

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

HB 183 cont. - HB 188 485 76

PETRO STAR INC.

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-686

PO Box 55239
North Pole, Alaska 99705

January 16, 1990

Representative Bert Sharp
P.O. Box V
Juneau, AK 99811

REP. SHARP
JAN 24 1990
RECEIVED

Dear Representative Sharp:

I would like to take this opportunity to comment on HB 183 exempting fuel dealers from obtaining a certificate of use for fuel oil sold to heat commercial facilities. I fully support this piece of legislation.

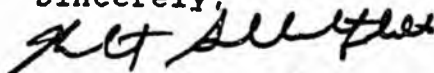
Currently, fuel dealers do not have to charge the motor fuel tax for fuel sold to heat private or commercial facilities. However, the dealer must obtain a certificate of use for fuel sold to heat commercial buildings. The certificate of use is signed by the customer and certifies that the customer is using the fuel for a tax exempt purpose.

AS 43.40.010(1) states that motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used for a taxable purpose. In almost every case, a dealer will know by sight what the purchaser will use the fuel for. If the dealer has a doubt about what the fuel will be used for, they will obtain a certificate of use for protection against the liability of paying the tax at a future time.

Since heating fuel is exempt from the motor fuel tax, it should be exempt from the requirements of the certificate of use. Dealers should only be required to obtain a certificate of use if they have a doubt about the customers use of the fuel, and then the auditor would have a clear list of those customers who may have used fuel for a taxable purpose but did not pay the tax.

HB 183 would relieve the dealers of the burden of collecting certificates of use for those sales which are obviously untaxable, yet would preserve the use of the certificates for those sales which we feel could be potentially taxable.

Sincerely,



Walt Schlotfeldt
President

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-886

P.O. Box 56239
North Pole, Alaska 99705
Walt Schlotfeldt
President

July 27, 1989

Department of Revenue
Income and Excise Audit Division
P.O. Box SA
Juneau, AK 99811

Gentlemen:

I would like to take this opportunity to respond to the proposed amendment to 15 AAC 40.030 relating to certificate of use requirements for motor fuel tax exemptions. Although the proposed regulation change is more acceptable than the current regulations, I still oppose regulations requiring certificates of use for fuel used to heat buildings or facilities.

AS 43.40.010(1) states that motor fuel tax need not be collected if a dealer has reasonable belief that at the time of the sale the fuel is not to be used as motor fuel. In almost every case, a dealer will know by sight what the fuel will be used for. If the dealer has a doubt about what the purchaser will use the fuel for, he will either charge a tax or obtain a certificate of use to protect himself from the liability of potentially paying the tax at a future time.

The definition of motor fuel tax under AS 43.40.100(2) excludes fuel used to heat private or commercial buildings or facilities. Fuel used exclusively for a domestic purpose in single or multiple unit private dwellings including mobile homes, but not including watercraft, is exempt from the certificate of use requirement in 15 AAC 40.030(b), however, the dealer must obtain a certificate of use for fuel sold to heat commercial buildings or facilities. This certificate of use requirement creates an abundance of paperwork for the dealer which in turn causes us to incur additional administrative expenses.

PETRO STAR INC.

Telephone (907) 488-0730
Teletypewriter (907) 488-9057
TELEX 36-686

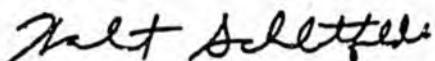
P.O. Box 56239
North Pole, Alaska 99705

Department of Revenue
Page 2
July 27, 1989

Although your proposed regulations would not require the dealer to obtain an annual certificate of use unless the tank location is changed or if the intended use of the fuel is changed, I still believe that fuel sold to heat commercial buildings or facilities should be exempt from the requirement and that certificates of use should only be necessary for the commercial customers who the dealer suspects are using the fuel for a taxable purpose.

I would encourage you to eliminate any requirements of certificate of use for fuel sold to heat commercial buildings or facilities.

Sincerely,



Walt Schlotfeldt
President

PETRO STAR INC.

Telephone (907) 488-0730
Telecopier (907) 488-9057
TELEX 36-686

P.O. Box 56239
North Pole, Alaska 99705
Walt Schlotfeldt
President

January 23, 1990

Mr. Bert M. Sharp
Alaska State Legislature
P.O. Box V (MS3100)
Juneau, Alaska 99811

Dear Representative Sharp:

I neglected to tell you that, in addition to obtaining certificates of use for commercial heating fuel, we must report the names of our commercial heating fuel accounts once a year. I do not like having to do this for proprietary reasons, as well as the waste of time of our staff.

I hope this continues to help identify the problems.

Sincerely,

Walt
Walt Schlotfeldt

WPS:pm
W.00123-1

JANUARY 1990

TO ALL QUALIFIED DEALERS:

JUST A REMINDER - PLEASE INCLUDE A LIST OF ALL YOUR COMMERCIAL HEATING FUEL ACCOUNTS WITH YOUR MOTOR FUEL TAX RETURN FOR THE MONTH OF DECEMBER 1989. THANK YOU.

THE FOLLOWING QUALIFIED DEALERS HAVE BEEN REVOKED OR HAVE GONE OUT OF BUSINESS:

COLLINS OIL COMPANY
GALENA CONSTRUCTION COMPANY
NQI PETROLEUM
NORTH STAR FUEL AND PROPANE
PUGET SOUND TUG AND BARGE
Q TRUCKING COMPANY INC.
SOUND OIL COMPANY
TANANA PETROLEUM COMPANY
W.C.A. FUEL

THE FOLLOWING QUALIFIED DEALERS ARE NEW ADDITIONS TO THE LIST:

ALASKA AIRCRAFT LEASING
EGEGIK FUEL COMPANY
ELF TRADING
HARCROS CHEMICALS
KIZHUYAK OIL SALES INC.
NORTHERN PACIFIC TRANSPORT
OUR STORE INC.
PETRO LUB SERVICES
TOTEM OIL PRODUCTS

QUALIFIED DEALER LICENSES

License
Number

Company Name

January 1990

89-205	Alaska Aircraft Leasing Inc.
83-022	Alaska Aerofuel Inc.
85-113	Alaska Fuel Products
83-012	Alaska Fuel Services
85-092	Alaska Mechanical Fuel Service
83-002	Alaska Oil Sales, Inc.
85-116	Alaska Petroleum
84-071	Alaska West Express Inc.
82-002	Anderes Oil Company
85-112	ANICA, Inc.
85-123	ARCO Alaska, Inc.
89-201	Astra Oil Company Inc.
83-068	Aurora North Fuel Sales
87-165	Badger Fuel, Inc.
86-140	Bethel Fuel Sales, Inc.
84-085	Big State Logistics
88-178	B.P. Exploration (Alaska) Inc.
88-172	B.P. North America Petroleum
89-192	Board of Trade dba Alaska Cab Garage
89-188	Bristol Bay Contractors
88-175	Bristol Bay Supply
84-083	Campbell & Sons
85-118	CEM Leasing, Inc.
82-010	Chevron USA
89-194	City of Aniak
87-161	Clarendon Marketing, Inc.
82-005	Columbus Distributors Co.
89-191	Colville Environmental Services Inc.
85-131	Dartts Fuel Service
83-024	Delta Fuel, Inc.
85-102	Delta Western (Western Pioneer, Inc.)
82-003	Denali Fuel Company Inc.
83-052	Douglas Oil Heat
83-013	Doyles Fuel Service
89-206	Egegik Fuel Company
89-202	Elf Trading Inc.
88-177	Eskimos Inc.
83-053	Everts Air Fuel
88-170	Express Fuels
82-009	Exxon Corporation
84-088	Fagerstrom Enterprises Inc.
82-012	Fisher's Fuel Inc.
88-175	H & H Contractors Inc.
88-169	Halda Oil Products
89-207	Harcros Chemicals Inc.

NumberCompany Name

86-139	Haines Terminal and Highway Company
83-011	Harbor Enterprises Inc.
83-036	Harbor Fuel Company
85-089	Hawaiian Independent Refinery, Inc.
83-051	Hoffman Fuel Service
87-158	Hoonah Seafoods (Excursion Inlet Packing Co.)
85-094	Hoover's Movers
83-023	Ike's Fuel
87-164	Interior Fuels Company
83-026	Ireland Transfer & Storage Co.
86-151	Irish Trucking
85-105	Island Fuel, Inc.
87-166	Johnny's Fuel (Rodike, Inc.)
83-048	Johnson Fuel Service
85-093	Kenai Airport Fuels, Inc.
89-209	Kizhuyak Oil Sales Inc.
82-015	Kodiak Oil Sales
86-137	Koyukuk Inc.
85-095	Kuparuk Fuel Sales Ltd.
89-197	Kwik Inc.
88-183	MG Refining & Marketing Inc.
83-017	Mapco Petroleum Inc.
83-015	Marathon Fuel Service
85-135	Max-Weld Co., Inc.
85-130	Metallgesellschaft Corporation
82-016	Mobil Oil Corp.
85-056	Moody's Oil Service
85-111	Moody's Sealightage, Inc.
84-079	Nenana Standard Heating Services
85-121	Nome Native Community Ents.
89-189	Nondalton Native Fuel Service
83-025	Northern Air Cargo, Inc.
83-039	Northern Energy Corporation
89-203	Northern Pacific Transport Inc.
83-058	Northway Fuel
87-160	Novaks Fuel Distributors
88-179	Nunakauiak Yupik Corporation
86-142	Orca Oil Co., Inc.
89-210	Our Store Inc.
86-146	Pacific Alaska Fuel Services, Inc.
84-081	Pacific Fuel Trading Co.
89-204	Petro Lube Services
85-090	Petro Marine Services
89-198	Petro Marine Services - Ballyhoo
89-199	Petro Marine Services - Barge
89-200	Petro Marine Services - Nikiski
82-004	Petro Products, Inc.
83-021	Petro Star Fuel
85-134	Petro Star, Inc.

NumberCompany Name

86-147	Petrolane Gas Service, Inc.
86-145	PRI International, Inc.
89-196	Radiant Heating Fuel Service
83-041	Reeve Aleutian Airways
83-045	Reliable Transfer
85-110	Royal Fuel Company
84-086	Salcha Services
83-067	Saupe Enterprises, Inc.
89-193	Saurian Fuel Service Inc.
88-174	Seldovia Fuel Company
88-180	Seppala Enterprises
83-005	Service Oil & Gas, Inc.
83-047	Service Transfer
83-016	Shell Oil Company
89-190	Shoreside Petroleum (Harbor Fuel Svc.)
83-034	Sitka Fuels, Inc.
83-010	Sitka Sound Oil
82-013	Skagway Fuels
84-080	Smith Lighterage Co.
83-006	Snyder Mercantile Company
83-020	Sourdough Fuel
85-128	St. Michael Fuel Company
83-064	Star Heating Fuels
89-208	Star Products
86-155	Stratolift Inc.
83-007	Suburban Propane (Vangas Inc.)
88-172	Sunshine Oil
83-001	Taku Oil Sales, Inc.
88-168	Teller Commercial Company
85-101	Terminal Oil Sales, Inc.
82-001	Tesoro Alaska Petroleum Company
83-038	Tesoro Refining, Marketing & Supply
85-115	Texaco Refining & Marketing, Inc.
83-033	Thompson Transfer Inc.
87-163	Totem Oil Products Supply, Inc.
85-117	Tucker Heating Fuel
83-043	Transworld Oil U.S.A. Inc.
88-186	Trident Seafoods Corporation
83-032	Twister Creek Union 76
82-008	Union Oil Company of California
83-065	Valley Oil Company
89-195	Western Petroleum Company
82-007	Whittier Service Inc.
83-063	Willner's Fuel
83-049	Woods Air Fuel
83-009	Wrangell Oil Heat Inc.
88-187	Yukon Fuel Inc.

STATE OF ALASKA
1990 LEGISLATIVE SESSION

No. 1

BILL VERSION: HB 183

PUBLISH DATE: HOUSE 2/7/90

FISCAL NOTE

REQUEST:

Revision Date: February 2, 1990
Title: An act relating to the exemptions from the motor fuel tax
Sponsor: Sharp and Miller
Requestor: Transportation and Finance

Agency Affected: Revenue
BRU: Income & Excise Audit
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	88-440.0	88-440.0	88-440.0	88-440.0	88-440.0	88-440.0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320
Division: Income and Excise Audit Date: February 2, 1990

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: February 2, 1990
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HB 183
February 2, 1990
Prepared by Income
and Excise Audit Division
Department of Revenue

Analysis

Section 1 of the bill amends AS 43.40 by adding a new section to generally provide that a dealer is not required to collect the motor fuel tax if a certificate of use is obtained from the buyer representing that the fuel is not for use as motor fuel. The certificate of use prohibits the department from trying to collect from the dealer in the event the fuel was taxable motor fuel. Paragraphs (a) and (b) are identical to AS 43.40.010(1) which is repealed in Section 3 of the bill.

Paragraph (c) provides that certificates of use need not be obtained in certain instances. A certificate of use need not be obtained by a dealer for fuel which is at least 10% alcohol, for fuel used to heat private or commercial buildings or facilities, and for fuel used for nontaxable purposes as determined by the department in regulations. A dealer only needs a reasonable belief that the fuel is not to be used as motor fuel in order to sell the motor fuel without collecting the tax. Reasonable belief is not defined.

The amendment essentially follows current law with one major exception. Current law provides that a certificate of use is not required for fuel for any domestic purpose in a single or multiple unit private dwelling or for fuel which is at least 10% alcohol. Therefore, the amendment extends the exemption from obtaining the certificate of use to all fuel for heating purposes.

Section 2 amends AS 43.40.035(a). This provision gives a credit or refund to a person who resells fuel previously taxed that is not motor fuel. The amendment will allow a dealer to obtain a refund of any taxes paid on fuel for which he has obtained a certificate of use or possesses a reasonable belief that the fuel is not be used as motor fuel.

Section 4 provides for a July 1, 1989 effective date which needs to be updated.

Comment

Prior to 1982, dealers were not required to collect motor fuel tax if they had a reasonable belief the fuel was to be used in a tax-free manner. Several dealers failed to collect tax in situations which the department and eventually the court held the dealer did not exercise reasonable care in determining whether tax should be collected. These decisions left dealers unprotected against customers that told a dealer they qualified to purchase fuel tax off yet used the fuel for a taxable purpose. To protect dealers, the certificate of use provisions were added to statutes in 1982. Dealers were no longer required to use their

HB 183
February 2, 1990
Prepared by Income
and Excise Audit Division
Department of Revenue

independent judgment to determine a sales taxability. By obtaining a certificate of use from their customer, the dealer effectively transferred responsibility for collection of the tax to the customer. This provision also assisted the Department in increasing compliance with the motor fuel tax law. Customers were not as willing to sign a statement under perjury that the fuel was to be used in a tax-exempt manner as they were in orally communicating it to the dealer.

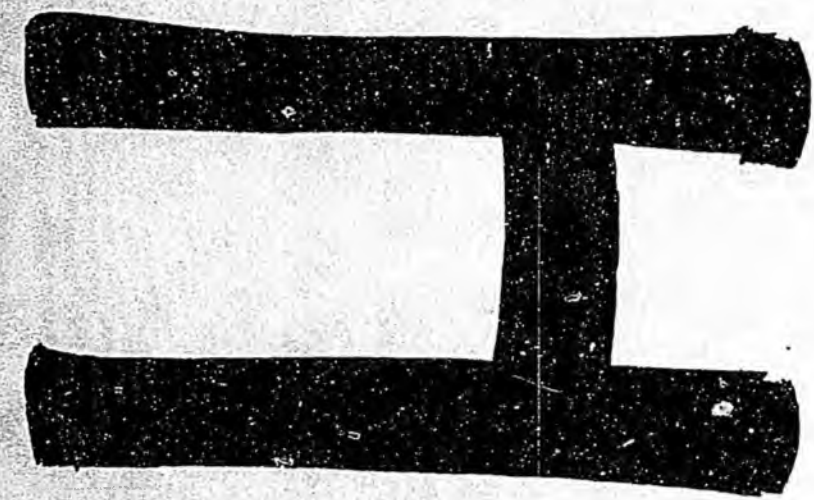
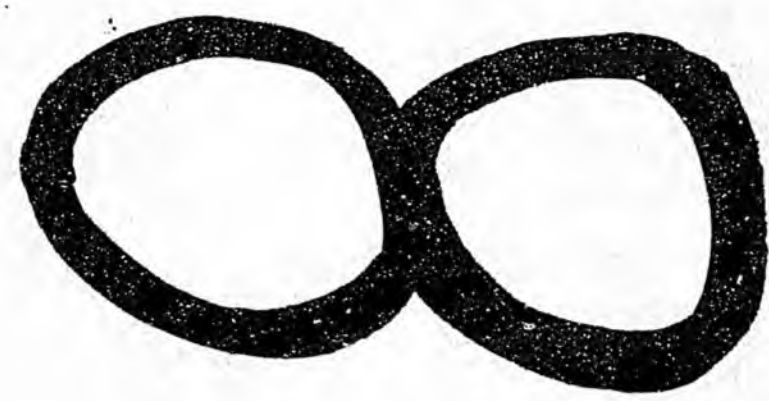
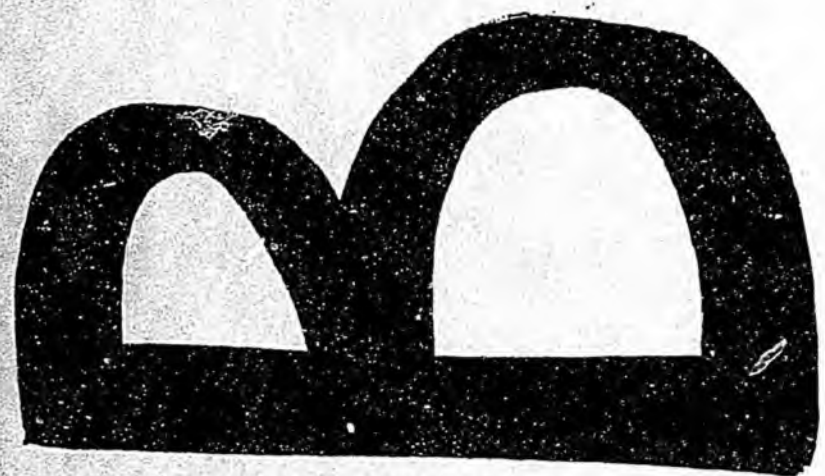
In recent days heating fuel distributors in the interior have become reluctant to obtain certificates of use from their commercial heating fuel customers. It at times is an arduous task and in their minds a lot of unnecessary paperwork. The Department addressed the situation in 1989 with regulations which eased the certificate of use reporting burden. Under new rules, dealers were only required to obtain a certificate with the first purchase of heating fuel made by a customer. So long as that customer's operation did not change, i.e., the fuel continued to be used for heating purposes, additional certificates of use are not required to be obtained. The department believes the regulations have adequately responded to the dealers needs and that the bill will take us back to the problems we faced prior to 1982.

Fiscal Impact

Statewide, approximately 110 million gallons of tax exempt heating fuel are sold annually. It is unknown how much of this fuel may actually be converted to taxable use without the state receiving the revenues. We anticipate that between 0-5% of heating fuel may be converted to taxable use if the bill passes. Assuming that the majority of it is consumed in diesel engines on highway, the potential tax loss would be \$88,000 per 1% leakage.

219

8 7 6



HOUSE COMMITTEE REPORT

(11)

Date Referred: April 7, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/30/89

The FINANCE Committee considered:

HB 185

HOUSE BILL NO. 185 [STATE FOUNDATION FORMULA-SMALL DISTRICTS]
 "An Act relating to state aid for education; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with _____ [] the same title
- have attached amendment(s) [] a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
 (Dept)

APPROVES PREVIOUS:
 (Date/Dept)

- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____

- fiscal note(s) DOE 2/23/84
- zero fiscal note(s) _____
- zero fn/analysis _____

SIGNING DO PASS:

 Hoffman

 Wallis

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
_____ Larson	X		
_____ Swathammer		X	
_____ Brown	X		
_____ Koponen			X
_____ Ulmer	X		
_____ Kieger	✓		
_____ Barnes	✓		

o- _____
 Chairman's Signature
 o- _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Education
 Title: State Aid for Education BRU: K-12 Support
 Sponsor: Eliason, Zahroff et. al. Components: Foundation
 Requestor: Eliason

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
MISCELLANEOUS						
TOTAL OPERATING	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached analysis of impact on the Foundation program.

Prepared by: Mary Haka Phone: 465-2800
 Division: Commissioner's Office Date: 2/23/89
 Approved by Commissioner: William G. Demmert Date: 2/23/89
 Agency: Education

Distribution (by preparer):

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

Adopted

DOF: E... 1 N-4-7

1 DEPARTMENT OF EDUCATION
2 PROJECTED PERIOD FY90 FOUNDATION
3 SINGLE/DUAL SITE PROPOSED SOLUTION (A)

ETC

SCHOOL	PROJECTED	ADJUSTMENT		AREA	ADJUSTED	COLUMN 13	
	K-12	FACTOR	K-12	COST	INCREASED	TIMES	
DISTRICT	FY90 AMT	UNITS	SINGLE/DUAL	UNITS	DIFF.	100,000	
11 ADAK	638.00	48.53	64	2.91	1.27	3.70	\$222,000
12 ALASKA GATEWAY	477.00	57.59		0.00	1.19	0.00	0
13 ALEUTIAN REGION	115.00	22.36		0.00	1.31	0.00	0
16 ANCHORAGE	38,742.00	2,591.49		0.00	1.00	0.00	0
15 ANNETTE ISLAND	414.00	33.60	84	2.69	1.03	2.77	\$166,200
16 BERING STRAIT	1,290.00	161.33		0.00	1.39	0.00	0
17 BRISTOL BAY	246.00	24.62	94	1.97	1.27	2.50	\$150,000
18 CHATHAM	317.00	44.31		0.00	1.03	0.00	0
19 CHUGACH	101.00	12.58		0.00	1.14	0.00	0
20 COPPER RIVER	588.00	68.65		0.00	1.14	0.00	0
21 CORDOVA	428.00	34.53	88	2.76	1.11	3.06	\$183,600
22 CRAIG	217.60	20.51	128	2.46	1.03	2.53	\$157,200
23 DELTA GREELY	900.00	65.13	68	3.91	1.16	4.54	\$272,400
24 DILLINGHAM	460.00	36.67	88	2.93	1.27	3.72	\$223,200
25 FAIRBANKS	13,175.00	903.94		0.00	1.04	0.00	0
26 GALENA	145.00	15.67	128	1.88	1.30	2.44	\$146,400
27 HADNES	363.00	33.06	48	1.32	1.05	1.39	\$83,400
28 HOONAH	235.00	21.62	128	2.60	1.08	2.81	\$168,600
29 HYDABURG	100.00	12.83	128	1.54	1.03	1.59	\$95,700
30 IDITAROD	407.00	56.41		0.00	1.33	0.00	0
31 JUNEAU	4,475.00	314.34		0.00	1.00	0.00	0
32 KAKE	183.00	18.20	128	2.18	1.03	2.25	\$135,000
33 KASHUNATUT	165.00	17.00	128	2.04	1.33	2.71	\$162,600
34 KENAI	8,876.00	672.77		0.00	1.00	0.00	0
35 KETCHIKAN	2,491.00	174.64	32	5.24	1.00	5.24	\$314,400
36 KING COVE	133.00	14.67		0.00	1.27	0.00	0
37 KILADOCK	184.00	18.27	128	2.19	1.03	2.26	\$135,600
38 KODIAK	2,250.00	180.20		0.00	1.09	0.00	0
39 KUSPUK	402.00	56.16		0.00	1.33	0.00	0
40 LAKE & PENINSULA	367.15	63.72		0.00	1.31	0.00	0
41 LOWER KUSKOWITH	2,735.50	291.46		0.00	1.62	0.00	0
42 LOWER YUKON	1,301.00	145.56		0.00	1.35	0.00	0
43 MAT-SU	8,252.00	578.13		0.00	1.00	0.00	0
44 NENANA	196.00	19.07	128	2.29	1.20	2.75	\$165,000
45 HOPE	765.00	56.73	68	3.40	1.34	4.56	\$273,600
46 NORTH SLOPE	1,259.00	122.78		0.00	1.45	0.00	0
47 NORTHWEST ARCTIC	1,613.97	164.17		0.00	1.45	0.00	0
48 PELICAN	61.00	6.63	128	0.80	1.08	0.86	\$51,600
49 PETERSBURG	647.00	48.89	68	2.93	1.00	2.93	\$175,800
50 PRIBILOF	163.00	20.47	88	1.64	1.30	2.13	\$127,800
51 RAILBELT	336.00	37.66		0.00	1.23	0.00	0
52 SAND POINT	158.00	16.33		0.00	1.27	0.00	0
53 SITKA	1,602.80	111.93	48	4.48	1.00	4.48	\$268,800
54 SKAGWAY	135.00	15.00	128	1.80	1.05	1.89	\$113,400
55 SOUTHEAST ISLAND	509.00	81.05		0.00	1.04	0.00	0
56 SOUTHWEST REGION	495.00	68.20		0.00	1.31	0.00	0
57 ST. MARY'S	112.00	13.33	128	1.60	1.30	2.08	\$124,800
58 TANANA	88.00	11.33	128	1.36	1.30	1.77	\$106,200
59 UNALASKA	180.00	18.00	128	2.16	1.27	2.74	\$164,400
60 VALDEZ	715.00	53.61	68	3.22	1.11	3.57	\$214,200
61 WRANGELL	523.00	40.49	88	3.24	1.00	3.24	\$194,400
62 YAKUTAT	128.00	14.53	128	1.74	1.08	1.88	\$112,800
63 YUKON FLATS	345.00	52.85		0.00	1.46	0.00	0
64 YUKON-KOYUKUK	506.00	71.32		0.00	1.34	0.00	0
65 YUPIIT	300.00	36.67		0.00	1.41	0.00	0

66

67

68 TOTALS

101 970 71 9 002 80

1 IN THE HOUSE

BY WALLIS AND JACKO

2

HOUSE BILL NO. 185

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

9 * Section 1. AS 14.17.041 is amended by adding new subsections to read:

10 (e) A district with an ADM of 3,000 or less that consists of one
11 funding community shall increase the elementary and secondary instruc-
12 tional units received under (a) or (b) of this section by multiplying
13 the instructional units by a percentage determined under the following
14 table:

15	District ADM	Percentage
16	1 - 250	1.12
17	251 - 525	1.08
18	526 - 1000	1.06
19	1001 - 2000	1.04
20	2001 - 3000	1.03

21 (f) A district with an ADM of 1,000 or less that consists of two
22 funding communities shall increase the elementary and secondary in-
23 structional units received under (a) or (b) of this section by multi-
24 plying the instructional units by a percentage determined under the
25 following table:

26	District ADM	Percentage
27	1 - 250	1.08
28	251 - 525	1.04
29	526 - 1000	1.02

1 * Sec. 2. This Act takes effect July 1, 1989.

HOUSE BILL 185

RELATING TO STATE AID FOR EDUCATION AND EFD

BY

REPRESENTATIVE KAY WALLIS

INDEX

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Bill Explanation

The purpose of this bill is to provide a permanent solution to address a weakness in the Public School Foundation Program. The weakness is that for a school district of two or less funding communities, the instructional unit schedules which determine a district's entitlement to basic need do not generate sufficient revenue to provide for fixed costs, e.g., district administration and operation/maintenance of plant. These districts must fund fixed costs by decreasing the instructional program or increasing local taxes, if possible. Those districts which have more than two funding communities gain enough from replicating the instructional schedules to provide for these fixed costs.

The bill adds a percentage to the number of K-12 units to cover these fixed costs. The percentages are stepped on a sliding scale. That is, the smaller districts receive a larger percentage. These percentages were determined after analyzing expenditure patterns of these districts and identifying the fixed/variable costs of district operations according to district size.

The 1987 and 1988 Legislatures were cognizant of the problem with the formula and made special appropriations of \$2,000,000 and \$3,500,000 respectively. This bill will provide a permanent solution by which districts can plan their budgets and adequately meet expenses.

HIGHLIGHTS

SINGLE-DUAL SITE FINANCIAL CONSORTIUM STUDY REPORT

BACKGROUND

In April of 1988 a number of Alaska School District Board of Education members and superintendents met to discuss their belief that the funding formula had a disparate impact on single and dual-site school districts.

The group determined to form a consortium to investigate the effects of the application of House Bill 126 on small single and dual-site school districts. The membership included single and dual-site school districts with enrollments of less than 3,000 students. The consortium contracted for a study to investigate how these school districts had been impacted by the new Foundation Program.

FINDINGS

The major findings of the study are as follows:

1. All districts in Alaska experienced a reduction in expenditures per ADM (average daily membership) between fiscal years 1986 and 1989.
2. Single/dual site and small school districts experienced a greater reduction in dollars per ADM than did multiple site and larger school districts - that is, the changes in funding resulted in disproportionate/disparate program curtailments that negatively affected small single and dual-site school districts more than larger and multiple-site school districts.
3. Larger and multiple-site school districts have now approximated their FY 1986 dollar per ADM expenditure levels.
4. Smaller single and dual-site school districts have remained at a level relatively constant with the level to which they had fallen after the FY 1987 budget constrictions.
5. To bring the smaller school districts back to their relative position when compared to the larger districts, an increased expenditure of approximately \$10 million would be necessary.
6. The researchers concluded and recognized that multiple-site school districts are more costly to operate than single/dual site school districts.

SOLUTION

The researchers generated and evaluated several methods of addressing the funding problem. The researchers identified and recommended a funding scheme which would result in a percentage increase added to the Foundation Formula allocation to each of the small single and dual-site school districts. They generated three alternative solutions which the Consortium could consider, all of which would cost between .89% and 1.23% of the State of Alaska Education Foundation Allocation for FY 1989.

<u>SOLUTION</u>	<u>AMOUNT TO BE DISTRIBUTED</u>
A	\$4,672,724
B	\$4,072,837
C	\$5,539,129

CONCLUSION

The Consortium membership has no interest in competing with other school districts for existing dollars. It is the belief of the Single and Dual-Site Consortium membership that additional money in the amount of \$4,672,724 should be added to the Foundation Formula Allocation and distributed among the school districts negatively affected by application of House Bill 126.

FISCAL NOTES

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: State Aid for Education
Sponsor: Eliason, Zahroff et. al.
Requestor: Eliason

Agency Affected: Education
BRU: K-12 Support
Components: Foundation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
MISCELLANEOUS						
TOTAL OPERATING	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	4,703.4	4,703.4	4,703.4	4,703.4	4,703.4
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached analysis of impact on the Foundation program.

Prepared by: Mary Haka Phone: 465-2800
Division: Commissioner's Office Date: 2/23/89
Approved by Commissioner: William G. Demmert Date: 2/23/89
Agency: Education

Distribution (by preparer):

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

1 DEPARTMENT OF EDUCATION
 2 PROJECTED PERIOD FY90 FOUNDATION
 3 SINGLE/DUAL SITE PROPOSED SOLUTION (A)
 4
 5
 6

7 SCHOOL	PROJECTED		ADJUSTMENT		INCREASED AREA		ADJUSTED	COLUMN 15
	FY90 AMT	K-12 UNITS	FACTOR SINGLE/DUAL	K-12 UNITS	COST DIFF.	INCREASED K-12 UNITS	TIMES \$40,000	
11 ADK. REGION	638.00	48.53	64	2.91	1.27	3.70	\$222,000	
12 ALASKA GATEWAY	677.00	57.59		0.00	1.19	0.00	\$0	
13 ALEUTIAN REGION	115.00	22.36		0.00	1.31	0.00	\$0	
14 ANCHORAGE	38,742.00	2,591.49		0.00	1.00	0.00	\$0	
15 ANNETTE ISLAND	414.00	33.60	84	2.69	1.03	2.77	\$166,200	
16 BERING STRAIT	1,298.00	161.32		0.00	1.39	0.00	\$0	
17 BRISTOL BAY	246.00	24.62	84	1.97	1.27	2.50	\$150,000	
18 CHATHAM	317.00	44.31		0.00	1.03	0.00	\$0	
19 CHUGACH	101.00	17.58		0.00	1.14	0.00	\$0	
20 COPPER RIVER	588.00	68.65		0.00	1.14	0.00	\$0	
21 CORDOVA	628.00	34.53	84	2.76	1.11	3.06	\$183,600	
22 CRAIG	217.60	20.51	128	2.46	1.03	2.53	\$151,800	
23 DELTA GREELY	900.00	65.13	64	3.91	1.16	3.54	\$272,400	
24 DILLINGER	440.00	36.67	84	2.93	1.27	3.72	\$223,200	
25 FAIRBANKS	13,175.00	903.94		0.00	1.04	0.00	\$0	
26 GALENA	145.00	15.67	128	1.88	1.30	2.44	\$166,400	
27 HAINES	365.00	33.06	64	1.32	1.05	1.39	\$83,400	
28 HOONAH	235.00	21.62	128	2.60	1.08	2.81	\$168,600	
29 HYADURG	106.00	12.83	128	1.54	1.03	1.59	\$95,200	
30 IDITAROD	407.00	56.41		0.00	1.33	0.00	\$0	
31 JUNEAU	4,625.00	316.34		0.00	1.00	0.00	\$0	
32 KAKE	183.00	18.20	128	2.18	1.03	2.25	\$135,000	
33 KASHMAMTUT	165.00	17.00	128	2.04	1.33	2.71	\$162,600	
34 KENAI	8,476.00	672.77		0.00	1.00	0.00	\$0	
35 KETCHIKAN	2,491.00	174.44	32	5.24	1.00	5.24	\$314,400	
36 KING COVE	133.00	14.87		0.00	1.27	0.00	\$0	
37 KLAHOCK	184.00	18.57	128	2.19	1.03	2.26	\$135,600	
38 KODIAK	2,250.69	180.20		0.00	1.09	0.00	\$0	
39 KUSPUK	402.00	56.16		0.00	1.33	0.00	\$0	
40 LAKE & PENINSULA	367.15	63.72		0.00	1.31	0.00	\$0	
41 LOWER KUSKOKWIM	2,735.50	291.66		0.00	1.42	0.00	\$0	
42 LOWER YUKON	1,301.00	145.56		0.00	1.35	0.00	\$0	
43 MAT-SU	8,252.00	578.13		0.00	1.00	0.00	\$0	
44 NENANA	196.00	19.07	128	2.29	1.20	2.75	\$165,000	
45 NOPE	765.00	56.73	64	3.40	1.34	4.56	\$273,600	
46 NORTH SLOPE	1,259.00	122.78		0.00	1.45	0.00	\$0	
47 NORTHWEST ARCTIC	1,613.97	164.17		0.00	1.45	0.00	\$0	
48 PELICAN	41.00	6.63	128	0.80	1.08	0.86	\$51,600	
49 PETERSBURG	647.00	48.89	64	2.93	1.00	2.93	\$175,800	
50 PRIBILOF	163.00	20.67	84	1.64	1.30	2.13	\$127,800	
51 RAILBELT	336.00	37.66		0.00	1.23	0.00	\$0	
52 SAND POINT	155.00	16.33		0.00	1.27	0.00	\$0	
53 SITKA	1,602.00	111.93	48	4.48	1.00	4.48	\$268,800	
54 SKAGWAY	135.00	15.00	128	1.80	1.05	1.89	\$113,400	
55 SOUTHEAST ISLAND	509.00	51.05		0.00	1.04	0.00	\$0	
56 SOUTHWEST REGION	495.00	68.20		0.00	1.31	0.00	\$0	
57 ST. MARY'S	112.00	13.33	128	1.60	1.30	2.08	\$124,800	
58 TAHANA	88.00	11.33	128	1.36	1.30	1.77	\$106,200	
59 UNALASKA	180.00	18.00	128	2.16	1.27	2.74	\$164,400	
60 VALDEZ	715.00	53.61	64	3.22	1.11	3.57	\$214,200	
61 WRANGELL	523.00	40.69	84	3.24	1.00	3.24	\$194,400	
62 YAKUTAT	128.00	14.53	128	1.74	1.08	1.88	\$112,800	
63 YUKON FLATS	345.00	52.85		0.00	1.66	0.00	\$0	
64 YUKON-KOYUKUK	506.00	71.32		0.00	1.34	0.00	\$0	
65 YUPIIT	300.00	36.67		0.00	1.41	0.00	\$0	

FISCAL NOTE COST ANALYSIS

SCHOOL DISTRICT	PROJECTED	K-12	ADJUSTMENT	INCREASED	AREA	INCREASE IN	INSTRUCTIONAL	PROJECTED	TOTAL
	FY 90	UNITS	FACTOR	UNITS	DIFFERENTIAL	UNITS ADJ	UNIT VALUE	BASIC NEED	BASIC NEED
	ADM	FY 90			(EXISTING)	FOR COST	BASIC NEED INC	DOE	FY 90
							@ \$60,000	FY 90	
ADAK	638.00	48.53	6.00%	2.91	1.27	3.70	\$221,879	\$4,116,600	\$4,338,479
ANNETTE ISLAND	414.00	33.60	8.00%	2.69	1.03	2.77	\$166,118	\$2,495,400	\$2,561,518
BRISTOL BAY	246.00	24.67	8.00%	1.97	1.27	2.51	\$150,388	\$2,305,200	\$2,455,588
CORDOVA	428.00	34.53	8.00%	2.76	1.11	3.07	\$165,976	\$2,701,200	\$2,867,176
CRAIG	217.60	20.51	12.00%	2.46	1.03	2.54	\$152,102	\$1,449,000	\$1,601,102
DELTA GREELY	900.00	65.13	6.00%	3.91	1.16	4.53	\$271,983	\$5,353,800	\$5,625,783
DILLINGHAM	460.00	36.67	8.00%	2.93	1.27	3.73	\$223,540	\$3,312,600	\$3,536,140
GALENA	145.00	15.67	12.00%	1.88	1.30	2.44	\$146,671	\$1,458,000	\$1,604,671
HAINES	365.00	33.06	4.00%	1.32	1.05	1.39	\$83,311	\$2,385,000	\$2,468,311
HOONAH	235.00	21.67	12.00%	2.60	1.08	2.81	\$168,506	\$1,632,600	\$1,801,106
HYDABURG	106.00	12.83	12.00%	1.54	1.03	1.59	\$95,147	\$984,000	\$1,079,147
KAKE	183.00	18.20	12.00%	2.18	1.03	2.25	\$134,971	\$1,381,200	\$1,516,171
KASHUNAMIUT	165.00	17.00	12.00%	2.04	1.33	2.71	\$162,792	\$1,782,000	\$1,944,792
KETCHIKAN	2,491.00	174.64	3.00%	5.24	1.00	5.24	\$314,352	\$12,246,000	\$12,560,352
KING COVE	133.00	0.00	0.00%	0.00	0.00	0.00	\$0	\$0	\$0
KLAWOCK	184.00	18.27	12.00%	2.19	1.03	2.26	\$135,490	\$1,410,000	\$1,545,490
NENANA	196.00	19.07	12.00%	2.29	1.20	2.75	\$164,765	\$1,600,000	\$1,844,765
NOME	765.00	56.73	6.00%	3.40	1.34	4.56	\$273,666	\$5,410,800	\$5,684,466
PELICAN	41.00	6.63	12.00%	0.80	1.08	0.86	\$51,555	\$559,200	\$610,755
PETERSBURG	647.00	48.89	6.00%	2.93	1.00	2.93	\$176,004	\$3,472,800	\$3,648,804
PRIBILOF ISLANDS	163.00	20.47	8.00%	1.64	1.30	2.13	\$127,733	\$1,908,000	\$2,035,733
SAND POINT	155.00	0.00	0.00%	0.00	0.00	0.00	\$0	\$0	\$0
SITKA	1,602.80	111.93	4.00%	4.48	1.00	4.48	\$268,632	\$7,959,000	\$8,227,632
SKAGWAY	135.00	15.00	12.00%	1.80	1.05	1.89	\$113,400	\$1,085,400	\$1,198,800
ST. MARYS	112.00	13.33	12.00%	1.60	1.30	2.06	\$124,789	\$1,357,200	\$1,481,969
TANANA	88.00	11.33	12.00%	1.36	1.30	1.77	\$108,049	\$1,117,800	\$1,223,849
UNALASKA	180.00	18.00	12.00%	2.16	1.27	2.74	\$164,592	\$1,436,200	\$1,800,792
VALDEZ	715.00	53.61	6.00%	3.22	1.11	3.57	\$214,226	\$3,888,000	\$4,102,226
WRANGELL	523.00	40.49	8.00%	3.24	1.00	3.24	\$194,352	\$2,838,600	\$3,032,952
YAKUTAT	128.00	14.53	12.00%	1.74	1.08	1.88	\$112,985	\$1,222,200	\$1,335,185
TOTAL	12,761.40	1004.99	8.57%	69.29	1.07	78.40	\$4,703,955	\$79,147,000	\$83,851,755

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Analysis of Fiscal Impact FY 1990

SCHOOL DISTRICT	PROJECTED	K-12	ADJUSTMENT	INCREASED	AREA	INCREASE IN	INSTRUCTIONAL	INCREASE
	FY 89	UNITS	FACTOR	UNITS	DIFFERENTIAL	UNITS ADJ	UNIT	PER ADM
	ADM	FY 89			(EXISTING)	FOR COST	VALUE	
							@ \$60,000	
ADAK	53.00	42.75	8.00%	2.57	1.27	3.26	\$195,453	\$347
ANNETTE ISLAND	430.00	34.87	8.00%	2.77	1.03	2.66	\$171,408	\$355
BRISTOL BAY	240.00	24.00	8.00%	1.92	1.27	2.44	\$148,304	\$610
CORDOVA	429.00	34.80	8.00%	2.77	1.11	3.07	\$184,349	\$430
CRAIG	213.00	20.20	12.00%	2.42	1.03	2.50	\$149,803	\$703
DELTA GREELY	944.00	68.13	8.00%	4.09	1.16	4.74	\$284,511	\$301
DRLLINGHAM	486.00	38.08	8.00%	3.05	1.27	3.87	\$232,136	\$478
GALENA	140.00	15.33	12.00%	1.84	1.30	2.39	\$143,489	\$1,025
HAINES	364.00	33.16	4.00%	1.33	1.05	1.39	\$83,563	\$230
HOONAH	235.00	21.60	12.00%	2.59	1.06	2.80	\$187,982	\$715
HYDABURG	110.00	13.16	12.00%	1.58	1.03	1.63	\$97,595	\$887
KAKE	169.00	17.26	12.00%	2.07	1.03	2.13	\$128,000	\$757
KASHUNAMIUT	169.00	17.26	12.00%	2.07	1.33	2.75	\$165,282	\$976
KETCHIKAN	2,502.00	175.23	3.00%	5.26	1.00	5.26	\$315,414	\$126
KING COVE	134.00	0.00	0.00%	0.00	0.00	0.00	\$0	\$0
KLAWOCK	172.00	17.47	12.00%	2.10	1.03	2.16	\$129,558	\$753
NENANA	200.00	19.33	12.00%	2.32	1.20	2.78	\$167,011	\$835
NOME	748.00	55.55	8.00%	3.33	1.34	4.47	\$267,973	\$358
PELICAN	50.00	7.75	12.00%	0.93	1.06	1.00	\$60,264	\$1,205
PETERSBURG	630.00	47.83	8.00%	2.87	1.00	2.87	\$172,188	\$273
PRIBILOF ISLANDS	164.00	20.71	8.00%	1.66	1.30	2.15	\$129,230	\$788
SAND POINT	145.00	0.00	0.00%	0.00	0.00	0.00	\$0	\$0
SITKA	1,610.00	112.99	4.00%	4.52	1.00	4.52	\$271,178	\$168
SKAGWAY	135.00	15.00	12.00%	1.80	1.05	1.89	\$113,400	\$840
ST. MARY'S	115.00	13.58	12.00%	1.63	1.30	2.12	\$127,108	\$1,105
TANANA	86.00	11.17	12.00%	1.34	1.30	1.74	\$104,551	\$1,216
UNALASKA	160.00	16.67	12.00%	2.00	1.27	2.54	\$152,430	\$953
VALDEZ	695.00	52.34	8.00%	3.14	1.11	3.49	\$209,151	\$301
WRANGELL	508.00	39.43	8.00%	3.15	1.00	3.15	\$169,284	\$374
YAKUTAT	130.00	14.88	12.00%	1.76	1.08	1.90	\$114,152	\$878
TOTAL	12,674.00	999.93	8.57%	68.87	1.07	77.68	\$4,672,725	\$399

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FISCAL NOTE COST ANALYSIS

SCHOOL DISTRICT	LESS REQ	LESS	PROJECTED	PROJECTED	COST OF
	LOCAL	DEDUCTABLE	STATE AID	STATE AID	THIS BILL
	EFFORT	PL 81-874	FY 90	FY 90	
	FY 90	FY 90	INCL THIS BILL	DOE	
ADAK	\$0	\$1,930,997	\$2,407,482	\$2,185,603	\$221,879
ANNETTE ISLAND	\$0	\$1,314,212	\$1,347,306	\$1,181,188	\$166,118
BRISTOL BAY	\$472,721	\$289,639	\$1,693,228	\$1,542,840	\$150,368
CORDOVA	\$464,414	\$25,300	\$2,395,462	\$2,211,486	\$183,976
CRAIG	\$155,135	\$20,833	\$1,425,134	\$1,273,032	\$152,102
DELTA GREELY	\$0	\$1,051,663	\$4,574,120	\$4,302,137	\$271,983
DILLINGHAM	\$486,205	\$322,616	\$2,727,319	\$2,503,779	\$223,540
GALENA	\$78,340	\$302,686	\$1,223,645	\$1,076,974	\$146,671
HAINES	\$450,452	\$14,594	\$2,003,265	\$1,919,954	\$83,311
HODDANAH	\$90,888	\$172,906	\$1,537,312	\$1,388,806	\$168,506
MCDABURG	\$37,996	\$0	\$1,041,151	\$946,004	\$95,147
KAKE	\$70,921	\$171,838	\$1,273,412	\$1,138,441	\$134,971
KASHUNAMIUT	\$0	\$801,166	\$1,143,626	\$980,834	\$162,792
KETCHIKAN	\$3,331,958	\$10,920	\$9,217,474	\$8,903,122	\$314,352
KING COVE	\$0	\$0	\$0	\$0	\$0
KLAWOCK	\$38,712	\$305,344	\$1,201,434	\$1,065,944	\$135,490
NENANA	\$66,062	\$0	\$1,778,703	\$1,613,938	\$164,765
NOME	\$560,332	\$52,566	\$5,071,568	\$4,797,902	\$273,666
PELICAN	\$42,621	\$0	\$568,134	\$516,579	\$51,555
PETERSBURG	\$692,336	\$14,282	\$2,942,186	\$2,766,182	\$176,004
PRIBILOF ISLANDS	\$0	\$460,405	\$1,575,328	\$1,447,595	\$127,733
SAND POINT	\$0	\$0	\$0	\$0	\$0
SITKA	\$1,896,637	\$0	\$6,330,995	\$6,062,363	\$268,632
SKAGWAY	\$221,834	\$547	\$976,419	\$863,019	\$113,400
ST. MARYS	\$16,739	\$0	\$1,465,230	\$1,340,461	\$124,769
TANANA	\$46,048	\$197,677	\$980,124	\$874,075	\$106,049
UNALASKA	\$386,275	\$72,465	\$1,342,052	\$1,177,460	\$164,592
VALDEZ	\$1,331,610	\$10,166	\$2,760,450	\$2,546,224	\$214,226
WRANGELL	\$417,379	\$2,620	\$2,612,953	\$2,418,601	\$194,352
YAKUTAT	\$76,168	\$125,699	\$1,133,318	\$1,020,333	\$112,985
TOTAL	\$11,431,783	\$7,671,141	\$64,748,831	\$60,044,876	\$4,703,955

DEPARTMENT OF EDUCATION

LEGAL

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

GOLDBELT PLACE
801 WEST 10TH STREET
P.O. BOX F
JUNEAU, ALASKA 99811-0500

March 23, 1989

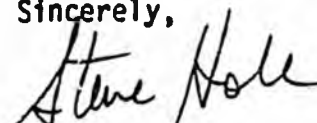
The Honorable Richard Eliason
Alaska State Senator
Post Office Box V
Juneau, Alaska 99811

Dear Senator Eliason:

You have asked why the Department of Education cannot, on its own motion, expend funds from the \$3.5 million appropriated by sec. 264(b), ch 173, SLA 1988. The appropriation is limited to "...implementing changes in the public school foundation program (AS 14.17)..." That language expressly means that the legislature must enact legislation to authorize the Department to spend the money.

If I can provide additional information do not hesitate to contact me at your convenience.

Sincerely,



Steve Hole
Deputy Commissioner

cc: Senator John Binkley

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 29, 1989

SUBJECT: Appropriation for changes in the school
foundation program (SCS HB 543(Fin))

TO: Senator Dick Eliason

FROM: Tamara Brandt Cook *TPC*
Director
Division of Legal Services

You have supplied me with information relevant to an appropriation enacted by the legislature last year in SCS HB 543 (Fin), sec. 264. It provides:

The sum of \$3,500,000 is appropriated from the general fund to the Department of Education for the fiscal year ending June 30, 1989, for the purpose of implementing changes in the public school foundation program (AS 14.17) as identified by the governor or by the McDowell area cost differential report prepared for the Legislative Budget and Audit Committee during fiscal year 1989.

Steve Hole, Deputy Commissioner of Education, has informed you by letter that the department cannot expend those funds without legislation authorizing the expenditure. In HB 154, sec. 13, introduced by the governor the appropriation is amended to provide that the money simply go into the foundation program. You have asked whether I am in agreement with Mr. Hole regarding the need for legislation to authorize expenditure of the funds. I do agree with Mr. Hole.

The language of the appropriation itself is probably too imprecise to be implemented. On the one hand, it refers to changes in the foundation program, suggesting that the statute itself is to be modified, and on the other hand, it refers to changes identified by the governor or by the McDowell report. Neither the governor nor the McDowell report have the power to change the statutorily established foundation program, so it is unclear what role they are to

Senator Dick Eliason
Page 2
March 29, 1989

play with respect to this appropriation. The legislature cannot delegate its "power of the purse" to the governor or anyone else without establishing pretty clear guidelines for expenditures, nor may it accomplish a delegation in an appropriation act.

Aside from the uncertainty of the language used in the appropriation, the section appears to violate the confinement requirement. When the legislature appropriates money to an agency to conduct a particular function, the agency must have the power to perform that function under other law, since an appropriation act itself cannot contain substantive law. (Article II, Section 13, Constitution of the State of Alaska) The Department of Education does not have general authority to pass out money to school districts, except under the foundation formula. It cannot deviate from that statutorily established formula unless authorized to do so by law. (See Legislature v. Hammond, 1JU-80-1163 Civil (Alaska Superior Court, May 25, 1983); Kelly v. Hammond, C.A. 77-4 (Alaska Superior Court, April 12, 1987 reporter's transcript of record)

The letters of intent adopted by the House and Senate do not have the force of law and cannot serve to grant to the Department of Education authority to spend an appropriation of the department otherwise lacks that authority. In this case, the House and Senate letters are not identical, so they do not provide the department with a clear indication of how the legislature as a whole expects this money to be distributed. If the legislature wants to make extra money available to small municipal school districts and REAA school districts to make up for perceived underfunding in the past, the legislature will need to make specific appropriations to each recipient or the legislature will need to establish in substantive law a special grant program and authorize the Department of Education to make grants based upon criteria set out in the law.

TBC:kb
wkk3/049

REVIEW OF DEPARTMENT OF EDUCATION'S POSITION

The Department of Education's review of the consortium of single/dual site school districts recommended change to the foundation program (Tom Ryan to Steve Hole February 17, 1989) recommends that the State Board of Education oppose the legislation.

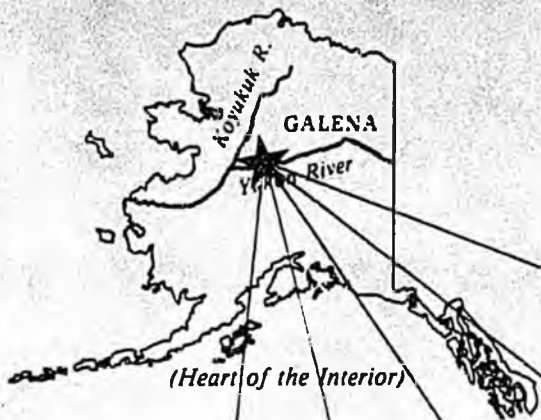
The Department's opposition is that single/dual site districts do not have a common problem, only a common complaint-not enough revenue. Furthermore, the DOE attributes these complaints as not being a foundation formula problem, but that these districts having difficulty maintaining a level of program offerings acceptable to their community.

Weaknesses in the Department's fiscal analysis is that they examined foundation revenues only and did not pay any attention to total revenues available to the district. They did not examine how much effort above 4 mills single/dual site districts had to make to provide for district operations. This additional local effort is indicative that "basic need" for single/dual site districts is inadequate.

The Department did not examine patterns of expenditure for districts but dismissed expenditure patterns as "people tend to spend what they have;" moreover, that breadth of program could not be achieved because small size means inefficiency. No analysis was made of how efficient single/dual sites are compared to multiple site districts (Consortium study shows single/dual sites are very efficient with the funds available).

The Department claims to have used a statistical measure called the "coefficient of variation" to examine the relative changes within three groups of districts. No evidence is presented between groups using this measure only variations within groups. However, the reasons for these variations is not explained. The DOE concedes that the single/dual site districts had the least variation in terms of dollars per ADM between 1983, 1986 and 1988.

POSITION STATEMENTS FROM SCHOOL DISTRICTS



GALENA CITY SCHOOL DISTRICT

GALENA, ALASKA 99741
PHONE (907) 658-1205

SUPERINTENDENT'S
OFFICE

February 6, 1989

Representative F. Kay Wallis
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Dear Representative Wallis:

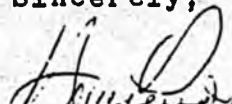
For the past year, the Galena City School District has been cooperating with a number of other Alaska school districts in evaluating the effects of the current school foundation formula. A financial consortium which represents the interests of these 28 school districts has been formed. This consortium has conducted an exhaustive analysis of funding patterns which clearly demonstrates that single site and dual site school districts have been negatively impacted by application of the current funding scheme. Galena City School District agrees with the findings of the analysis and is supportive of the Consortium's efforts to obtain additional funding.

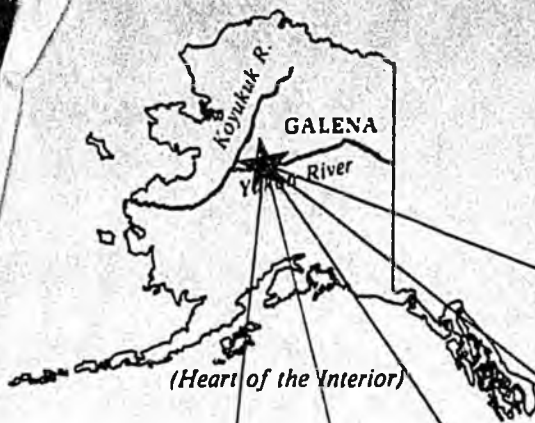
The problems associated with the current funding formula have been recognized by the Legislature since the date of implementation. In 1987, the Legislature appropriated 2.0 million dollars to offset the adverse impacts of the formula; an appropriation of 3.5 million dollars was made in 1988 for the same purpose. This year, the Single and Dual Site District Consortium is attempting to introduce legislation which would result in an appropriation of 4.6 million to be distributed among 28 member school district. This amount was determined through the analysis recently completed and submitted to you in the report Single Site/Dual Site District Consortium Financial Study Report, December, 1989.

Representatives of the Consortium will be working with all groups in the educational community to obtain the desired funding. Additionally, a number of districts have also secured the services of Mr. Nels Anderson, former member of the Legislature. He will assist the Consortium in their efforts and will be visiting your office in the near future to acquaint you with the goals of the Single/Dual Site Consortium. He will also be requesting your support on the consortium's behalf.

We urge you to give the Consortium request your serious consideration. If you need additional information regarding the specific impacts on Galena City School District, Please contact me.

Sincerely,


Harry E. Purdy
Superintendent



GALENA CITY SCHOOL DISTRICT

GALENA, ALASKA 99741
PHONE (907) 656-1205

SUPERINTENDENT'S
OFFICE

March 31, 1989

Representative Kay Wallis
P.O. Box V
Juneau, Alaska 99811

Dear Senator Fischer:

The Department of Education at the request of the Senate Health, Education and Social Services Committee, provided and presented a finding program which would modify the current education finance formula. This proposal was prompted by SB-179 which effects single/dual site funding.

The Department of Education proposal presents a number of concerns, not the least of which is the fact that this Proposal was developed in the absence of a research or data gathering effort.

There are a number of questions that the Department of Education should be asked about this proposal and are as follows:

1. What evidence exists to limit the funding proposal to single funding sites and to eliminate dual site from any financial enhancement?
2. The Department of Education has been aware of certain inequities that exist in single and dual site districts. No effort has been to address either the programmatic deficiencies or the funding deficiencies. Why did the Department elected to ignore these problem?
3. The Department of Education formula proposal eliminates one-third of the assessed value of the State of Alaska in determining assessed value per pupil. What is the rationale for this determination?
4. What rationale supports the Department of Education's determination to adopt the Kake/Dillingham temporary solution suggested more one than one year ago?
5. Why has the Department waited until this late date to develop a funding proposal when audited financial data and programmatic inequities in the Single/Dual school districts were known nearly one year ago.
6. Why has the Department of Education changed its position regarding the recognition of the deficiencies? Why does the Department of Education currently support a proposed Foundation Formula change when less than one month ago the Department claimed that no

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problems existed in the funding single and dual site school districts?

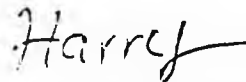
7. Why has the Department of Education declined to provide the Single/Dual Site Consortium information related to the rationale for their financial proposal.

8. Mr. Huxel, instrumental in drafting the Foundation Formula, indicates that the existing formula includes front-end loading which is advantageous to multiple site school districts. The disparity between multiple and single/dual site school districts is excessive and the Single/Dual Site Consortium Study supports and demonstrates this excess. Why hasn't the Department of Education addressed this issue.

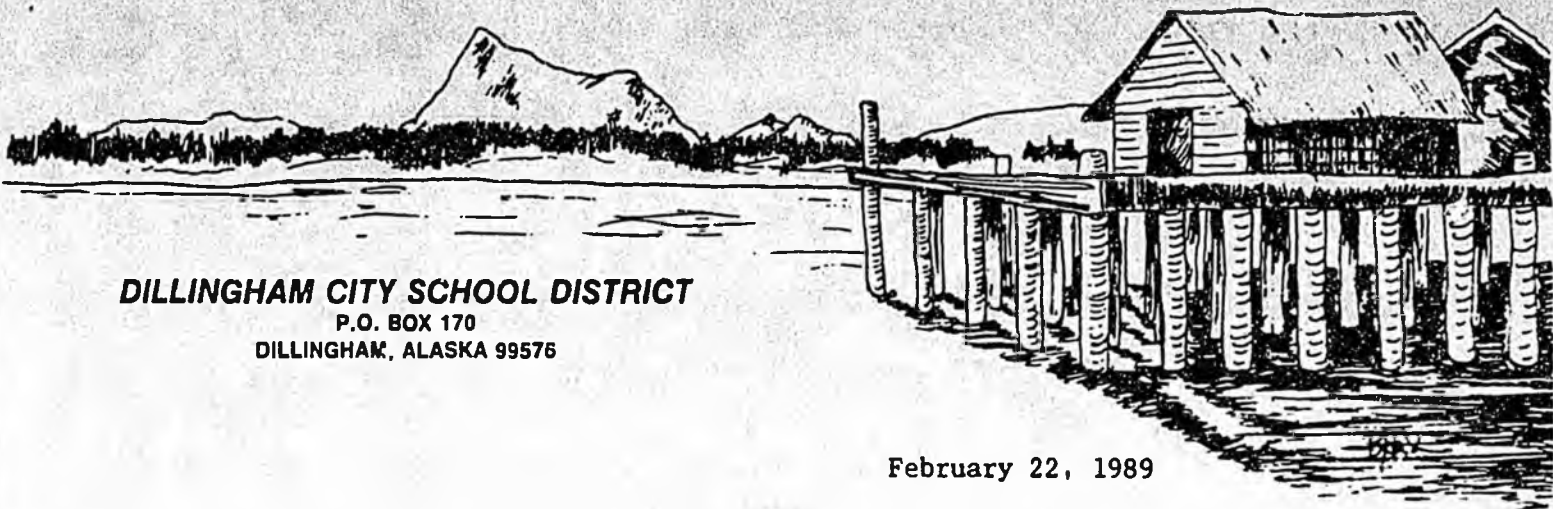
As stated above, it is my opinion that the Department of Education should be required to respond to these important concerns. Legislators, if they are to reach a reasonable conclusions regarding the structure of the funding formula, need this information as well. Should the Department of Education be able to adequately defend their funding proposal with statistical and programmatic, the Single/Dual Site Consortium would probably accept their findings. However, in the absence of an empirical analysis, it is quite difficult for the school districts which are disparately affected to accept the proposed formula change which is not based on analysis or study.

Your interest in this communication in genuinely appreciated.

Sincerely,



Harry Purdy, Superintendent
Galena City Schools



DILLINGHAM CITY SCHOOL DISTRICT
P.O. BOX 170
DILLINGHAM, ALASKA 99576

February 22, 1989

F. Kay Wallis
House of Representatives
P. O. Box V
Juneau, AK 99811

Dear Representative Wallis:

When the new foundation funding formula for schools was adopted in 1986, it was recognized by the Legislature and the Department of Education that some inequities may exist.

Single site school districts have taken reductions in state revenues much higher than in other school districts. Dillingham City School District has lost 34% of its state revenues, has 20 fewer employees, receives City support and still faces the need to reduce our FY 90 proposed budget. An amount of approximately \$350,000 must be reduced from a budget which is already at the minimum necessary to maintain an adequate educational program. To make this reduction will have a severe impact on the education of our children.

In 1988 single and dual site school districts met and organized a research effort which supports minor changes in the foundation formula for 28 school districts. While the foundation formula is an excellent method to distribute school funds, SB 179 and HB 185 would correct inequities, strengthen the formula and allow single site districts to continue serving a student population which is largely rural and Native Alaskan. In addition, full funding of the education unit at \$60,000 will also be needed by all Alaskan school districts if we are to maintain positive school programs for children.

Your positive support for SB 179 and HB 185 is needed.

Sincerely,

Henry Kilmer
Superintendent

Sincerely,

H. Sally Smith
School Board President

HSS:HK:dh

March 7, 1989

Honorable Kay Wallis
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811

HB 185
SB 179

Dear Representative Wallis:

I appreciated the opportunity last week of meeting with Pat Williams of your staff relative to several concerns of the St. Mary's School District.

First of all, we should again like to thank you for your sponsorship of HB185 regarding single and dual funding community school districts. I was able to meet with several other legislators while in Juneau to solicit support for the bill. Most seem to recognize that the proposed legislation does address an inequity in the foundation program. However, they expressed concern about the \$4.7 million price tag, and they felt that there were several "well off" districts that would benefit which did not have a pressing need for the additional funds.

Nonetheless, the St. Mary's School District views this as a serious equity question. The current foundation program was promoted and enacted upon the presumption that it provided an equitable distribution of state funds to school districts by taking into account the several critical variables that affect the cost of operating a district. It is clear that there are different cost variables at play in the operation of small single or dual funding community districts vis a vis larger districts and those with more funding communities. Thus if the legislature is to accomplish what it set out to do, some adjustment is necessary along the lines of your bill.

The same equity issue can be raised relative to necessary adjustments to the area differential factor. The area differentials were originally based upon the results of a study that was conducted for a purpose other than determining the geographic cost variables associated with the operation of school districts. Now that a more appropriate study has been completed, it is clear that a number of changes in area differentials are necessary if the legislature is to approach the level of funding equity to which it was striving when the current foundation program was adopted. Thus we urge you to support HB119 dealing with area cost differentials. Passage of this bill would have a significant positive impact on the St. Mary's School District which has suffered more than any other district under the current foundation program.

Tied closely to the need for the aforementioned technical corrections in the foundation program is the importance of full funding for the \$60,000 foundation unit. We recognize that state revenues are down and that there is great competition for the dollars that are available. However, we believe that the future success of our state will largely be determined by the efficacy of our public school system.

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Therefore, every effort should be made to ensure that state financial support is not diminished.

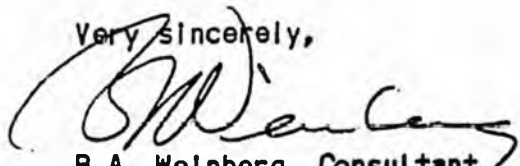
The other school district funding measure which we should like to address at this time is HB37 dealing primarily with school construction funding through debt retirement and Department of Education grants. Although this appears to be an attempt to achieve equity in the way school districts acquire capital funds from the state, we are not convinced that the bill will accomplish that goal. We believe that this proposed legislation deserves much more review, especially as regards the allocation schedule in Section 19.

There are of course other issues before the legislature in which the St. Mary's School District has a keen interest, but we will address these in more detail later. For now, suffice it to say that we are against any legislation that would create mandatory boroughs or that would involuntarily consolidate school districts, as these are unwarranted intrusions into the area of local self-determination.

We also vigorously oppose binding interest arbitration in school district collective bargaining. Such legislation would seriously undermine public control of public education by improperly delegating critical economic and policy decisions to third parties who are not accountable to the electorate for the results of those decisions.

The St. Mary's School District is very appreciative of the interest, concern, and support you have shown us. If there is any way that we can be of assistance to you relative to the above mentioned matters or other education issues, please feel free to contact Jim Zuelow or myself.

Very sincerely,



B.A. Weinberg, Consultant
ST. MARY'S SCHOOL DISTRICT
(Educational Management Associates, Inc.)

BAW/gt

cc: Senator John Binkley
Jim Zuelow

March 10, 1989

The Honorable F. Kay Wallis
House Finance Committee
House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Wallis:

The current public school foundation program was designed, promoted, and adopted on the basis that it provided a much more equitable framework for the distribution of state funds for education than its predecessor. For the most part, this goal was accomplished, a fact lauded by most people in the education community. This was a notable accomplishment for which the Governor, the Legislature, and the Department of Education should be proud.

Nonetheless, it was recognized at the time of its passage that the legislation still had a few flaws that produced adverse consequences to certain districts. These were related to the area cost differentials, some of which were obviously inappropriate, and the "penalty" to districts which do not have multiple funding communities.

These adverse consequences were recognized at the outset, and the Legislature was far-sighted enough to make appropriations to address these problems -- \$2 million in FY'88 and \$3.5 million in FY'89. At the same time, a study was commissioned to better determine actual area cost differentials as they relate to the operation of school districts. That study shows that the necessary adjustments to area differentials will have no cost impact on the state.

Thus the remaining problem is with smaller single and dual funding community districts. In order to compensate for the cost of operating schools in multiple funding communities, the formula is "front-end loaded" to provide a funding base for each site. Whether the formula has overcompensated for multiple funding community districts or undercompensated for smaller single/dual funding community districts is academic. The fact is that entirely too great a disparity has been generated.

An actual comparison of two districts graphically illustrates the problem. It happens that the St. Mary's School District has an FY'89 ADM of 110.9. The Aleutian Region School District has an ADM of 111. St. Mary's has one funding community, and Aleutian Region has six. The dramatic disparity resulting from single versus multiple funding communities is outlined below.

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	<u>K-12 Units</u>	<u>Total Value</u>	<u>Value Per ADM</u>
Aleutian Region	21.70	\$1,302,000	\$11,730
St. Mary's	13.24	\$ 794,400	\$ 7,163
Difference	8.46	\$ 507,600	\$ 4,569

Thus, without regard to the other components of the foundation formula, St. Mary's basic funding for K-12 is 36% less than Aleutian Region simply as a function of the front-end load applied to each funding community. Such a disparity cannot be just filed on the basis of the operational cost differences between a one-site and a six-site district. This disparity has a lesser impact upon large single/dual-site districts and a lesser impact on dual-site districts than single-site districts.

Although the adverse consequences to individual districts is substantial relative to inappropriate area cost differentials and the single/dual site penalty, the impact upon the state is negligible. As has been indicated, there is no state cost to fix the area differentials under HB119. The cost to address the single/dual site problem under HB185 is less than \$4.7 million, or approximately 1% of the foundation program. To be within 1% of equity for such a massive program is notable; thus it would be all the more a pity if these two problems are not addressed so that the program may fulfill its avowed purpose.

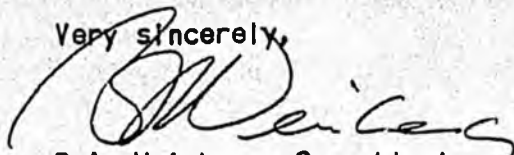
As you know, these two issues have been before the Legislature ever since the current foundation program was adopted, because the adverse impacts to the affected districts are in the most cases too substantial to be ignored. If the problems are not solved this year, they will continue to be brought before the Legislature until they are solved. In the meantime, the quality of education is bound to suffer in many of the affected districts.

Critics of the proposed single/dual-site solution sometimes say that school consolidation is the answer. We do not deny that the issue of consolidation is one that must be addressed. However, because of its inherent complexity and the political and other ramifications, consolidation is really a future issue. The single/dual-site problem is an immediate issue that speaks to a basic inequity in the foundation program as it now exists.

Others say that certain "well-off" districts would benefit from the adjustment and do not really need the additional funds. It is true that because of extraordinary assessed valuations or PL874 revenues, some districts are more fortunate than others. This was the case in the past and will likely continue into the future. However, it is irrelevant in consideration of the fact that an inherent inequity exists in the allocation of the cornerstone of the foundation formula -- the basic K-12 unit. This inequity should be resolved. Then, if there is a way to address windfalls, that should be done later. However, care must be taken with regard to the latter to ensure that the disparity applicart is not upset so as to jeopardize the state's eligibility under PL874.

In conclusion, we urge you to support HB119 and HB185 to address these blemishes on an otherwise outstanding foundation program. If you have any questions, please do not hesitate to contact Jim Zuelow, Superintendent of the St. Mary's School District, or myself.

Very sincerely,



B.A. Weinberg, Consultant
ST. MARY'S SCHOOL DISTRICT
(Educational Management Associates, Inc.)

BAW/gt

TANANA CITY SCHOOL DISTRICT

P.O. Box 89
Tanana, Alaska 99777
(907) 366-7203

Dr. Vince Barry
Superintendent/Principal
Mr. Joe R. Young
Administrative Assistant

January 26, 1989

Senator John Binkley and
Representative Kay F. Wallis
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811

Dear Senator Binkley and Representative Wallis:

For the past year, the Tanana City School District has been cooperating with a number of other Alaska school districts in evaluating the effects of the current school foundation formula. A financial consortium which represents the interests of these 28 school districts has been formed. This consortium has conducted an exhaustive analysis of funding patterns which clearly demonstrates that single site and dual site school districts have been negatively impacted by application of the current funding scheme. Tanana City School District agrees with the findings of the analysis and is supportive of the Consortium's efforts to obtain additional funding.

The problems associated with the current funding formula have been recognized by the Legislature since the date of implementation. In 1987, the Legislature appropriated 2.0 million dollars to offset the adverse impacts of the formula; an appropriation of 3.5 million dollars was made in 1988 for the same purpose. This year, the Single and Dual Site District Consortium is attempting to introduce legislation which would result in an appropriation of \$4.6 million to be distributed among the 28 member school districts. This amount was determined through the analysis recently completed and submitted to you in the report Single Site/Dual Site District Consortium Financial Study Report, December, 1988.

Representatives of the Consortium will be working with all groups in the educational community to obtain the desired funding. Additionally, a number of the districts have also secured the services of Mr. Neil Anderson, former member of the Legislature. He will assist the Consortium in their efforts and will be visiting your office in the near future to acquaint you with the goals of the Single/Dual Site Consortium. He will also be requesting your support on the consortium's behalf.

We urge you to give the Consortium request your serious consideration. If you need additional information regarding the specific impacts on Tanana City School District, please contact me.

Sincerely yours,


Vincent Barry
Superintendent

VB/lac

The Purpose of the Tanana school is:

To help all children succeed in obtaining the necessary knowledge, skills and attitudes to live a happy, productive life as a contributing member of society.

JAN 30 1989

SKAGWAY CITY SCHOOL

P.O. Box 497 • Skagway, Alaska 99840 • (907) 983-2960

March 31, 1989

To Whom It May Concern:

The Skagway City School District is recognized as one of the most underfunded districts in the state and unless the city government approves a 58% INCREASE in local contributions, many existing programs will be lost.

The following EXISTING programs will be eliminated unless legislation supporting the small and dual site consortium is supported:

One full-time elementary teaching position which will result in combining multi-grades in one class

Elimination of all community education activities

Elimination of satellite education courses (The district added Advanced Senior English, Japanese, and Spanish through satellite television this year.)

Deferring substantial building and maintenance projects

Reduction of instructional materials

Reduction of extra-curricular activities

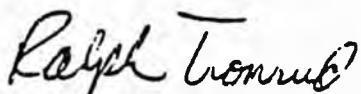
Filling existing vacancies with first year teachers only - no prior experience or advanced degrees

Reduction of classified staff

These reductions may seem insignificant but Skagway City School District only has 144 students, 12 certified staff, 6 classified staff and an operating budget of \$1,081,000 - THESE REDUCTIONS WOULD HAVE A SIGNIFICANT IMPACT ON THE QUALITY AND EDUCATIONAL OPPORTUNITY AVAILABLE TO OUR CHILDREN.

Your support would be greatly appreciated.

Sincerely,



Ralph Tronrud, President
Board of Education

POSITION PAPER BY S.E.R.R.C.

POSITION PAPER

House Bill 185: An Act relating to the Public School Foundation program

PURPOSE

The purpose of this bill is to provide equity in the public school foundation program by adding a percentage factor to schedules (a) and (b) in AS 14.17.041 to correct a funding problem where a school district consists of two or less funding communities.

BACKGROUND

A funding community is the determinant by which districts generate instructional units to determine basic need. The funding community schedules front end load instructional units. That is, it takes fewer students to make an instructional unit. This method is used to financially assist small schools. However, when a funding community is also a district, the schedule is not adequate to cover the costs of district as well as school operations. These districts have two choices: (1) reduce educational program expenditures to accommodate district operational costs, or (2) seek additional local funds from the municipal government. This is only possible if the local tax base can generate revenue in real dollar terms.

On the other hand, a district which has many funding communities can repeat the schedule many times. They receive a "bonus" which provides

adequately for the district and school costs.

ALTERNATIVES

Do Nothing: This is unacceptable. If this Legislature reduces the appropriation required to fully fund the foundation program by 5 percent, the impact on single/dual site districts is devastating.

Consolidate Smaller Districts: Consolidation of Districts may be viable where they are connected by road. Program and administrative efficiencies may be realized. However, this approach is very questionable when communities are physically isolated from each other. No program efficiencies can be realized, for children cannot be brought together to increase class size and program offerings. Clearly, it costs more to operate a multiple site district than a single site district, so administrative efficiencies are not realized.

ADDITIONAL COMMENTS

It was the intent of the Legislature in enacting this foundation program to assure an equitable level of educational opportunity for those in attendance in the public schools of the state (AS 14.17.220) The proposed change provided in this bill will help assure that intent is met.

MEMORANDUM

State of Alaska
Department of Education

TO: Steve Hala
Deputy Commissioner

DATE: February 17, 1989

FILE NO: FAC 1742

TELEPHONE NO: 465-2865

FROM: Tom Ryan
Acting Director
EFSS

SUBJECT: Single/Dual Site Consortium
Proposed Foundation Program
Amendment

A Consortium of Single/Dual Site school districts is proposing a change to the foundation program (attached) which provides an extra percentage calculation for twenty eight school districts. The Consortium claims that this extra funding is needed to counteract negative effects of the current formula.

We have reviewed the analysis done for the Consortium by the South East Regional Resource Center (SERRC). While that analysis does show a reduction in average expenditures for Consortium school districts, it does not show a pattern of reductions common to the group as a whole. The current formula was designed partly for the purpose of reducing funding for districts with ADM under 1000 which had been favored by the previous formula.

The Consortium analysis uses surveys of superintendents in single/dual site districts to conclude that there were "disproportionate/disparate program curtailments," yet there is no similar survey data shown for multi-site district programs. The survey comments are particularly subjective and are not corroborated by test scores or grass roots pressure which would help identify program inadequacies. That single/dual site district schools may not offer all of the program options available in larger districts is a manifestation of the efficiency of scale achievable in larger districts, and does not by itself indicate a foundation formula problem.

There are certainly some districts in the Consortium who are having difficulty maintaining a level of program offerings acceptable to their community. Yet we do not believe this is true for all or even the majority of Consortium school districts. Our analysis of the SERRC data shows a greater variance in effects of funding formula changes on Consortium districts than upon multi-site districts. We can find no common denominator which identifies the Single/Dual Site Consortium school districts as a group with a common problem requiring a common solution.

We recommend that the State Board oppose the extra percentage bill if it is submitted in the legislature, because it provides a solution to a common complaint and not to a clearly identified common problem. At the February Board meeting we will provide department analyses of the data illustrating the variation in Consortium experiences through various foundation program changes.

SCHOOL	INDIAN LAND	FOUNDATION	COLUMB	SUB TOTAL	CONSTRUCTION	NET EFFECT
11 AOKA	0	144,000	144,000	144,000	119,453	260,253
12 ALASKA GATEWAY	149,692	(1196,200)	(1106,508)	144,000	1196,508	(1106,508)
13 ALUTIAN REGION	143,135	150,600	144,515	144,515	144,515	144,515
14 JACOBUS	1951	0	1951	1951	1951	1951
15 MARLETTE ISLAND	1292,107	1121,200	1413,367	1171,408	1171,408	1544,775
16 BERTINGE ISLAND	1954,423	1115,000	11,070,223	11,070,223	11,070,223	11,070,223
17 BRISTOL BAY	140,453	1108,400	1169,453	1169,453	1169,453	1169,453
18 CHATHAM	1165,177	1207,000	1572,177	1572,177	1572,177	1572,177
19 CHUCKA	154,433	175,600	1110,233	1110,233	1110,233	1110,233
20 COPPER RIVER	150,013	(144,400)	116,213	116,213	116,213	116,213
21 CORONA	0	1219,000	1219,000	1184,349	1184,349	1403,349
22 CRAIG	12,091	170,000	172,091	1169,803	1169,803	1222,694
23 DELTA CREEK	0	(992,400)	(992,400)	1192,111	1192,111	1192,111
24 DILLON	489,692	452,200	1141,892	1232,136	1232,136	1374,000
25 FADIMAS	0	(1433,000)	(1433,000)	1113,409	1113,409	(320,591)
26 GALENA	1113,449	133,400	1169,049	1169,049	1169,049	1292,320
27 HAINES	0	(145,000)	(145,000)	154,543	154,543	154,543
28 HOONAH	129,302	430,000	159,302	1167,962	1167,962	1227,264
29 HORTON	14,443	147,000	161,443	1169,438	1169,438	1169,438
30 IDITAROD	1144,288	0	1144,288	1164,288	1164,288	1164,288
31 JENSEN	1391	0	1391	1164,288	1164,288	1164,288
32 KANE	144,173	194,200	1142,373	1129,000	1129,000	1264,373
33 KASIAKATUK	1117,216	153,400	1170,616	1165,282	1165,282	1335,898
34 KENT	119,967	0	119,967	119,967	119,967	119,967
35 KETCHIKAN	0	0	0	1115,414	1115,414	1115,414
36 KING CONE	144,479	144,000	1123,439	1115,439	1115,439	1231,479
37 KING OF ISLAND	144,423	149,000	1133,423	1129,558	1129,558	1243,302
38 KODIAK	115,783	(1127,200)	1163,642	(1111,417)	(1111,417)	1163,642
39 KURE	1143,042	0	1143,042	1143,042	1143,042	1143,042
40 LAKE & PENINSULA	1216,441	143,400	1359,841	1359,841	1359,841	1359,841
41 LAKE & PENINSULA	11,308,968	(1453,000)	1254,968	1254,968	1254,968	1254,968
42 LAKES & RIVERS	1942,203	1201,000	11,143,203	11,143,203	11,143,203	11,143,203
43 MAT-SI	1190	0	1190	1190	1190	1190
44 MERRILL	0	(184,000)	(184,000)	1167,011	1167,011	1167,011
45 MINE	0	141,000	141,000	1267,973	1267,973	1267,973
46 NORTH STAR	1508,588	1528,000	1479,348	1479,348	1479,348	1479,348
47 NORTHWEST ARCTIC	1749,039	(1228,000)	1541,039	1541,039	1541,039	1541,039
48 PELICAN	0	118,200	118,200	140,264	140,264	172,188
49 PELICAN	0	0	0	1172,188	1172,188	1172,188
50 PELICAN	1108,348	1144,400	1264,748	1129,288	1129,288	1273,978
51 PELICAN	0	(1497,400)	(1497,400)	(1497,400)	(1497,400)	(1497,400)
52 SOUTH STAR	0	144,000	144,000	144,000	144,000	144,000
53 SITKA	13,042	0	13,042	1271,176	1271,176	1271,176
54 SKAGWAY	0	0	0	1113,408	1113,408	1113,408
55 SOUTH STAR	1108,348	1207,400	1307,448	1307,448	1307,448	1307,448
56 SOUTHSTAR REGION	1304,515	149,000	1453,515	1453,515	1453,515	1453,515
57 ST. MARY'S	154,413	173,200	1107,433	1127,109	1127,109	1234,942
58 TANNER	133,522	123,000	141,522	1104,581	1104,581	1164,073
59 UNALASKA	11,332	123,000	127,132	1132,430	1132,430	1179,562
60 WADZU	0	(1175,200)	(1175,200)	1209,151	1209,151	1179,951
61 WADZU	0	0	0	1109,264	1109,264	1109,264
62 WADZU	118,449	1135,608	1154,057	1114,132	1114,132	1264,401
63 WADZU PLANT	1238,311	(1354,400)	(1121,049)	(1121,049)	(1121,049)	(1121,049)
64 WADZU-CHELIK	1519,251	(144,000)	1267,251	1267,251	1267,251	1267,251
65 WADZU	1225,537	(1301,000)	1199,537	1199,537	1199,537	1199,537
TOTALS	17,804,726	(100,400)	17,734,526	14,472,726	112,409,252	112,409,252

ALASKA PUBLIC SCHOOL FUNDING PROGRAM
 PREPARED 7/27/99
 BASED ON
 FY98 APRIL BUDGET STUDY

SINGLE / DUAL SITE CONSORTIUM FINANCIAL STUDY

REVIEW AND ANALYSIS

Study and Proposal.

The Consortium study examined the revenues and expenditures per pupil in ADM from FY1986 to FY1989 for thirty school districts characterized as single/dual site districts. The findings are that revenues per ADM to these school districts have been declining, as have expenditures, over the fiscal years studied. Additional state funding by formula adjustments to instructional units for these districts is recommended by the study.

Review and Analysis.

Department analysis was directed at examination of the state aid pattern to three groups of school districts: single/dual site districts, large metropolitan school districts, and dispersed rural school districts. State aid revenue patterns were the primary focus for analysis because that is what the Consortium Study proposes changing. Area differentials were removed from the state aid data so the funds measured represent the instructional support aspect of the formula. State aid per ADM was then recomputed using the adjusted aid amounts. A statistical measure called the "coefficient of variation" was applied to examine the relative differences within the three identified groups. It then became possible to examine the effects of changes in state funding at three fiscal periods and determine the extent to which the state funding formula may have contributed to variations within a group, as well as between groups.

Audited state aid revenues were examined for fiscal years 1983, 1986 and 1988. The foundation program formula in FY83 was based upon ADM counts converted to instructional units with the state equalizing local contributions with state funds by a formula element called "supplemental equalization aid". From FY84 through FY86 appropriations were made on a statutory amount per ADM derived from the FY83 formula, with variations in appropriations levels each year. FY87 was not examined because changes to ADM funding were asystematic and resulted in problems with the federal P.L. 874 Impact Aid program requiring a special appropriation in FY88 to re-equalize state aid. FY88 was the first year of the current foundation program formula which was adopted to better equalize funding of districts.

The foundation formula recognizes district size and dispersion of schools as significant cost factors and adjusts for them. Geographic cost factors were recently studied in detail for the Legislature, and were not analyzed in this review. Neither were expenditures examined since they represent budgetary actions and decisions of school boards and their administrators, and expenditure differences would necessarily parallel revenue fluctuations.

SINGLE/DUAL SITE CONSORTIUM FINANCIAL STUDY

REVIEW AND ANALYSIS -Page 2-

Findings.

The horizontal bar graph shows the three school district groupings for three fiscal years. The single/dual site group of districts is the most disparate measured on an aid per ADM basis. Districts in this group vary from 48 to over 2,500 pupils in size. Conversion of ADM counts to instructional units causes extreme variations in state aid within this diverse group. When presented as amounts per ADM of revenue, these within-group differences are amplified. However, for the three fiscal years examined, this group had the least variation in terms of dollars per ADM provided from the state.

Districts over 2,500 students in size are less diverse as a group compared to the single/dual site group on the \$/ADM basis of comparison. This is due in part to local contribution requirements in the current formula, and changes in the adjustment of P.L.874 Impact Aid funds, both of which decrease state aid. Variances within this group from converting ADM to instructional units and dollars are small, and result in a lower amount per ADM when averaged. This grouping shows the greatest decline in state aid in FY88.

Within dispersed rural districts as a group, conversion of ADM to instructional units commonly causes wider variations in state aid. Small changes in ADM cause major changes in units and dollars paid. This group of districts also derives substantial revenues from the P.L.874 Impact Aid program, and the decreased state aid per ADM in FY88 is largely due to the equalization adjustments of the latest formula.

Conclusions.

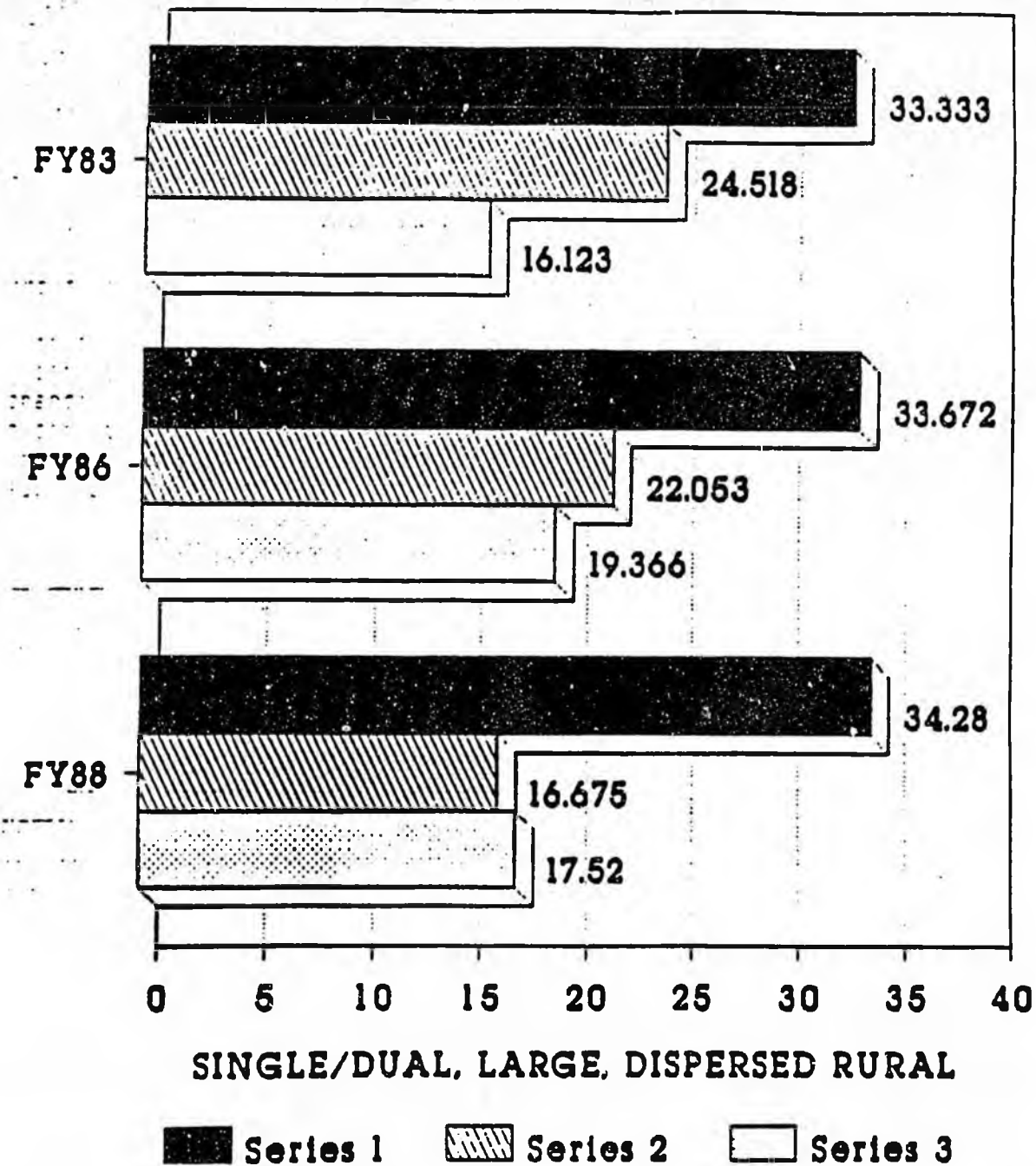
The foundation program formula implemented in FY88 appears to have had the least effect on state aid to the single/dual site districts as a group. This is a widely varied group, which logically precludes generalizations about problems or solutions to problems affecting them.

The Single Site / Dual Site District Consortium Financial Study Report of December, 1988 proposes foundation formula adjustments which would provide more state aid to the school districts within the group. Assuming no reductions in state appropriations for school support in FY90, the study is a reasonable political proposal. If state appropriations for school support decrease, the proposed changes would be accommodated at the expense of other school districts.

The current foundation formula did pass the federal P.L.874 Impact Aid equity check known as the "disparity test" on the basis of FY88 audited school district revenues. The proposed changes will probably increase the disparity between districts, but such changes should not cause the state to flunk the test so far as existing data indicates.

SINGLE/DUAL SITE DISTRICTS

VARIATIONS FY83/FY86/FY88



SINGLE/DUAL, LARGE, DISPERSED RURAL

Series 1 Series 2 Series 3

Foundation Program Analysis

ALASKA DEPARTMENT OF EDUCATION
 SCHOOL OPERATING FUND REVENUES
 COMPARISONS BY COUNTY: FY80 TO FY80, FY86 TO FY80 & FY80 TO FY86
 (02/15/85)

SCHOOL DISTRICT	FY80 AID RIGGS AREA DIPP.	FY80 FINAL AID 1982-83	FY80 STATE AID PER AID	FY86 STATE AID RIGGS FY83 AREA DIPP.	FY86 STATE AID BY 1980 ADJUSTED PER AID	FY80 STATE AID BY 1980 EDUCATION ADJUSTED PER AID	\$ PER AID PERCENTAGE FY86 TO FY83	\$ PER AID PERCENTAGE FY80 TO FY83	\$ PER AID PERCENTAGE FY80 TO FY86			
ADLE	\$2,869,723	593	\$6,730	\$1,793,170	603	\$7,976	\$1,617,020	668	\$2,679	62.76%	56.53%	90.07%
ALUTIAN REGIO	\$1,417,470	121	\$11,716	\$1,016,409	90	\$11,516	\$1,221,036	105	\$11,664	98.23%	99.56%	101.29%
BARRETT ISLAND	\$1,446,511	361	\$4,020	\$1,052,531	395	\$3,677	\$1,132,279	415	\$2,732	76.16%	56.57%	70.20%
BRISTOL BAY	\$1,370,574	212	\$6,229	\$1,016,960	217	\$6,510	\$1,350,573	245	\$5,603	100.01%	91.21%	87.03%
CODDINA	\$1,920,900	430	\$4,603	\$1,017,030	396	\$4,591	\$1,964,701	429	\$4,500	102.10%	102.10%	99.76%
CRUC	\$1,055,192	146	\$7,227	\$1,110,656	188	\$7,029	\$1,250,321	213	\$6,050	97.12%	83.02%	66.30%
DELTA COUNTY	\$4,498,765	900	\$6,706	\$4,201,596	990	\$4,290	\$1,050,130	930	\$4,150	89.66%	86.71%	96.33%
BILLINGHAM	\$2,166,512	375	\$5,777	\$2,496,503	429	\$5,819	\$2,401,763	463	\$5,105	100.73%	89.76%	89.09%
GALINA	\$943,401	162	\$6,648	\$922,555	164	\$6,706	\$886,296	151	\$5,337	100.95%	80.33%	79.57%
HATERS	\$2,116,036	380	\$5,569	\$2,127,460	360	\$6,257	\$1,070,613	356	\$5,130	112.37%	92.20%	82.12%
KODIAK	\$1,150,042	237	\$5,696	\$1,312,910	227	\$5,779	\$1,272,537	260	\$5,311	101.46%	93.24%	91.90%
KYRABURG	\$737,221	93	\$7,927	\$855,935	97	\$8,026	\$897,150	109	\$8,201	111.32%	103.45%	92.93%
KATE	\$1,149,720	191	\$7,067	\$1,460,949	216	\$6,845	\$1,046,576	180	\$5,812	96.07%	82.25%	84.91%
KASOUBHOUT	\$0		\$0	\$1,006,066	152	\$6,619	\$1,013,935	169	\$6,000			90.45%
KETCHIKAN	\$7,975,903	2,360	\$3,374	\$9,535,027	2,435	\$3,916	\$8,012,907	2,531	\$4,002	116.07%	103.20%	88.91%
KISC COVE	\$753,790	103	\$7,310	\$819,004	126	\$6,501	\$799,144	135	\$5,860	88.03%	80.10%	90.27%
KLUKON	\$1,019,110	139	\$7,804	\$1,621,107	157	\$7,141	\$984,169	170	\$5,707	96.67%	78.16%	81.02%
KUPARUK	\$1,200,409	125	\$8,324	\$1,019,053	112	\$9,105	\$1,356,623	201	\$6,920	109.39%	83.37%	76.21%
KORR	\$3,054,192	711	\$4,725	\$3,022,117	816	\$4,004	\$3,297,027	725	\$4,509	101.74%	96.27%	94.62%
PELLICAN	\$569,310	48	\$11,061	\$590,025	48	\$12,392	\$525,006	49	\$10,620	100.40%	89.41%	85.37%
PETERSBURG	\$2,243,750	572	\$3,923	\$2,317,050	562	\$4,275	\$2,905,740	630	\$4,612	100.90%	117.50%	107.01%
PRIDLOF	\$1,315,007	167	\$7,076	\$919,303	167	\$5,569	\$196,600	152	\$6,560	70.67%	83.35%	117.95%
SAND POINT	\$649,617	126	\$5,000	\$650,664	111	\$5,890	\$902,203	146	\$6,460	109.22%	119.77%	109.67%
SITKA	\$5,697,073	1,503	\$3,599	\$6,330,713	1,596	\$3,969	\$6,140,125	1,617	\$3,003	110.39%	105.66%	95.01%
STRICKLAND	\$950,400	169	\$5,624	\$866,120	125	\$6,769	\$820,269	142	\$5,797	120.37%	103.00%	85.66%
ST. MARY'S	\$1,060,710	107	\$9,951	\$1,133,151	111	\$10,020	\$1,050,797	112	\$9,104	100.70%	94.31%	93.50%
TALKEHA	\$827,412	97	\$8,530	\$683,505	71	\$9,017	\$732,495	85	\$8,610	112.46%	101.03%	89.51%
UNALASKA	\$976,401	171	\$5,711	\$802,416	137	\$5,149	\$767,020	153	\$5,000	107.66%	87.71%	81.47%
WARD	\$3,500,200	842	\$4,205	\$3,316,764	771	\$4,370	\$2,640,360	691	\$3,520	102.93%	83.72%	81.33%
WARDEN	\$2,172,507	410	\$4,526	\$2,150,313	455	\$4,726	\$1,300,101	507	\$4,623	100.42%	102.15%	97.01%
WASHTA	\$1,010,521	155	\$6,671	\$1,067,010	159	\$6,716	\$757,431	134	\$5,663	102.20%	86.10%	84.28%
AVERAGE \$/AID **			\$6,307.01			\$6,645.02			\$5,994.70			
STANDARD DEVIATION \$/AID **			\$1,120.81			\$2,237.67			\$2,050.99			
ST. MARY'S ISLAND			\$1,1030			\$1,67222			\$1,27957			

SCHOOL OPERATING FROM REVENUES
 COMPARISONS OF CHANGE FROM FY80, FROM TO FY80 & 1980 TO FY86
 IN: EMPLOYED (02/15/81)

SCHOOL DISTRICT	FY80 AID MIGRS AREA DIFF.	TOTAL AID FY 1980	FY80 STATE AID PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 ADJUSTED PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 FOUNDATION ADJUSTED PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 FOUNDATION ADJUSTED PER AID	\$ PER AID PERCENTAGE FY86 TO FY80	\$ PER AID PERCENTAGE FY86 TO FY80	\$ PER AID PERCENTAGE FY86 TO FY86
* LARGE DISTRICTS OVER 2,500 STUDENTS *												
ANCHORAGE	\$125,315,000	30,602	\$9,616	\$139,756,000	40,076	\$9,492	\$121,000,996	30,774	\$9,167	96.56%	87.01%	90.11%
FAYETTEVILLE	\$30,000,277	9,175	\$2,295	\$47,003,026	12,053	\$3,462	\$15,190,095	13,195	\$3,425	151.16%	101.97%	91.50%
JACKSON	\$15,407,250	0,132	\$0,579	\$17,699,050	6,620	\$3,070	\$15,597,064	0,493	\$3,461	107.37%	81.00%	96.60%
ORON	\$24,619,000	0,746	\$7,668	\$32,642,555	0,333	\$0,039	\$20,000,000	0,001	\$3,690	110.63%	90.72%	89.20%
ROCKY	\$9,995,000	2,128	\$4,697	\$11,061,199	2,252	\$6,922	\$10,901,019	2,205	\$4,772	104.76%	101.60%	96.98%
WATSON	\$19,000,000	5,672	\$5,350	\$21,119,074	0,794	\$3,930	\$10,070,331	0,606	\$3,506	105.00%	100.65%	89.10%
WORTH STONE	\$5,901,000	1,020	\$5,000	\$6,702,210	1,092	\$6,374	\$9,590,000	1,252	\$4,476	106.10%	76.00%	77.15%
WORTHINGTON	\$0,917,274	1,006	\$6,010	\$0,402,330	1,002	\$0,670	\$2,012,930	1,500	\$0,956	96.57%	82.01%	87.00%

AVERAGE \$/AID >>	\$4,256.39		\$0,619.63			\$3,927.56						
STANDARD DEVIATION \$/AID >>	\$1,043.59				\$974.65				\$654.26			
CORR. C. VARIATION \$/AID >>	24.51062				22.05272				16.67536			

* MULTIPLE-SITE DISTRICTS *

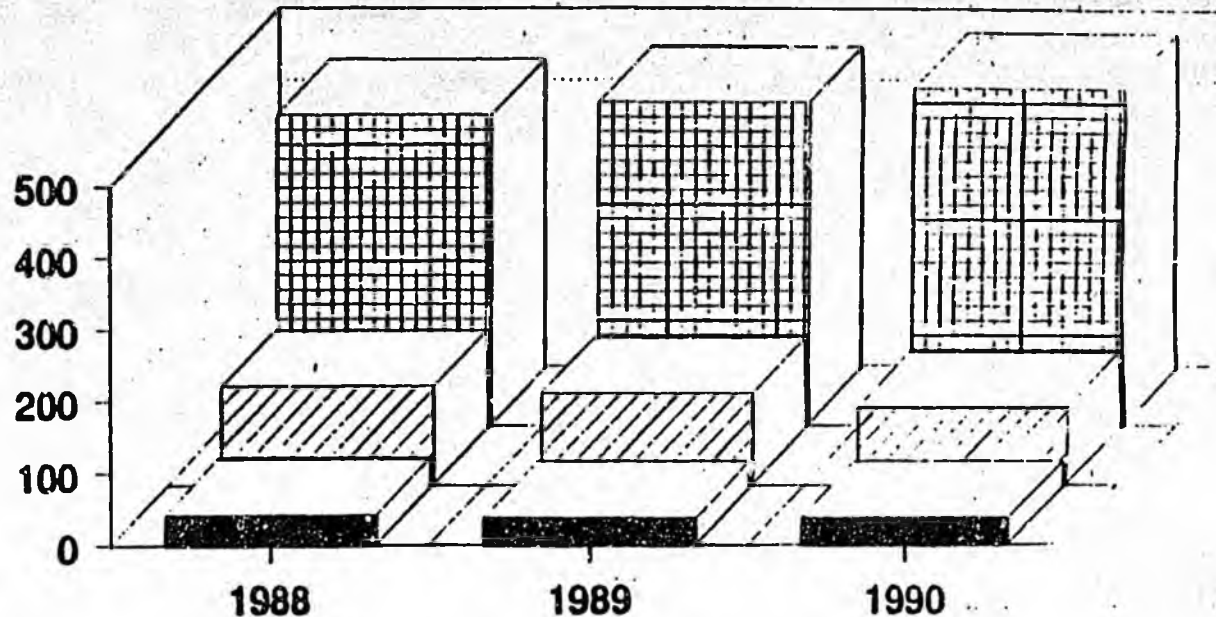
SCHOOL DISTRICT	FY80 AID MIGRS AREA DIFF.	TOTAL AID FY 1980	FY80 STATE AID PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 ADJUSTED PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 FOUNDATION ADJUSTED PER AID	FY86 STATE AID MIGRS AREA DIFF.	FY 1986 FOUNDATION ADJUSTED PER AID	+/-\$ PER AID PERCENTAGE FY86 TO FY80	+/-\$ PER AID PERCENTAGE FY86 TO FY80	+/-\$ PER AID PERCENTAGE FY86 TO FY86
ALASKA CANTON	\$3,166,672	673	\$7,110	\$3,160,007	570	\$6,529	\$1,569,000	502	\$7,106	91.73%	99.00%	100.00%
BENTON STREET	\$7,090,070	920	\$7,661	\$7,010,261	1,216	\$6,074	\$2,009,107	1,259	\$6,264	86.11%	81.99%	97.00%
CHATHAM	\$2,200,310	201	\$6,446	\$1,016,025	346	\$5,970	\$0,007,447	316	\$6,079	70.69%	76.73%	100.51%
CHOCOMA	\$740,290	85	\$0,709	\$1,000,909	116	\$9,009	\$1,102,503	107	\$10,491	103.03%	120.65%	116.45%
COPPER RIVER	\$1,274,596	564	\$5,706	\$1,047,797	567	\$6,001	\$1,072,376	536	\$9,044	105.10%	110.33%	112.50%
EDITHAN	\$2,000,012	100	\$0,000	\$1,100,000	300	\$6,000	\$1,100,000	300	\$7,000	95.50%	87.65%	91.70%
ESSEX	\$0,000,000	327	\$10,000	\$1,200,000	369	\$9,300	\$1,300,000	375	\$8,953	11.75%	80.00%	95.65%
GLAC & PENINSULA	\$0,000,000	360	\$10,543	\$1,200,000	377	\$8,673	\$1,300,000	367	\$9,105	81.31%	80.60%	109.01%
LOWER KOSCIUSKO	\$17,132,293	2,011	\$7,106	\$15,713,933	2,579	\$6,993	\$17,119,012	2,406	\$6,076	85.75%	96.73%	112.45%
LOWER TONGUE	\$1,774,203	1,100	\$6,360	\$5,000,000	1,300	\$6,356	\$0,000,000	1,200	\$4,970	88.71%	70.51%	110.30%
RAILBELT	\$2,560,000	325	\$2,000	\$2,000,000	350	\$8,000	\$2,000,000	366	\$7,100	107.10%	90.99%	88.00%
SOUTHWEST ISLAND	\$0,000,000	0	\$0,000	\$1,000,000	500	\$7,000	\$0,000,000	650	\$0,000	85.00%	80.00%	115.15%
SOUTHWEST REGION	\$0,000,000	0	\$0,000	\$1,000,000	0	\$0,000	\$0,000,000	0	\$0,000	81.32%	92.00%	113.00%
TONGUE PLAYS	\$0,000,000	0	\$0,000	\$1,000,000	0	\$0,000	\$0,000,000	0	\$0,000	101.00%	100.00%	90.00%
TONGUE RIVER	\$0,000,000	0	\$0,000	\$0,000,000	0	\$0,000	\$0,000,000	0	\$0,000	92.67%	96.10%	103.10%
TONGUE	\$0	0	\$0	\$2,000,000	200	\$1,000	\$2,000,000	200	\$7,592			85.97%

AVERAGE \$/AID >>	\$0,200.61		\$7,615.98			\$7,600.35						
STANDARD DEVIATION \$/AID >>	\$1,121.01				\$1,016.17				\$1,106.37			

FOUNDATION PROGRAM

FISCAL YEARS 1988-1990

Millions of Dollars



STATE AID	431.608	449.532	469.644
LOCAL EFFORT	135.935	125.715	105.519
90% PL874	40.603	36.523	36.695

■ 90% PL874

▨ LOCAL EFFORT

▤ STATE AID



Delta/Greely School District

Delta/Greely School District
REAA #15
P.O. Box 527
Delta Junction, Alaska 99737-0527
(907) 895-4658

Delta School
Pouch 1
Delta Junction
Alaska 99737
(907) 895-4696

Ft. Greely School
P.O. Box 647
Delta Junction
Alaska 99737-0647
(907) 869-3105

February 17, 1989

Tom Ryan, Acting Director
Educational Finance & Support Services
Department of Education
P.O. Box F
Juneau, AK 99811

FEB 21 1989

Dear Tom,

Pursuant to the request from you and Steve, I am writing to convey my thoughts regarding the proposal from the Single/Dual Site Consortium. First, let me say that the Delta/Greely schools could certainly use the additional monies generated by this proposal, or from any other source for that matter! However, although the additional monies would be welcomed, I do not agree with the manner in which the monies would be generated. I do not believe that the "small" districts have a unique set of problems different from other districts.

As you know, the proposal from the Single/Dual Site Consortium was based upon a study sanctioned and paid for by selected individual districts. I believe that a complete review of the school funding formula is in order for all 55 school districts. The foundation program review should be continuous with necessary changes proposed from year to year.

It is my belief that the problem that is being addressed by the consortium is not a formula problem at all, but a comparison problem with the previous school foundation program. Specifically, I believe that the comparison problem is primarily a result of the table placed in the prior foundation bill which calculated instructional units for city and borough school districts of less than 1,000 average daily membership. This particular table was unique to that bill and calculated a relatively large number of instructional units. When the current foundation program instructional units are compared to the units calculated from that table, the figures show a significant difference. The real question is whether the current foundation formula should be amended to increase instructional units for those districts, or whether the prior formula was artificially high? I believe that the hold harmless provisions built into the current foundation formula were designed to address the comparison problem and that the current formula provisions for calculating instructional units are acceptable. Certainly, under the current foundation program, all school districts of given characteristics are treated alike, whether they are city or borough districts, or REAA's.

Of the thirty "small" districts designated in the small schools funding study, twenty-five are city and borough school districts. Twenty-five of those districts are below 1,000 ADM and would have been impacted by the table in the previous foundation bill. Another significant change which impacts the data calculation in the small school funding study is that the average daily membership for pre-school children was added into the district ADM for the FY 87 student counts. The FY 87 budget

Tom Ryan, February 17, 1989.

year was also the year where there was a dramatic decrease in state funding for public schools. With the decreased funding and the increase in ADM, the revenue per student figures show, in most cases, a dramatic decrease from the FY 86 revenue per student figure to the FY 87 revenue per student figure. In fact, from the data in the small schools funding study, only three of the fifty-five school districts show an increase in the revenue per student from the FY 86 year to the FY 87 year.

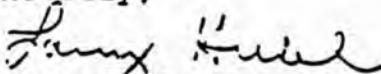
In FY 88, the first year of implementation for the new school funding formula, thirty-six districts showed an increase in the revenue per student. Nineteen of these thirty-six districts which showed an increase are in the "small" districts designated by the consortium. Obviously, there is no significant difference between the "small" districts and the "other" districts in this statistic. The projected figures for FY 89 further indicate that thirty-four of the school districts show an increase in the revenue per student figure. Twenty of these thirty-four districts are again included in the "small" districts.

In a separate comparison that I made looking at the revenue per student comparisons from the FY 87 year to projected FY 89, thirty-five districts show an increase. Of those thirty-five districts, seventeen of those are included in the "small" districts. Utilizing the data from the small school study, eleven districts show an increase in the revenue per student comparing FY 89 to FY 86. Five of those eleven districts are again within the "small" districts.

All of these comparisons indicate that there is no significant difference in the problems faced by the "small" districts than those faced by the remainder of Alaska school districts. There are approximately as many gainers and losers within the "small" districts as there are in the "other" districts. Certainly, there are some real revenue problems within Alaska school districts. However, I do not believe that the proposal to modify the formula put forth by the Single/Dual Site Financial Consortium is a positive response to those problems.

A copy of my notes from my presentation to the State Board of Education on November 8, 1988, are enclosed. As I stated there, I believe that the school foundation program needs continuous attention, study and modification to meet recognized needs. The experience of the last two years in conjunction with numerous PL 81-874 issues, necessitate a review of the premises upon which the formula was based. Based upon a study of the needs and concerns of all Alaska school districts, necessary proposals for change would be initiated.

Sincerely,


Larry Huxel, Superintendent

LH/tp
Enclosure

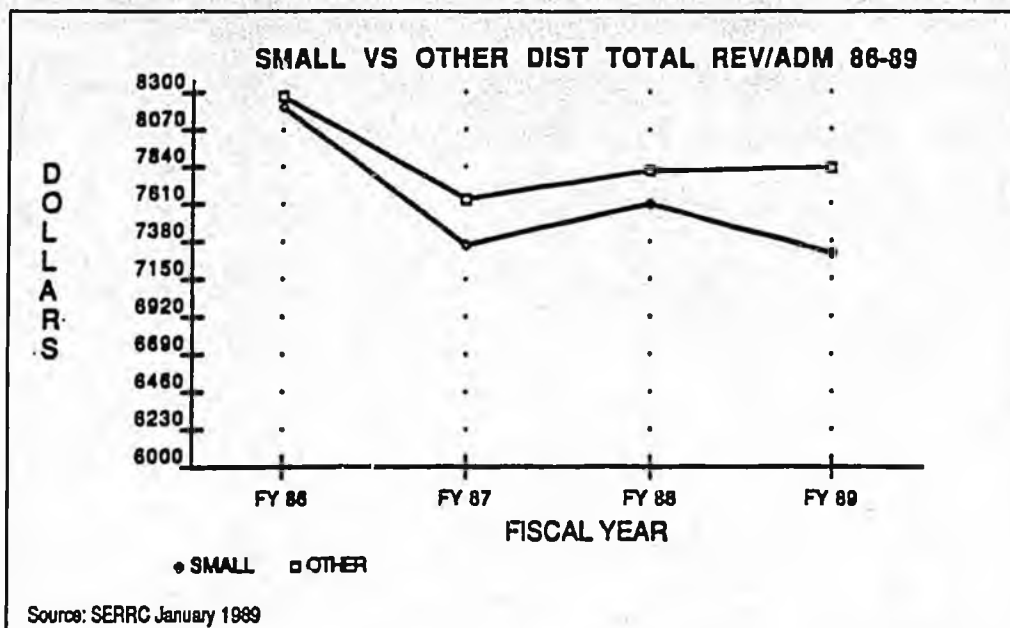
Alaska State Board of Education
Funding Issues - - November 8, 1988

- * Single site districts have problems
 - Not all single site districts have similar problems
- * All district have problems compared to 85-86
- * Formula certainly needs continuous attention, study and modification
- * First year (87-88) data just being compiled
- * Remember - primary driving force behind new formula was
PL874 disparity problems
- * HB 604 failed in 86 legislature, bill which passed failed
PL 874 disparity (SB408)
- * New formula judged to pass PL 874 disparity test
- * Age-old school finance question - -
money problem or formula problem?
how much vs distribution system
- * Single site issue ----- money problem
too little money compared to prior receipts
- * Were prior receipts too high or
current receipts to low?
- * Hold harmless based
upon premise that
some districts were
too high
- * Formula question - - are similar school districts treated comparabl...
- - are there reasons for varying dollar allocations?

- * I believe you will find that the answers are "Yes" to both questions
- * Formula is not the problem - the comparison is the problem
- * There are reasons that some single site school district compare unfavorably - - specifically city and borough districts under 1000 ADM
- * SB 408 contained a new table designed for these districts
I believe that this table is single largest problem in comparisons
- * Junior high issue and special education factors of earlier years probably also play a part in unfavorable comparisons
- * One notable problem in current formula is front-loading of units for each funding community - - single funding community districts receive "front-loading" only once multiple funding community districts receive bonus
- * Issue was not noted during formula development as a major problem - - issue was recognized as an incentive for new funding communities
- * Front-loading more legitimate in small funding communities (less than 200 AD in K-6 or 7-12)
-- probably questionable in larger funding communities where economy of scale in staffing is not a major issue
- * Formula problems are minimal - - Revenue problems are significant

SINGLE SITE/DUAL SITE DISTRICT CONSORTIUM PRESENTS REPORT TO LEGISLATURE ON EQUITY FUNDING EQUITY

SERRC—In April 1988 a number of Alaska school district board members and superintendents met to discuss the belief that the state's funding formula had a disparate impact on small school districts. The group formed a consortium to investigate the effects of recent budget cuts on single site and small school districts.



The Consortium contracted with the South East Regional Resource Center for data analysis. Significant findings on the revenue picture include:

- In comparing trends in total district revenues with trends in state aid entitlements, single and dual-site districts are more dependent upon a given level of state aid.

- To financially maintain the current level of program operation single and dual-site districts must obtain a local appropriation which is significantly higher than

- the required four mill effort for city and borough school districts under the current foundation program.

- Revenues for larger districts will continue to increase at a faster rate than for single and dual-site districts. Also, data indicates that single and dual-site districts are less able to absorb inflationary or other costs increases.

Significant findings that can be drawn from the expenditure data include:

- District administration and operation and maintenance of plant functions are being reduced to the minimum level and cannot be further reduced. If revenues remain constant, costs increases will have to be borne by restrictions in the instructional program. A future reduction in the state aid program will have a greater impact on single and dual-site school districts.

The study recommends adjusting the K-12 foundation schedules by a percentage factor based on size of district applied to the number of K-12 units generated in accordance with the current schedule. The adjustment would realize additional state aid for each student. It would also recognize district size, and ability to exercise better economies of scale by a larger district. The additional percentage would become smaller and the amount of aid per pupil less for larger districts.

CONTINUED FROM PG. 5 FINALITY AT WHAT PRICE?

recognized that during bad economic times, all negotiations, in both the private and public sectors are likely to take longer. (There is very little to be gained on either side. Unions cannot afford to give up previous gains and stay in business. Likewise employers cannot afford to give new benefits.)

The issue of finality needs to be examined for what it really is. Not a means of achieving equity, but a means of achieving agreement. Yet the emphasis on reaching agreement, at the expense of removing control and accountability from the policy making body comes at too high a price.

To subordinate everything to reach agreement at any cost would mean that employees have veto power over basic managerial decisions. In effect the employees would become co-managers. Some may advocate this approach, but they are certainly not in the mainstream of organized labor or management in Alaska. Nor is this view consistent with public policy. A school district's legal obligation is not to agree at all costs, but to bargain in good faith. Outside the labor field, "finality" does not mean forced agreement. It means final action by the Legislative Body; i.e. school board. While it may not be the type of finality some would prefer, it is nevertheless, the democratic means of decision-making in our representative government.

SITKA SCHOOL DISTRICT

ACCREDITED BY THE NORTHWEST ASSOCIATION OF SECONDARY SCHOOLS & COLLEGES



P. O. BOX 179 SITKA, ALASKA 99835

April 21, 1989

Representative F. Kay Wallis
House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Representative Wallis:

The Legislature and your Committee has before it two Bills, House Bill 185 and Senate Bill 179, which would help to alleviate inequities in the current school foundation program.

The case made by the small single/dual site school districts, as manifested by these Bills, is not based upon casual observations. The information which has been provided to you reflects a balance of statistical data with professional observations. Facts clearly show that State funding levels, when reduced to a per pupil basis, have declined for the single site school districts whereas they have increased for the multiple site and dispersed school districts. Programs which helped to put Alaska on the leading edge of educational technology, distance delivery, and curriculum development/support at the State and local levels have been reduced or eliminated altogether.

At a time when the small single site school districts are in the process of trying to adjust to continual reductions in State aid, the Legislature seriously entertains legislation aimed at regulating items such as class size and labor relations. These problem areas are due, in good part, to the Legislature's patterns of funding, both through the decision to maintain funding levels, as well as an equitable distribution method.

The Sitka School District has experienced a considerable disruption in its educational programs due to these factors. While the Retirement Incentive Program of 1987 provided short-term relief, payroll expenses have crept up to former levels, resulting in further reductions in staffing and programs for Fiscal Year 1990. Even at a full State funding level, the Sitka School District needs in excess of \$325,000 in additional revenues to balance expenses with revenues. The State has not

APR 21 1989

Representative F. Kay Wallis
April 21, 1989
PAGE TWO



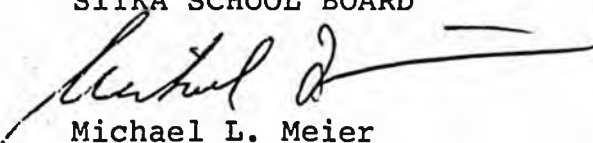
provided for the tremendous cost increases, such as group health premiums, which school districts have incurred. Should the municipality fail to provide additional support, people and programs will have to be cut. Should the Legislature fail to fully fund the foundation program, a ninety-five percent (95%) prorating would require the Sitka School District to cut approximately \$380,000 to get into compliance with the Public Law 81-874 Disparity Test, as well as implement an additional \$400,000 plus in staff/program reductions. I would challenge any multiple school district to show the necessity for an equivalent reduction.

The plight of the single/dual site school districts may not be popular cause among most Legislators. Absent are the large school districts with political appeal and many of the remote school districts with emotional appeal. However, House Bill 185 and Senate Bill 179 should appeal to your individual and collective sense of doing what is right, to correct an oversight which has created a clearly defined hardship for a select group of school districts.

Your support for House Bill 185 and Senate Bill 179 is critical to the maintenance of quality educational programs in the effected school districts. The Sitka School District has not been a school district to frequent the well (the Legislature) for help in the past. For the sake of its students and programs, the Sitka School District is compelled to ask for your support for the small single/dual site school districts legislation.

Sincerely,

SITKA SCHOOL BOARD



Michael L. Meier
President



**KETCHIKAN GATEWAY BOROUGH
SCHOOL DISTRICT**

April 21, 1989

TO: Representative Cheri Davis

FROM: Pam Hjortset - Board President
Ketchikan Gateway Borough School District

RE: Support of the Single/Dual Site Consortium

It has been proven that the state's funding formula has had a disparate impact on small school districts. It is also a fact that to financially maintain the current level of program operations single and dual - site districts must obtain a local appropriation which is significantly higher than the expected four mill effort.

In Ketchikan the FY 90 school budget is based upon full funding by the legislature. The FY 90 budget had to be reduced by \$670,000 in order to balance that Budget. This also brings the Ketchikan Gateway Borough School District within \$1,148. of the local allowable cap. This is fact and evidence that the current funding formula continues to widen the gap between smaller districts and the larger districts.

The Foundation Formula was developed to adequately provide for all school districts, large and small. This simply is not the case and our programs continue to be eroded because of the unequal distribution of funding dollars. In the name of fairness to all kids, I support the efforts of the single/dual site consortium to have the Foundation Formula accomplish what it was originally designed to accomplish.

SUMMARY

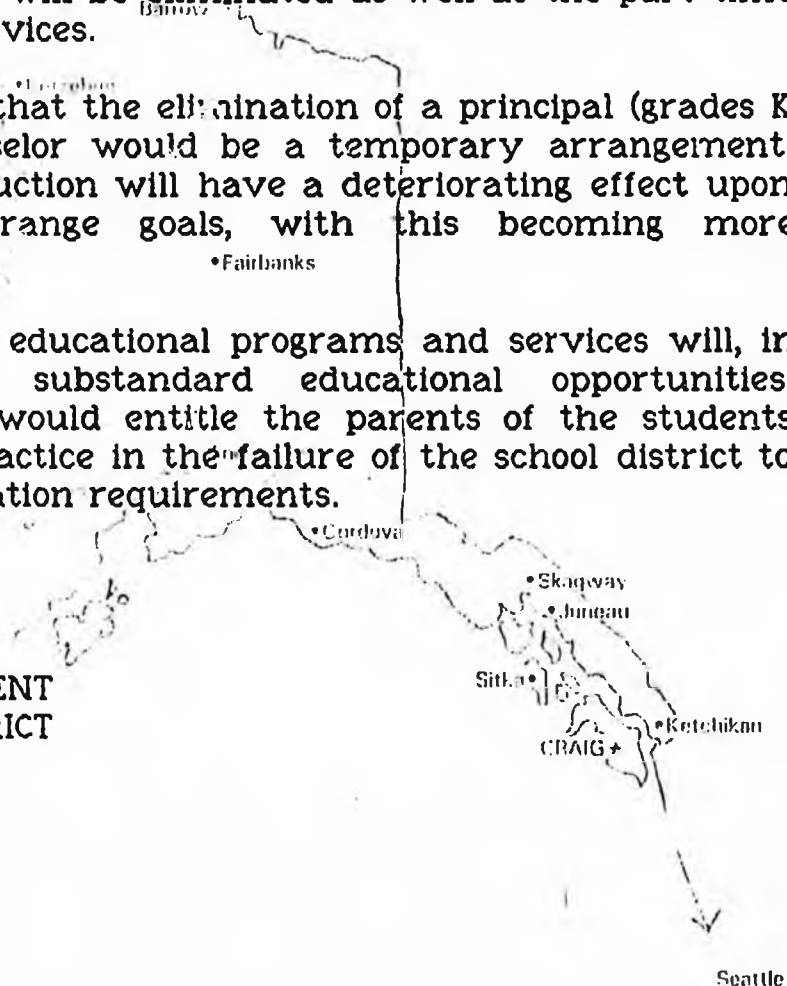
The reductions sustained in the 1988-89 school year were balanced in part by a better teacher-student ratio at the lower levels (K-2).

This positive factor will be eliminated as well as the part-time elementary librarian services.

It was anticipated that the elimination of a principal (grades K 12) and a district counselor would be a temporary arrangement. Continuation of this reduction will have a deteriorating effect upon immediate and long range goals, with this becoming more pronounced.

Further erosion of educational programs and services will, in my opinion, produce substandard educational opportunities. Further, this situation would entitle the parents of the students involved to claim malpractice in the failure of the school district to provide even basic education requirements.

DAVID JOHNSON, PRESIDENT
CRAIG CITY SCHOOL DISTRICT
BOARD OF EDUCATION



**CRAIG CITY SCHOOL DISTRICT
 LOST OR REDUCED PROGRAMS AND SERVICES
 DUE TO REDUCTION IN REVENUES FROM THE STATE**

<u>CLASS DESCRIPTION</u>	<u>1987-88</u>		*	<u>1988-89</u>		*	<u>1989-90</u>	
	<u>ENROLLMENT</u>	<u>FTE</u>		<u>ENROLLMENT</u>	<u>FTE</u>		<u>ENROLLMENT</u>	<u>FTE</u>
ELEMENTARY			*			*		
KINDERGARTEN	32	1.33	*	26	1.33	*	30	0.67
1ST GRADE	26	1.00	*	30	2.00	*	26	1.00
2ND GRADE	16	1.00	*	22	2.00	*	30	1.00
3RD GRADE	18	1.00	*	15	1.00	*	22	1.00
4TH GRADE	19	1.00	*	20	1.00	*	15	1.00
5TH GRADE	18	1.00	*	15	1.00	*	20	1.00
6TH GRADE	16	1.00	*	20	1.00	*	15	1.00
LIBRARIAN		0.33	*		0.19	*		0.00
ART		0.00	*		0.00	*		0.00
MUSIC		0.40	*		0.00	*		0.00
PHYSICAL ED		0.50	*		0.00	*		0.00
SPEECH THERAPIST		0.25	*		0.10	*		0.10
TOTAL	145	8.81	*	148	9.62	*	158	6.766
HIGH SCHOOL 7-12			*			*		
GENERAL TEACHERS		7.50	*		8.00	*		8.00
MUSIC		0.50	*		0.50	*		0.50
PHYSICAL ED		0.50	*		0.50	*		0.50
FOREIGN LANGUAGE		0.50	*		0.00	*		0.00
LIBRARIAN		1.00	*		0.00	*		0.00
ART		0.50	*		0.00	*		0.00
COUNSELOR		1.00	*		0.00	*		0.00
SPECIAL ED		1.00	*		1.00	*		1.00
PRINCIPAL		1.00	*		0.00	*		0.00
SPEECH THERAPIST		0.25	*		0.11	*		0.11
TOTAL	78	13.75	*	68	10.11	*	78	10.11
TOTAL ALL	223	22.56	*	216	19.73	*	236	16.876
SUPPORT SERVICES								
SUPERINTENDENT		1.00	*		1.00	*		1.00
BUS. MANAGER		1.00	*		1.00	*		1.00
DIST SECRETARY		1.00	*		1.00	*		1.00
MAINT. SUPERVISOR		1.00	*		1.00	*		1.00
ELEMENTARY SEC.		1.00	*		1.00	*		1.00
H.S. CLERICAL		1.00	*		0.80	*		0.80
CUSTODIAL		2.00	*		1.88	*		1.88
KITCHEN		2.00	*		1.88	*		1.88
TOTAL		10.00	*		9.56	*		9.56



HAINES BOROUGH SCHOOLS

P.O. Box 1289

Meeting the Challenge

Haines, Alaska 99827

REDUCTIONS IN THE SCHOOL PROGRAM SINCE JULY, 1986

PERSONNEL(Not Replaced)

Classified: Elementary Librarian Migrant Aide(2)
Comm Ed Coordinator Chapter I Aide
High School Office Aide
Elementary Aide
Groundskeeper
Overtime for regular maintenance staff
for cleaning after activities
Pool Manager (time decreased)

Certificated:

Jan McPhetres	Donna Truax
Betty Price	David Smith (.7)
June Haas	Claudia Eberly (.5)
Mildred Horridge	Ellen Larson (on leave)

ATHLETICS/ACTIVITIES

Wrestling - eliminated
Volleyball - eliminated
Reduce the # of students & staff traveling, and use ferry
for all travel when possible (reduced costs for
flying)
Supplies and equipment - reduced
Pay for officials reduced
AK Close-up eliminated
Foreign Language festival travel eliminated
Full-time track coach eliminated and hired asst. coach
at lower rate
RSVP funding reduced
Eliminated funds for Artists-in-the-schools
Intramurals (1/7 of a teacher's day for prep)

OTHER

Staff/Board Professional Development (Inservice & Travel) -
eliminated
Lutak and Beach Road Bus Runs and winter hazardous routes -
eliminated
Physical exams and accident insurance for students -
eliminated
Reductions in all areas for supplies, books and equipment
Field Trips - eliminated
Reduced PerDiem
Reduced # of Hours for Substitutes & Substitute Pay
Reduced Summer Administrative costs by approximately \$6,000
per year through cooperative scheduling of vacation time

TOTAL OPERATING BUDGET

From a high of 3,367,511 in 85-86 to 2,911,260 estimated for
FY 90, a decrease of about 14%.

MISCELLANEOUS INFORMATION

The statement has been made by a community member that the
way to solve the budget problem is to have volunteers in the
school. This is already taking place and has been on the
increase since the budget reductions began in 1986. Last
year we had nearly 200 different volunteers working in the
school for a total of nearly 2000 hours.

AND IT ISN'T OVER

We are in the process of attempting to balance the budget
for 1989-90, with anticipated expenditures at \$443,000 over
estimated revenues. The following will most likely take
place in order to submit a balanced budget:

Increase local revenues to maximum allowable \$894,000
- more could probably be raised, but then we would
exceed the 21%

Hope we have some fund balance from FY 89

Eliminate all community education programs and use of
facilities for other than the regular K-12 program

Close the swimming pool

Postpone seeking K-12 Accreditation

Eliminate teacher inservice and travel for professional
development that we had hoped to get back in the budget
after having none since 1985-86, and training oppor-
tunities for maintenance personnel

Eliminate school funding for summer outdoor education
program

Cut funds for equipment, all supplies, media, textbooks
and library books by 50%

Postpone the purchase of equipment and services for sate-
llite telecommunications project (courses for students
and inservice for staff)

Cut funds for Board and administration travel from the
requested \$8,000 to 4,000 (this category was reinstated
for 1988-89, after no travel funds since 85-86)

Reduce computer instruction from full to half-time

Reduce expenditure for substitutes

More programs, materials and staff are on the cut list if the above items do not result in a balanced budget.

Finally, with the capital improvement projects scheduled for this summer ("must be done projects", not any "would be nice to do"), our reserve account for capital improvements will be totally depleted.

HB

100

HOUSE COMMITTEE REPORT

11)
Date Referred: March 3, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/26/89

The FINANCE Committee considered:

HB 188

HOUSE BILL NO. 188 [ADDITIONAL SUPERIOR COURT JUDGE AT KENAI]
"An Act increasing the number of superior court judges designated for the Third Judicial District to provide an additional superior court judge at Kenai; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with _____ the same title
- have attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact Courts fiscal note(s) _____
- zero fiscal note _____ zero fiscal note(s) _____
- zero with analysis Public Defender zero fn/analysis _____
Public Advocacy

SIGNING DO PASS:

Hoffman

Swackhammer

Brown

Koponen

Ulmer

Rieger

SIGNING:
(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>ROD E PHILLIPS</u> Phillips			
<u>Ronald J. Larson</u> Larson		X	

CO- Ronald J. Larson
Chairman's signature

CO- _____

FISCAL NOTE

REQUEST:

Revision Date: 4/6/89 Agency Affected: Alaska Court System
 Title: An Act changing the # of superior court judges in the 3rd judicial district BRU: Trial Courts
 Sponsor: Navarre, Swackhammer, Gruenberg Components: _____
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
Personal Services		68.4	136.9	136.9	136.9	136.9
Travel						
Contractual						
Supplies						
Equipment		2.0				
Land & Structures						
Grants & Claims						
TOTAL OPERATING	0.0	70.4	136.9	136.9	136.9	136.9

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

General Funds	0.0	70.4	136.9	136.9	136.9	136.9
Federal Funds						
Other						
TOTAL	0.0	70.4	136.9	136.9	136.9	136.9

POSITIONS:

Full-time		4.0	4.0	4.0	4.0	4.0
Part-time		(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Temporary			0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by: Robert G. Fisher, Manager, Fiscal Operations

Phone: 264-8228

Division: Alaska Court System

Date: 04/11/89

Approved by: Arthur H. Snowden, II, Administrative Director

Date: 04/11/89

Agency: Alaska Court System

Distribution (by preparer):

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

RECEIVED
 APR 14 1989

LEGISLATIVE FINANCE

Adopted

ALASKA COURT SYSTEM
Fiscal Analysis
HB 188 - Number of Superior Court Judges

Personal Services:

<u>Position Title</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Superior Court Judge, Kenai PFT, 12 months	\$82,716	\$55,710	\$138,426
Law Clerk I, Kenai PFT, 12 months, range 13D	31,476	12,197	43,673
In-Court Clerk, Kenai PFT, 12 months, range 12A	26,604	11,132	37,736
Secretary II, Kenai PFT, 12 months, range 12A	26,604	11,132	37,736
Magistrate V, Homer PFT, 12 months	46,992	15,591	<u>62,583</u>
Total Personal Services			<u><u>320,154</u></u>

Adjustments to Personal Services Costs:

Elimination of PPT pro tempore judge and PPT secretary in Kenai (1)	62,500
Elimination of PFT district court judge in Homer	<u>120,784</u>
Total Reduction of Personal Services	<u><u>183,284</u></u>
Net Personal Services	<u><u>136,870</u></u>

Equipment: (for Law Clerk position, one-time cost)

Desk, chair, typewriter, statutes, rules of court	<u>1,962</u>
Total Cost (first year - Implementation at mid year)	<u><u>\$70,397</u></u>
Total Cost (on-going)	<u><u>\$136,870</u></u>

(1) Calculation of Existing Funding:

	Amount	Total
FY 82 - Original funding (Free Conference Committee)	\$57,200	\$57,200
FY 83 - 5% salary increase	2,900	60,100
FY 85 - 5% salary increase (funded at 80% of actual)	2,400	62,500

ALASKA COURT SYSTEM
Fiscal Analysis

HB 128 - Number of Superior Court Judges

This legislation would create an additional full-time superior court judge and support staff in Kenai. The new positions will replace a 6-month pro tempore superior court judge and related part-time secretary.

The accompanying fiscal note is a revision of the court's first note on this legislation. During the analysis of this bill, the district court judge in Homer announced his resignation. In light of the resignation, the court undertook a more comprehensive analysis of caseloads on the entire Kenai peninsula for both the superior and district courts.

Among the proposals reviewed were the possibility of upgrading the judicial position in Homer to the superior court level. Under this staffing plan, the Homer judge would have served both the Homer and Kenai courts. However, superior court filings in Homer and the cost of travel between the courts did not support this proposal.

The other major proposal reduced the judicial position in Homer to the magistrate level and created a superior court judge in Kenai. This proposal was selected as the most appropriate for the caseloads and for cost effectiveness.

As a result of this analysis, the court has revised the fiscal note to incorporate the cost savings of the reduction of the Homer district court position to the magistrate level.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act increasing the number of superior court judges at Kenai..."
Sponsor: Reps Navarre, Swackhammer, Gruenberg
Requestor: House Judiciary and Finance

Agency Affected: Dept. of Administration
BRU: Public Defender Agency
Components: Third Judicial District

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
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)

(See Attachment)

Prepared by: John B. Salemi, Public Defender
Division: Public Defender Agency

Phone: 279-7541
Date: 2-7-89

Approved by Commissioner: John Andrews
Agency: Department of Administration

Date: 3/10/89

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

Adopted

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 188

HB 188 adds one additional superior court judge at Kenai, Alaska. With this addition Kenai would have two superior court judges and one acting district court judge. While there would be no immediate fiscal impact on the Kenai Public Defender office, it is expected the numbers of criminal prosecutions would go up with a commensurate caseload increase at the Public Defender Agency. We would be taking a "wait and see" approach to any fiscal impact of this bill on the Public Defender Agency.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: "An Act increasing the number of superior court judges at Kenai..." BRU: Office of Public Advocacy
 Sponsor: Rep. Navarre, et. al. Components: _____
 Requestor: House Judiciary & Finance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
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)

Philip L. McGehee
 Prepared by: Philip L. McGehee, Public Advocate Phone: 274-1684
 Division: Office of Public Advocacy Date: 3/7/89
 Approved by Commissioner: John Andrews Date: 3/10/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Adopted

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 188

HB 188 adds one additional superior court judge at Kenai, Alaska. With this addition Kenai would have two superior court judges and one acting district court judge. While there would be no immediate fiscal impact on the Office of Public Advocacy, it is expected the numbers of criminal prosecutions would go up with a commensurate caseload increase to OPA's Kenai contractor. We would be taking a "wait and see" approach to any fiscal impact of this bill on the Office of Public Advocacy.

1 IN THE HOUSE

BY NAVARRE, SWACKHAMMER AND
GRUENBERG

2

HOUSE BILL NO. 188

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act increasing the number of superior court
7 judges designated for the Third Judicial District to
8 provide an additional superior court judge at Kenai;
9 and providing for an effective date."

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

11 * Section 1. INTENT. It is the intent of the legislature that the
12 additional superior court judge authorized by this Act be assigned to
13 Kenai.

14 * Sec. 2. AS 22.10.120 is amended to read:

15 Sec. 22.10.120. NUMBER OF JUDGES. The superior court consists
16 of 30 [29] judges, five of whom shall be judges in the first judicial
17 district, three of whom shall be judges in the second judicial dis-
18 trict, 17 [16] of whom shall be judges in the third judicial district,
19 and five of whom shall be judges in the fourth judicial district. At
20 the time of submitting the names of nominees to the governor to fill a
21 vacancy on the superior court bench, the judicial council shall also
22 designate the district in which the appointee is to reside and serve.

23 * Sec. 3. This Act takes effect July 1, 1989.

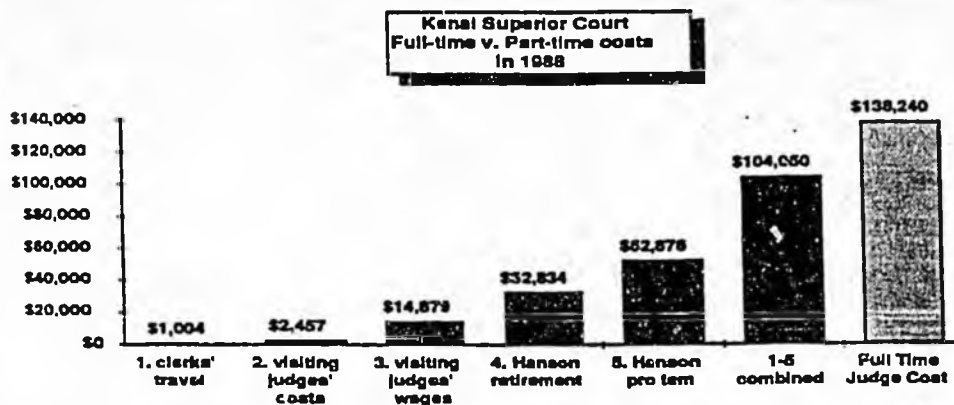
HB 188 - Additional Superior Court Judge at Kenai

Justification Summary

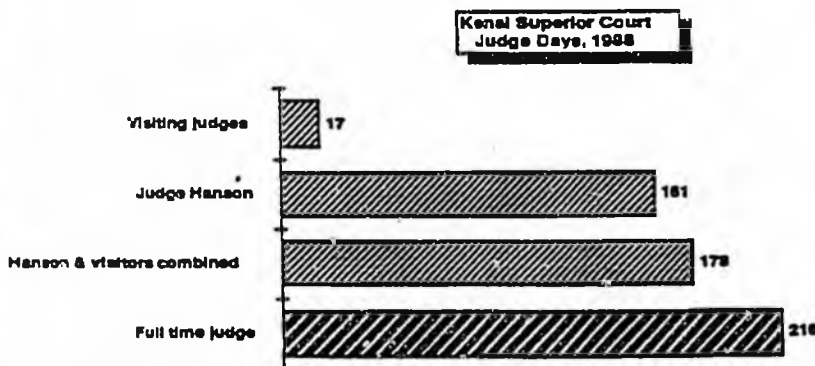
Representative Mike Navarre

in FY88, the Kenai Court:

- ☛ had the highest number of filings per judge in the state, 3925 (Palmer 3251; Anchorage 2382; Valdez 395)
- ☛ experienced a 26% jump in trial activity
- ☛ experienced inordinate delays in routine matters
- ☛ assigned all civil trials to visiting judges
- ☛ spent almost as much on part-time and visiting judges as a full-time judge costs:



Kenai's retired judge, James Hanson, is budgeted to work pro tem 2 weeks a month but frequently works another 1 or 2 weeks. In 1988, he worked 161 days, which is 75% of what a full-time judge works. Besides Judge Hanson's pro tem work, other judges travelled to Kenai. Hanson plans to retire completely at the end of June. This will leave a single judge with the work of almost two judges (see graph below).



FY85 - FY88 the court experienced a 348% increase in children's matters filings, the highest in the state.

In 1986, the Alaska Bar Association unanimously recommended an additional Superior Court Judge for Palmer and Kenai.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

HB 188 - Additional Superior Court Judge at Kenai

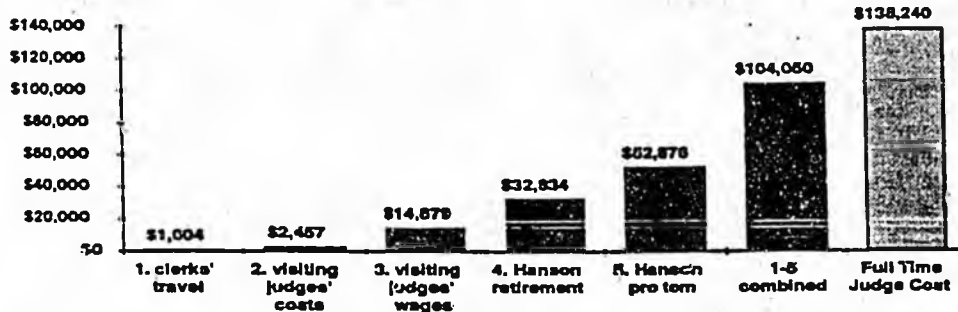
Justification Summary

Representative Mike Navarre

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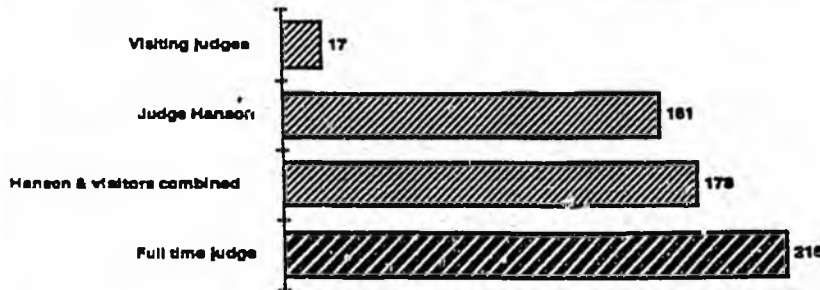
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**Kenai Superior Court
Full-time v. Part-time costs
in 1988**



Kenai's retired judge, James Hanson, is budgeted to work pro tem 2 weeks a month but frequently works another 1 or 2 weeks. In 1988, he worked 161 days, which is 75% of what a full-time judge works. Besides Judge Hanson's pro tem work, other judges travelled to Kenai. Hanson plans to retire completely at the end of June. This will leave a single judge with the work of almost two judges (see graph below).

**Kenai Superior Court
Judge Days, 1988**



FY85 - FY88 the court experienced a 348% increase in children's matters filings, the highest in the state.

In 1986, the Alaska Bar Association unanimously recommended an additional Superior Court Judge for Palmer and Kenai.

Excerpts from attorneys' letters supporting an additional judge.

Judge Cranston spends so much time on the bench hearing disputed criminal and civil cases that he has almost no time to deal with motions and other court proceedings which are generally done in his office. Court matters are so tightly scheduled that there is little ability to meet emergencies or [for lawyers] to simply make an expanded presentation because of the time constraints. Parties and attorneys wait patiently to be heard because they know that a 10 to 12 hour day by Judge Cranston is the normal work day.

However, the delays are piling up, and it is not unusual to wait several months for a court response to a simple motion in a civil case. The delays add to the cost of the litigation.

--Robert C. Erwin, Anchorage (former Supreme Court Justice)

...the current caseload of the Superior Court judge in Kenai does not allow the judge to devote sufficient time to properly analyze what are often complex legal issues...Further, because of the priority of the criminal docket, civil matters are often delayed. Due to the delays and the problem of inadequate time to properly handle cases, the Borough finds itself in the position of accepting these problems or preempting the local judge in order to try to have the case assigned to a judge who has more time. That generally requires the Borough to travel to Anchorage.

--Thomas R. Boedecker, Soldotna (Kenai Peninsula Borough Attorney)

The system is inefficient because it requires Anchorage judges to block out a week of their calendar to attend to Kenai matters with which they have no familiarity before their arrival in town. The system is unfair to local litigants because it frequently results in the scheduling of substantive hearings, on shortened notice, in Anchorage with the parties being required to bear the expense of transporting themselves and their attorneys to Anchorage for such hearings...civil litigants are always uncertain as to when their case will actually be tried and this uncertainty differs markedly from the date certain calendaring which prevails in Anchorage...It is simply unreasonable, in this day and age, to expect that one superior court judge can handle all judicial matters from juvenile proceedings to criminal cases to complex civil litigation and domestic relations for a population in excess of 20,000 [actually 44,000].

--Peter F. Mysing, Kenai

The persons needing assistance most are particularly affected. Children's matters, custody and juvenile proceedings, injunctive actions and scheduling expedited motions all overburden the system at present and harm those who can least afford it.

--Martin Friedman, Homer

The court backlog in Kenai makes it virtually impossible for citizens of the Peninsula to have adequate and fair access to our judicial system.

--Robinson, Beiswenger & Ehrhardt, Soldotna

As a matter of course the hearings end up being scheduled for Anchorage because of the judge's location. This creates additional costs and expenditures both of time and money on behalf of an attorney's client. This hardly seems fair to the citizens of the Kenai Peninsula that try to utilize their local court facilities.

--Robert M. Cowan, Kenai

Our jury expenses have doubled for FY86 to FY87 and doubled again from FY87 to FY 88, indicating that much more time and judicial resources are being spent in actual trials. Trials, by the way, are the most intensive drain of all on everyone involved, including the Court and the support staff. There is little time left to do anything else and what little is done must be rushed. The net result is a diminution of the quality of judicial work and decisions, poorer and less predictable decisions, inadvertent injustice, and diminished respect for the Court and the State.

--Joseph L. Kashi, Kenai (President, Kenai Peninsula Bar Association)