiscal year that exceeds the statewide average local
28 contribution to education for each student in average daily membership
29 in the preceding fiscal year. If the available funds under (a) and

1 (b) of this section are insufficient to meet the allocations author-
2 ized under this section, the available funds shall be distributed pro
3 rata among the eligible school districts. If the available funds
4 under (a) and (b) of this section exceed \$20,000,000 the excess funds
5 shall be distributed pro rata among all school districts.

6 (d) In this section:

7 (1) "local contribution to education" means the local tax
8 contribution that was actually expended for education in the preceding
9 fiscal year as determined by the audit conducted under AS 14.14.050;

10 (2) "statewide average" means the total local contribution
11 to education in the state for the preceding fiscal year divided by the
12 total number of students in average daily membership in the preceding
13 fiscal year;

14 (3) "unique circumstances" means factors which cannot be
15 adequately addressed by the formula in AS 14.17.021 and which are
16 unique to remote school districts, such as small high school popula-
17 tions, high intra-district travel costs for education and professional
18 support staff, and high transportation costs to deliver basic goods
19 and supplies to schools within the district.

20 (e) The commissioner of education may expend funds under (b) of
21 this section only in accordance with the following procedures:

22 (1) the commissioner shall submit the proposed expenditures
23 to the Legislative Budget and Audit Committee for review;

24 (2) 45 days shall elapse before commencement of expendi-
25 tures under (b) of this section unless the Legislative Budget and
26 Audit Committee earlier recommends that the expenditures be made;

27 (3) should the Legislative Budget and Audit Committee
28 recommend within the 45-day period that the expenditures not be made,
29 the commissioner shall again review the proposed expenditures and if

1 the commissioner determines to authorize the expenditures, the commis-
2 sioner shall provide the Legislative Budget and Audit Committee with a
3 statement of the commissioner's reasons before commencement of the
4 expenditures.

5 * Sec. 4. 14.17 is amended by adding a new section to read:

6 Sec. 14.17.027. REVENUE ADJUSTMENT. The Department of Educa-
7 tion shall submit a supplemental appropriation request to the legisla-
8 ture in any fiscal year in which the PL-874 funds received by a school
9 district or area are less than the preceding fiscal year.

10 * Sec. 5. AS 14.17.031 is repealed and reenacted to read:

11 Sec. 14.17.031. INSTRUCTIONAL UNITS. (a) The total number of
12 instructional units within each school district is the sum of:

13 (1) the number of units for elementary schools and the
14 number of units for secondary schools as determined under AS 14.17.-
15 041(a) and (b) or (f);

16 (2) the number of units for vocational education as deter-
17 mined under AS 14.17.041(c) as approved by the department;

18 (3) the number of units from special education as deter-
19 mined under AS 14.17.041(d) as approved by the department;

20 (4) if the district has five or more correspondence pupils
21 enrolled in an approved district correspondence study program, the
22 number of units shall be determined under AS 14.17.041(a) or (f);

23 (5) the number of units for bilingual education as deter-
24 mined under AS 14.17.041(e) as approved by the department.

25 (b) A school district shall compute separately the number of
26 allowable instructional units for each of its secondary schools except
27 as provided in (c) of this section.

28 (c) The commissioner shall authorize any school in a remote
29 location to establish an associated secondary school when the sum of

1 the average daily membership in grades five through eight is greater
2 than 20. Notwithstanding AS 14.17.041, any school or school district
3 operating a remote elementary school with 20 or fewer total average
4 daily membership within grades five through eight may conduct a
5 secondary program subject to approval of the commissioner and use the
6 following table to calculate the number of allowable instructional
7 units for the combined elementary and secondary program of the remote
8 school:

9	ADM	No. Instructional Units
10	under 12	3
11	12 - 20	4
12	21 - 32	5

13 (d) If the total amount of state aid that a school district is
14 entitled to under AS 14.17.041(a) and (b) or (f) decreases by 10
15 percent or more from one year to the next, the school district may use
16 the last year before the reduction as a base year and offset its
17 reduction according to the following schedule: (1) for the first year
18 after the base year, the school district is entitled to the state aid
19 determined under (a) of this section plus 75 percent of the difference
20 in state aid between the base year and the first year; (2) for the
21 second year after the base year, the school district is entitled to
22 the state aid determined under (a) of this section plus 50 percent of
23 the difference in state aid between the base year and the second year;
24 (3) for the third year after the base year, the school district is
25 entitled to the state aid determined under (a) of this section plus 25
26 percent of the difference in state aid between the base year and the
27 second year. The schedule established in this subsection is available
28 to a school district for the three years following the base year only
29 so long as the entitlement to state aid under AS 14.17.041(a) and (b)

1 or (f) for each year is less than entitlements in the base year. This
2 section does not apply to a decrease in the number of instructional
3 units or loss of entitlements which occurs in district organizations
4 under AS 29.

5 (e) For purposes of calculating state aid under this section, a
6 school district with a school site offering only grades kindergarten
7 through eight shall compute the number of instructional units for that
8 site using the schedule under AS 14.17.041(a).

9 * Sec. 6. AS 14.17.041 is repealed and reenacted to read:

10 Sec. 14.17.041. TABLE OF ALLOWABLE INSTRUCTIONAL UNITS. (a)

11 Elementary schools:

12 ADM	No. Instructional Units
13 under 20	2
14 20 - 32	3
15 33 - 46	4
16 47 - 62	5
17 63 - 80	6
18 81 and over	6 plus 1 for each 18 pupils 19 over 80 or fraction of 18

20 (b) Secondary schools:

21 ADM	No. Instructional Units
22 under 28	4
23 29 - 41	5
24 42 - 56	6
25 57 - 73	7
26 74 and over	7 plus 1 for each 16 pupils 27 over 73 or fraction of 16

28 (c) Vocational education schedule:

29 ADM	No. Instructional Units
--------	-------------------------

1	5 - 10	1
2	11 - 25	2
3	26 - 40	3
4	41 and over	3 plus 1 for each 20 pupils
5		over 40 or fraction of 20
6		pupils Full-Time Equivalent ADM

(d) Special education schedule:

8	ADM	No. Instructional Units
9	1 - 15	1
10	16 - 30	2
11	31 - 45	3
12	46 and over	4 plus 1 for each 11 pupils
13		over 45 or fraction of 11 pupils

(e) Bilingual education schedule:

15	Weighted ADM	No. Instructional Units
16	1 - 12	1
17	13 - 18	2
18	19 - 42	3
19	43 and over	3 plus 1 for each 24
20		weighted ADM over 42 or
21		fraction of 24 weighted ADM

(f) Single city and borough districts under 1,000 ADM:

23	ADM	No. Instructional Units
24	1 - 10	2
25	11 - 20	4
26	21 - 30	6
27	31 - 40	8
28	41 - 50	10
29	51 - 60	12

1	61 - 499	12 plus 1 for every 12
2		pupils or fraction of 12.
3	500 - 999	12 plus 1 for every 15
4		pupils or fraction of 15.

5 * Sec. 7. AS 14.17.051 is repealed and reenacted to read:

6 Sec. 14.17.051. INSTRUCTIONAL UNIT ALLOTMENT. The instructional
7 unit allotment for each school district or regional educational atten-
8 dance area is as follows:

9 (1) for Skagway City School District the district is en-
10 titled to receive 80 percent of the base instructional unit allotment;

11 (2) for Annette Island School District, Petersburg City
12 School District, and Wrangell City School District, the district or
13 area is entitled to receive 90 percent of the base instructional unit
14 allotment;

15 (3) for Adak Regional School District, and Cordova City
16 School District, the district or area is entitled to receive 95 per-
17 cent of the base instructional unit allotment;

18 (4) for Ketchikan Gateway Borough, and Chatham School
19 District the district is entitled to 100 percent of the base
20 instructional unit allotment;

21 (5) for City and Borough of Juneau School District,
22 Anchorage School District, Sitka Borough School District, Matanuska-
23 Susitna Borough School District, Hydaburg City School District,
24 Klawock City School District, and Kenai Peninsula Borough School Dis-
25 trict, the district is entitled to receive 104 percent of the base
26 instructional unit allotment;

27 (6) for Pribilof Islands School District, the area is
28 entitled to receive 105 percent of the base instructional unit allot-
29 ment;

X

1 (7) for Southeast Island School District, the area is
2 entitled to receive 108 percent of the base instructional unit allot-
3 ment;

4 (8) for Pelican City School District, the district is
5 entitled to receive 110 percent of the base instructional unit allot-
6 ment;

7 (9) for Kake City School District, Haines Borough School
8 District, and Hoonah City School District, the district is entitled to
9 receive 112 percent of the base instructional unit allotment;

10 (10) for North Star Borough School District, the district is
11 entitled to receive 113 percent of the base instructional unit allot-
12 ment;

13 (11) for Valdez City School District, Yakutat City School
14 District, Sand Point City School District, and Delta School District,
15 the district or area is entitled to receive 115 percent of the base
16 instructional unit allotment.

17 (12) for Lower Yukon School District, Craig City School
18 District, and Unalaska City School District, the district or area is
19 entitled to receive 120 percent of the base instructional unit allot-
20 ment;

21 (13) for Nenana City School District, Chugach School Dis-
22 trict, Southwest Regional School District, Aleutian Chain School
23 District, and Alaska Gateway School District, the district or area is
24 entitled to receive 125 percent of the base instructional unit allot-
25 ment;

26 (14) for Kodiak Island School District, the district is
27 entitled to receive 135 percent of the base instructional unit allot-
28 ment;

29 (15) for King Cove City School District, Copper River School

1 District, Tanana School District, and Kashunamiut School District, the
2 district or area is entitled to receive 140 percent of the base in-
3 structional unit allotment;

4 (16) for Lake Peninsula School District, and Bering Strait
5 School District, the area is entitled to receive 145 percent of the
6 base instructional unit allotment;

7 (17) for Yukon-Koyukuk School District, and Dillingham City
8 School District, the district or area is entitled to receive 150
9 percent of the base instructional unit allotment;

10 (18) for Bristol Bay Borough School District, Lower
11 Kuskokwim School District, Galena City School District, Northwest
12 Arctic School District, and Nome City School District, the district or
13 area is entitled to receive 155 percent of the base instructional unit
14 allotment;

15 (19) for Kuspuk School District, the area is entitled to
16 receive 160 percent of the base instructional unit allotment;

17 (20) for Yukon Flats School District, and Iditarod Area
18 School District, the area is entitled to receive 165 percent of the
19 base instructional unit allotment;

20 (21) for Upper Railbelt Regional School District, and North
21 Slope Borough School District, the district or area is entitled to
22 receive 175 percent of the base instructional unit allotment;

23 (22) for St. Mary's City School District, the district is
24 entitled to receive 180 percent of the base instructional unit allot-
25 ment;

26 (23) for Yupiit School District, the area is entitled to
27 receive 185 percent of the base instructional unit allotment.

28 * Sec. 8. AS 14.17.056 is repealed and reenacted to read:

29 X Sec. 14.17.056. BASE INSTRUCTIONAL UNIT VALUE. The base

1 instructional unit for fiscal years beginning on or after July 1,
2 1986, is \$42,184.

3 * Sec. 9. AS 14.17.080 is amended to read:

4 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
5 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
6 shall submit to the department, in the manner and on forms to be
7 prescribed by the commissioner, a preliminary report pursuant to this
8 chapter of estimates and data upon which computations can be made [FOR
9 THE FOLLOWING FISCAL YEAR] of the amount of [BASIC] state aid for
10 which the district is eligible the following fiscal year under AS 14.-
11 17.021[; AND THE AMOUNT FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN
12 APPROVED FOR FUNDING CONSIDERATION BY THE COMMISSIONER. EACH DISTRICT
13 SHALL MAKE THE COMPUTATIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 -
14 14.17.150]. The preliminary reports required by this section [COMPU-
15 TATIONS] are the basis for requesting legislative appropriations and
16 for making preliminary payments under the public school foundation
17 program for the following fiscal year.

18 * Sec. 10. AS 14.17 is amended by adding a new section to read:

19 Sec. 14.17.139. NEW SCHOOL DISTRICTS. Notwithstanding any other
20 provision of law, a new school district may not be formed if the total
21 number of pupils for the proposed school district is less than 250
22 unless the commissioner of education determines that formation of a
23 new school district with less than 250 pupils would be in the best
24 interest of the state and the proposed school district.

25 * Sec. 11. AS 14.17.140 is repealed and reenacted to read:

26 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
27 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the equalized
28 percentage to be applied to basic need under AS 14.17.021 the Depart-
29 ment of Community and Regional Affairs, in consultation with the

1 assessor for each district, shall determine the full value of the
2 taxable real and personal property in each district. Exemptions
3 granted under ch. 129, SLA 1957, known as the Alaska Industrial Incentive
4 Act (AS 43.25.010 - 43.25.170), shall be honored. If there is no
5 local assessor or current local assessment for a district, then the
6 Department of Community and Regional Affairs shall make the determination
7 of full value from information available. In making the determination,
8 the Department of Community and Regional Affairs shall be
9 guided by AS 29.45.110. The determination of full value shall be made
10 before October 1 and sent by certified mail, return receipt requested,
11 before that date to the president of the school board in each district.
12 Duplicate copies shall be sent to the commissioner. The
13 governing body of the borough or city which is the district may obtain
14 judicial review of the determination. The superior court may modify
15 the determination of the Department of Community and Regional Affairs
16 only upon a finding of abuse or discretion or upon a finding that
17 there is no substantial evidence to support the determination.

18 (b) Motor vehicles subject to the motor vehicle registration tax
19 under AS 28.10.255 shall be treated as taxable property for purposes
20 of (a) of this section.

21 * Sec. 12. Section AS 14.17.170 is amended to read:

22 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each
23 district shall make a report at the end of the 20-school-day period
24 ending the fourth Friday in October, and may make a report at the end
25 of the 20-school-day period ending the second Friday in February
26 [FIRST NINE WEEKS OF SCHOOL], which, in accordance with regulations
27 adopted by the department, reports [CONTAINS A NEW ESTIMATE OF] its
28 average daily membership for that counting period, [THE FISCAL YEAR]
29 and other information which will aid the commissioner in making a more

1 accurate determination of each district's state aid. The October
2 report, or the February report if it makes the district eligible for
3 more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF AVERAGE DAILY
4 MEMBERSHIP SHALL BE] the basis for the computation and distribution of
5 each district's state aid for the balance of the fiscal year. As soon
6 as possible after receiving each district's report [THE COMMISSIONER
7 SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND INFORMATION, MAKE A
8 RECOMPUTATION OF EACH DISTRICT'S STATE AID. BEFORE DECEMBER 2], the
9 commissioner shall notify each district of changes made in the number
10 of funding units calculated for that district [ITS STATE AID]. The
11 commissioner shall also determine whether the money in the public
12 school foundation account is sufficient to meet each district's state
13 aid for the fiscal year, and, if the money is not sufficient, the
14 commissioner shall immediately inform the governor of the amount of
15 additional appropriation the commissioner estimates will be necessary
16 to carry out the public school foundation program for the rest of the
17 fiscal year. Beginning April [FEBRUARY] 15 and on the 15th of each
18 subsequent month, one-third [ONE-FIFTH] of the recomputed balance of
19 each district's state aid must [SHALL] be distributed. [HOWEVER,
20 ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD PENDING A FINAL DETER-
21 MINATION OF THE DISTRICT'S STATE AID.]

22 * Sec. 13. AS 14.17.250(4) is repealed and reenacted to read:

23 (4) "elementary school" means a school consisting of grades
24 one through eight, kindergarten through eight, special education
25 pre-elementary through six, or an appropriate combination of grades
26 within this range;

27 * Sec. 14. AS 14.17.250(9) is repealed and reenacted to read:

28 (9) "secondary school" means a school of grades 7 through
29 12;

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* Sec. 15. AS 14.17.081 is repealed.

* Sec. 16. This Act takes effect July 1, 1986.

COMMITTEE REPORT
SENATE

Finance

FURTHER:

2/13/86

Date 4-24-86

Mr. President

The Committee on HESS considered SB 408
state aid to education; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 408 (HES)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Joe Josephson.

Edwin Stangulinski

Edw DeWitt N.R.

Paul G. N.R.

Duffie Faberling No Pass
Chairman

Chairman recommendation _____

Offered: 4/25/86
Referred: Rules

Original sponsor: Ferguson

1 IN THE SENATE

Finance
BY THE ~~HEALTH, EDUCATION AND~~
~~SOCIAL SERVICES COMMITTEE~~

2 CS FOR SENATE BILL NO. 408 (~~HESS~~) *Finance*

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state aid to education; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.17.021 is repealed and reenacted to read:

10 Sec. 14.17.021. STATE AID. (a) The amount of state aid for
11 which each school district may qualify is calculated by multiplying
12 the basic need as defined in (b) of this section by the equalized
13 percentage as defined in (c) of this section.

14 (b) The basic need of each school district is determined by
15 multiplying the instructional unit allotment of the district as de-
16 fined in AS 14.17.051 by the number of instructional units in the
17 district by the instructional unit value.

18 (c) The equalized percentage for each city/borough school dis-
19 trict is computed according to formula $P_i = 1 - (1-k) V_i/V_s$ in which

20 (1) P_i (equalized percentage) = percent of need to be pro-
21 vided by the state;

22 (2) K (minimum level of state support of basic need) = 97
23 percent;

24 (3) V_i (valuation per pupil in average daily membership in
25 the district) = full and true value of taxable real and personal
26 property within the city/borough district divided by the average daily
27 membership of the district;

28 (4) V_s = average of the valuation per pupil in average
29 daily membership for all the city/borough districts of the state;

1 (5) state aid as computed under this section constitutes at
2 least 97 percent of the basic need, of each school district;

3 (6) for the purpose of calculating the amount of equalized
4 percentage under this section, Vi/Vs may not exceed 1.00.

5 * Sec. 2. AS 14.17.023 is repealed and reenacted to read:

6 Sec. 14.17.023. SECONDARY FORMULA ACCOUNT. (a) The Department
7 of Education shall allocate 80 percent of the funds remaining after
8 the allocation under AS 14.17.021 - 14.17.056 are recomputed in accor-
9 dance with AS 14.17.170 to school districts whose:

10 (1) local contribution to education for each student in
11 average daily membership in the preceding fiscal year exceeds the
12 statewide average local contribution to education for each pupil in
13 average daily membership for the preceding fiscal year; and

14 (2) local contribution to education for the preceding
15 fiscal year exceeds the amount that would be generated by a two-mill
16 levy on the full and true value of taxable real and personal property
17 in the district, as determined under AS 14.17.140, for the preceding
18 fiscal year.

19 (b) The Department of Education may use funds remaining after
20 the allocations under (a) of this section to help a school district
21 remedy unique or emergency circumstances that cannot be remedied using
22 other funds available to the school district for the current fiscal
23 year. The Department of Education may use funds allocated under this
24 subsection to address any shortfall in funding for special education
25 in those districts who successfully demonstrate their existing level
26 of service is significantly impacted under this chapter. Each fiscal
27 year, a school district may apply to the commissioner of education for
28 financial assistance under this subsection. The commissioner shall
29 adopt regulations to establish standards of eligibility and

1 expenditure of funds under this subsection.

2 (c) Each fiscal year, the Department of Education shall allocate
3 to each school district that qualifies for funds under (a) of this
4 section an amount equal to the portion of the school district's local
5 contribution to education for each student in average daily membership
6 in the preceding fiscal year that exceeds the statewide average local
7 contribution to education for each student in average daily membership
8 in the preceding fiscal year. If the available funds under (a) and
9 (b) of this section are insufficient to meet the allocations author-
10 ized under this section, the available funds shall be distributed pro
11 rata among the eligible school districts. If the available funds
12 under (a) and (b) of this section exceed \$20,000,000 the excess funds
13 shall be distributed pro rata among all school districts.

14 (d) In this section:

15 (1) "local contribution to education" means the local tax
16 contribution that was actually expended for education in the preceding
17 fiscal year as determined by the audit conducted under AS 14.14.050;

18 (2) "statewide average" means the total local contribution
19 to education in the state for the preceding fiscal year divided by the
20 total number of students in average daily membership in the preceding
21 fiscal year;

22 (3) "unique circumstances" means factors which cannot be
23 adequately addressed by the formula in AS 14.17.021 and which are
24 unique to remote school districts, such as small high school popula-
25 tions, high intra-district travel costs for education and professional
26 support staff, and high transportation costs to deliver basic goods
27 and supplies to schools within the district.

28 (e) The commissioner of education may expend funds under (b) of
29 this section only in accordance with the following procedures:

1 (1) the commissioner shall submit the proposed expenditures
2 to the Legislative Budget and Audit Committee for review;

3 (2) 45 days shall elapse before commencement of expendi-
4 tures under (b) of this section unless the Legislative Budget and
5 Audit Committee earlier recommends that the expenditures be made;

6 (3) should the Legislative Budget and Audit Committee
7 recommend within the 45-day period that the expenditures not be made,
8 the commissioner shall again review the proposed expenditures and if
9 the commissioner determines to authorize the expenditures, the commis-
10 sioner shall provide the Legislative Budget and Audit Committee with a
11 statement of the commissioner's reasons before commencement of the
12 expenditures.

13 * Sec. 3. 14.17 is amended by adding a new section to read:

14 Sec. 14.17.027. REVENUE ADJUSTMENT. The Department of Educa-
15 tion shall submit a supplemental appropriation request to the legisla-
16 ture in any fiscal year in which the PL-874 funds received by a school
17 district or area are less than the preceding fiscal year.

18 * Sec. 4. AS 14.17.031 is repealed and reenacted to read:

19 Sec. 14.17.031. INSTRUCTIONAL UNITS. (a) The total number of
20 instructional units within each school district is the sum of:

21 (1) the number of units for elementary schools and the
22 number of units for secondary schools as determined under AS 14.17.-
23 041(a) and (b) or (f);

24 (2) the number of units for vocational education as deter-
25 mined under AS 14.17.041(c) as approved by the department;

26 (3) the number of units from special education as deter-
27 mined under AS 14.17.041(d) as approved by the department;

28 (4) if the district has five or more correspondence pupils
29 enrolled in an approved district correspondence study program, the

1 number of units shall be determined under AS 14.17.041(a) or (f);

2 (5) the number of units for bilingual education as deter-
3 mined under AS 14.17.041(e) as approved by the department.

4 (b) A school district shall compute separately the number of
5 allowable instructional units for each of its secondary schools except
6 as provided in (c) of this section.

7 (c) The commissioner shall authorize any school in a remote
8 location to establish an associated secondary school when the sum of
9 the average daily membership in grades five through eight is greater
10 than 20. Notwithstanding AS 14.17.041, any school or school district
11 operating a remote elementary school with 20 or fewer total average
12 daily membership within grades five through eight may conduct a
13 secondary program subject to approval of the commissioner and use the
14 following table to calculate the number of allowable instructional
15 units for the combined elementary and secondary program of the remote
16 school:

17 ADM	No. Instructional Units
18 under 12	3
19 12 - 20	4
20 21 - 32	5

21 (d) If the total amount of state aid that a school district is
22 entitled to under AS 14.17.041(a) and (b) or (f) decreases by 10
23 percent or more from one year to the next, the school district may use
24 the last year before the reduction as a base year and offset its
25 reduction according to the following schedule: (1) for the first year
26 after the base year, the school district is entitled to the state aid
27 determined under (a) of this section plus 75 percent of the difference
28 in state aid between the base year and the first year; (2) for the
29 second year after the base year, the school district is entitled to

1 the state aid determined under (a) of this section plus 50 percent of
 2 the difference in state aid between the base year and the second year;
 3 (3) for the third year after the base year, the school district is
 4 entitled to the state aid determined under (a) of this section plus 25
 5 percent of the difference in state aid between the base year and the
 6 second year. The schedule established in this subsection is available
 7 to a school district for the three years following the base year only
 8 so long as the entitlement to state aid under AS 14.17.041(a) and (b)
 9 or (f) for each year is less than entitlements in the base year. This
 10 section does not apply to a decrease in the number of instructional
 11 units or loss of entitlements which occurs in district organizations
 12 under AS 29.

13 (e) For purposes of calculating state aid under this section, a
 14 school district with a school site offering only grades kindergarten
 15 through eight shall compute the number of instructional units for that
 16 site using the schedule under AS 14.17.041(a).

17 * Sec. 5. AS 14.17.041 is repealed and reenacted to read:

18 Sec. 14.17.041. TABLE OF ALLOWABLE INSTRUCTIONAL UNITS. (a)

19 Elementary schools:

ADM	No. Instructional Units
under 20	2
20 - 32	3
33 - 46	4
47 - 62	5
63 - 80	6
81 and over	6 plus 1 for each 18 pupils over 80 or fraction of 18

27 (b) Secondary schools:

ADM	No. Instructional Units
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under 28	4
29 - 41	5
42 - 56	6
57 - 73	7
74 and over	7 plus 1 for each 16 pupils over 73 or fraction of 16

(c) Vocational education schedule:

ADM	No. Instructional Units
5 - 10	1
11 - 25	2
26 - 40	3
41 and over	3 plus 1 for each 20 pupils over 40 or fraction of 20 pupils Full-Time Equivalent ADM

(d) Special education schedule:

ADM	No. Instructional Units
1 - 15	1
16 - 30	2
31 - 45	3
46 and over	4 plus 1 for each 11 pupils over 45 or fraction of 11 pupils Full-Time Equivalent ADM

(e) Bilingual education schedule:

Weighted ADM	No. Instructional Units
1 - 12	1
13 - 18	2
19 - 42	3
43 and over	3 plus 1 for each 24 weighted ADM over 42 or fraction of 24 weighted ADM

(unnecessary)
M Scott

1 (f) Single city and borough districts under 1,000 ADM:

2 ADM	No. Instructional Units
3 1 - 10	2
4 11 - 20	4
5 21 - 30	6
6 31 - 40	8
7 41 - 50	10
8 51 - 60	12
9 61 - 499	12 plus 1 for every 12 pupils or fraction of 12.
10	
11 500 - 999	12 plus 1 for every 15 pupils or fraction of 15.
12	

13 * Sec. 6. AS 14.17.051 is repealed and reenacted to read:

14 Sec. 14.17.051. INSTRUCTIONAL UNIT ALLOTMENT. The instructional
15 unit allotment for each school district or regional educational atten-
16 dance area is as follows:

17 (1) for Skagway City School District the district is en-
18 titled to receive 80 percent of the base instructional unit allotment;

19 (2) for Annette Island School District, Petersburg City
20 School District, Wrangell City School District, and ~~Chatham School~~
21 ~~District~~; the district or area is entitled to receive 90 percent of
22 the base instructional unit allotment;

23 (3) for Adak Regional School District, and Cordova City
24 School District, the district or area is entitled to receive 95 per-
25 cent of the base instructional unit allotment;

26 (4) for Ketchikan Gateway Borough, ^{Chatham School District} the district is entitled
27 to 100 percent of the base instructional unit allotment;

28 (5) for City and Borough of Juneau School District,
29 Anchorage School District, Sitka Borough School District, Matanuska-

1 Susitna Borough School District, Hydaburg City School District,
2 Klawock City School District, and Kenai Peninsula Borough School Dis-
3 trict, the district is entitled to receive 104 percent of the base
4 instructional unit allotment;

5 (6) for Pribilof Islands School District, ^{Chatham} the area is
6 entitled to receive 105 percent of the base instructional unit allot-
7 ment;

8 (7) for Southeast Island School District, the area is
9 entitled to receive 108 percent of the base instructional unit allot-
10 ment;

11 (8) for Pelican City School District, the district is
12 entitled to receive 110 percent of the base instructional unit allot-
13 ment;

14 (9) for Kake City School District, Haines Borough School
15 District, and Hoonah City School District, the district is entitled to
16 receive 112 percent of the base instructional unit allotment;

17 (10) for North Star Borough School District, the district is
18 entitled to receive 113 percent of the base instructional unit allot-
19 ment;

20 (11) for Valdez City School District, Yakutat City School
21 District, Sand Point City School District, and Delta School District,
22 the district or area is entitled to receive 115 percent of the base
23 instructional unit allotment.

24 (12) for Lower Yukon School District, Craig City School
25 District, and Unalaska City School District, the district or area is
26 entitled to receive 120 percent of the base instructional unit allot-
27 ment;

28 (13) for Nenana City School District, Chugach School Dis-
29 trict, Southwest Regional School District, Aleutian Chain School

*Chatham
School
District*

(Rescind)

1 District, and Alaska Gateway School District, the district or area is
2 entitled to receive 125 percent of the base instructional unit allot-
3 ment;

4 (14) for Kodiak Island School District, the district is
5 entitled to receive 135 percent of the base instructional unit allot-
6 ment;

7 (15) for King Cove City School District, Copper River School
8 District, Tanana School District, and Kashunamiut School District, the
9 district or area is entitled to receive 140 percent of the base in-
10 structional unit allotment;

11 (16) for Lake Peninsula School District, and Bering Strait
12 School District, the area is entitled to receive 145 percent of the
13 base instructional unit allotment;

14 (17) for Yukon-Koyukuk School District, and Dillingham City
15 School District, the district or area is entitled to receive 150
16 percent of the base instructional unit allotment;

17 (18) for Bristol Bay Borough School District, Lower
18 Kuskokwim School District, Galena City School District, Northwest
19 Arctic School District, and Nome City School District, the district or
20 area is entitled to receive 155 percent of the base instructional unit
21 allotment;

22 (19) for Kuspuk School District, the area is entitled to
23 receive 160 percent of the base instructional unit allotment;

24 (20) for Yukon Flats School District, and Iditarod Area
25 School District, the area is entitled to receive 165 percent of the
26 base instructional unit allotment;

27 (21) for Upper Railbelt Regional School District, and North
28 Slope Borough School District, the district or area is entitled to
29 receive 175 percent of the base instructional unit allotment;

1 (22) for St. Mary's City School District, the district is
2 entitled to receive 180 percent of the base instructional unit allot-
3 ment;

4 (23) for Yupit School District, the area is entitled to
5 receive 185 percent of the base instructional unit allotment.

6 * Sec. 7. AS 14.17.056 is repealed and reenacted to read:

7 Sec. 14.17.056. BASE INSTRUCTIONAL UNIT VALUE. The base in-
8 structional unit for fiscal years beginning on or after July 1, 1986,
9 is \$42,184.

10 * Sec. 8. AS 14.17.080 is amended to read:

11 Sec. 14.17.080. PRELIMINARY REPORTS [COMPUTATION] BY DISTRICTS
12 [DISTRICT]. By October 15 [30] of the pre-fiscal year each district
13 shall submit to the department, in the manner and on forms to be
14 prescribed by the commissioner, a preliminary report pursuant to this
15 chapter of estimates and data upon which computations can be made [FOR
16 THE FOLLOWING FISCAL YEAR] of the amount of [BASIC] state aid for
17 which the district is eligible the following fiscal year under AS 14.-
18 17.021[; AND THE AMOUNT FOR SUPPLEMENTAL PROGRAMS WHICH HAS BEEN
19 APPROVED FOR FUNDING CONSIDERATION BY THE COMMISSIONER. EACH DISTRICT
20 SHALL MAKE THE COMPUTATIONS IN THE MANNER PRESCRIBED BY AS 14.17.080 -
21 14.17.150]. The preliminary reports required by this section [COMPU-
22 TATIONS] are the basis for requesting legislative appropriations and
23 for making preliminary payments under the public school foundation
24 program for the following fiscal year.

25 * Sec. 9. AS 14.17 is amended by adding a new section to read:

26 Sec. 14.17.139. NEW SCHOOL DISTRICTS. Notwithstanding any other
27 provision of law, a new school district may not be formed if the total
28 number of pupils for the proposed school district is less than 250
29 unless the commissioner of education determines that formation of a

1 new school district with less than 250 pupils would be in the best
2 interest of the state and the proposed school district.

3 * Sec. 10. AS 14.17.140 is repealed and reenacted to read:

4 Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE BY DEPART-
5 MENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) To determine the equalized
6 percentage to be applied to basic need under AS 14.17.021 the Depart-
7 ment of Community and Regional Affairs, in consultation with the
8 assessor for each district, shall determine the full value of the
9 taxable real and personal property in each district. Exemptions
10 granted under ch. 129, SLA 1957, known as the Alaska Industrial Incen-
11 tive Act (AS 43.25.010 - 43.25.170), shall be honored. If there is no
12 local assessor or current local assessment for a district, then the
13 Department of Community and Regional Affairs shall make the determina-
14 tion of full value from information available. In making the deter-
15 mination, the Department of Community and Regional Affairs shall be
16 guided by AS 29.45.110. The determination of full value shall be made
17 before October 1 and sent by certified mail, return receipt requested,
18 before that date to the president of the school board in each dis-
19 trict. Duplicate copies shall be sent to the commissioner. The
20 governing body of the borough or city which is the district may obtain
21 judicial review of the determination. The superior court may modify
22 the determination of the Department of Community and Regional Affairs
23 only upon a finding of abuse or discretion or upon a finding that
24 there is no substantial evidence to support the determination.

25 (b) Motor vehicles subject to the motor vehicle registration tax
26 under AS 28.10.255 shall be treated as taxable property for purposes
27 of (a) of this section.

28 * Sec. 11. Section AS 14.17.170 is amended to read:

29 Sec. 14.17.170. PAYMENT UNDER ADJUSTED COMPUTATIONS. Each

1 district shall make a report at the end of the 20-school-day period
2 ending the fourth Friday in October, and may make a report at the end
3 of the 20-school-day period ending the second Friday in February
4 [FIRST NINE WEEKS OF SCHOOL], which, in accordance with regulations
5 adopted by the department, reports [CONTAINS A NEW ESTIMATE OF] its
6 average daily membership for that counting period, [THE FISCAL YEAR]
7 and other information which will aid the commissioner in making a more
8 accurate determination of each district's state aid. The October
9 report, or the February report if it makes the district eligible for
10 more state aid, is [THIS NEW ESTIMATE AND INFORMATION OF AVERAGE DAILY
11 MEMBERSHIP SHALL BE] the basis for the computation and distribution of
12 each district's state aid for the balance of the fiscal year. As soon
13 as possible after receiving each district's report [THE COMMISSIONER
14 SHALL, ON THE BASIS OF THIS NEW ESTIMATE AND INFORMATION, MAKE A
15 RECOMPUTATION OF EACH DISTRICT'S STATE AID. BEFORE DECEMBER 2], the
16 commissioner shall notify each district of changes made in the number
17 of funding units calculated for that district [ITS STATE AID]. The
18 commissioner shall also determine whether the money in the public
19 school foundation account is sufficient to meet each district's state
20 aid for the fiscal year, and, if the money is not sufficient, the
21 commissioner shall immediately inform the governor of the amount of
22 additional appropriation the commissioner estimates will be necessary
23 to carry out the public school foundation program for the rest of the
24 fiscal year. Beginning April [FEBRUARY] 15 and on the 15th of each
25 subsequent month, one-third [ONE-FIFTH] of the recomputed balance of
26 each district's state aid must [SHALL] be distributed. [HOWEVER,
27 ONE-HALF OF THE JUNE PAYMENT SHALL BE WITHHELD PENDING A FINAL DETER-
28 MINATION OF THE DISTRICT'S STATE AID.]

29 * Sec. 12. AS 14.17.250(4) is repealed and reenacted to read:

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(4) "elementary school" means a school consisting of grades one through eight, kindergarten through eight, special education pre-elementary through six, or an appropriate combination of grades within this range;

* Sec. 13. AS 14.17.250(9) is repealed and reenacted to read:

(9) "secondary school" means a school of grades 7 through 12;

* Sec. 14. AS 14.17.081 is repealed.

* Sec. 15. This Act takes effect July 1, 1986.

Introduced: 2/13/86
Referred: Health, Education and
Social Services and
Finance

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 408

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to state aid to education; and
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.17.021 is repealed and reenacted to read:

10 Sec. 14.17.021. STATE AID. (a) The amount of state aid for
11 which each school district may qualify is calculated by multiplying
12 the basic need as defined in (b) of this section by the equalized
13 percentage as defined in (c) of this section. To the maximum extent
14 permitted under subsection 5(d)(2) of P.L. 81-874, as amended, (20
15 U.S.C. 240(d)) and the regulations adopted under it (45 C.F.R.
16 115.60 - 115.66), the amount of state aid shall be reduced by the
17 amount of the school district's entitlement to federal financial
18 assistance under P.L. 81-874, as amended, (20 U.S.C. 236v - 244), for
19 the prior fiscal year.

20 (b) The basic need of each school district is determined by
21 multiplying the instructional unit allotment of the district as de-
22 fined in AS 14.17.051 by the number of instructional units in the
23 district.

24 (c) The equalized percentage for each school district is
25 computed according to formula $P_i = 1 - (1-k) V_i/V_s$ in which

26 (1) P_i (equalized percentage) = percent of need to be pro-
27 vided by the state;

28 (2) K (minimum level of state support of basic need) = 97
29 percent;

1 (3) Vi (valuation per pupil in average daily membership in
2 the district) = full and true value of taxable real and personal
3 property within the district divided by the average daily membership
4 of the district;

5 (4) Vs = average of the valuation per pupil in average
6 daily membership for all the districts of the state;

7 (5) state aid as computed under this section constitutes at
8 least 97 percent of the basic need, as defined by the department, of
9 each school district.

10 * Sec. 2. AS 14.17.031 is repealed and reenacted to read:

11 Sec. 14.17.031. INSTRUCTIONAL UNITS. (a) The total number of
12 instructional units within each school district is the sum of:

13 (1) the number of units for elementary schools and the
14 number of units for secondary schools as determined under
15 AS 14.17.041(a) or (b);

16 (2) the number of units for vocational education determined
17 under AS 14.17.041(c) as approved by the department;

18 (3) the number of units from special education determined
19 under AS 14.17.041(d) as approved by the department;

20 (4) if the district has five or more correspondence pupils
21 enrolled in an approved district correspondence study program, the
22 number of units for correspondence pupils to AS 14.17.041(a);

23 (5) the number of units for bilingual education determined
24 under AS 14.17.041(e) as approved by the department.

25 (b) A school district shall compute separately the number of
26 allowable instructional units for each of its secondary schools except
27 as provided in (c) of this section.

28 (c) The commissioner shall authorize any school in a remote
29 location to establish an associated secondary school when the sum of

1 the average daily membership in grades five through eight may conduct
2 a secondary program subject to approval of the commissioner and use
3 the following table to calculate the number of allowable instructional
4 units for the combined elementary and secondary program of the remote
5 school:

6 ADM	No. Instructional Units
7 under 12	3
8 12 - 20	4
9 21 - 32	5

10 (d) If the instructional units that a school district is entitled
11 to under (a) of this section decrease by 10 percent or more from one
12 year to the next, the school district may use the last year before the
13 reduction as a base year and offset its reduction according to the
14 following schedule:

15 (1) for the first year after the base year, the school
16 district is entitled to the instructional units determined under (a)
17 of this section plus 75 percent of the difference in instructional
18 units between the base year and the first year;

19 (2) for the second year after the base year, the school
20 district is entitled to the instructional units determined under (a)
21 of this section plus 50 percent of the difference in instructional
22 units between the base year and the second year;

23 (3) for the third year after the base year, the school
24 district is entitled to the instructional units determined under (a)
25 of this section plus 25 percent of the difference in instructional
26 units between the base year and the second year. The schedule estab-
27 lished in this section is available to a school district for the three
28 entitlement in the base year.

29 * Sec. 3. AS 14.17.041 is repealed and reenacted to read: