

ALASKA LEGISLATURE

1589

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

The Alaska State Museums includes the State Museum in Juneau and the Sheldon Jackson Museum in Sitka. The Museum strives to preserve Alaska's cultural and historical heritage through direct professional services to over 60 museums and historical societies statewide. Extensive outreach is conducted annually to share the Museum collection with all Alaska's citizens.

Statewide services include (1) professional consulting in artifact preservation, collection management, educational programming, exhibit design and museum management; (2) direct financial support through a competitive grant-in-aid program; (3) providing resource materials and referral services directly to all museums; and (4) temporary exhibits, loan of artifacts, traveling exhibits, learning kits, technical papers and other publications.

*Alaska Commission on Postsecondary Education*

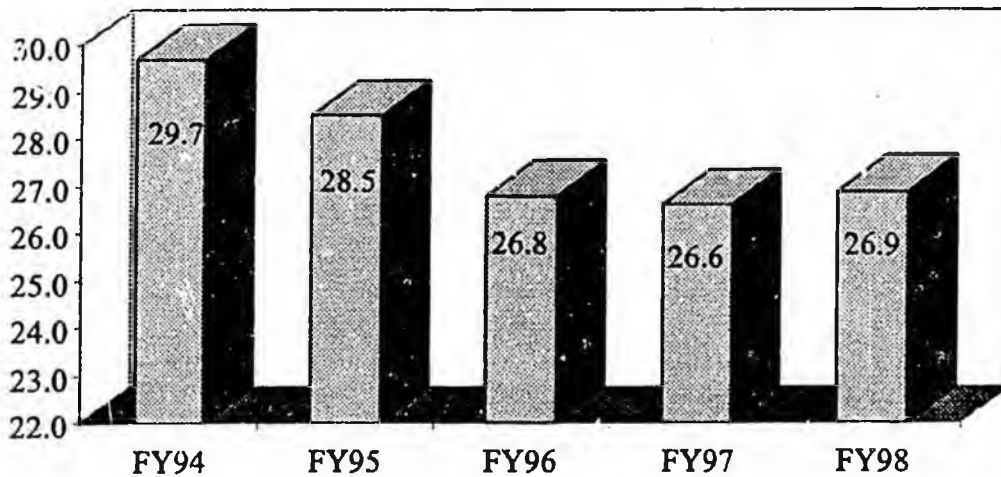
The Alaska Commission on Postsecondary Education (ACPE) is a 14 member commission. The Commission's purpose is to assure and inform all Alaskans of opportunities to pursue postsecondary education both in and outside Alaska, to administer student financial aid programs designed to remove economic barriers to those educational opportunities; to protect the consumer rights of Alaska students in pursuit of an education beyond high school, and to license and regulate postsecondary educational institutions in Alaska. The Commission also administers the Alaska Student Loan Program.

In addition, the Commission serves as Alaska's agency for coordinating activities in the Western Interstate Commission on Higher Education (WICHE) and administers the contract with the University of Washington for second, third and fourth year students enrolled in the WAMI Medical Education Program.

**Department of Education  
Agency Operations  
Five-Year General Fund Comparison**

	FY94	FY95	FY96	FY97	FY98	FY94/98
	Actual	Actual	Actual	Authorized	Governor	Change
Teaching & Learning Support	3,611.1	3,485.2	3,308.4	4,062.0	4,190.5	579.4
Executive Administration	3,031.3	2,567.0	2,224.3	1,521.8	1,747.2	-1,284.1
School Finance	1,436.4	1,108.4	1,074.1	779.2	570.9	-865.5
Alyeska Central School	112.5	182.1	149.5	117.1	116.9	4.4
Professional Teaching Practices Commission	187.3	170.0	186.8	189.0	190.7	3.4
Alaska State Council on the Arts	1,042.1	827.2	565.0	460.9	462.4	-579.7
Kotzebue Technical Center Grant	848.7	814.0	734.0	634.0	634.0	-214.7
Alaska Vocational Technical Center	4,507.7	4,446.2	4,466.5	4,471.9	4,671.4	163.7
Mt. Edgecumbe Boarding School	2,266.3	2,211.1	2,330.3	2,315.2	2,321.9	55.6
Vocational Rehabilitation	4,566.4	4,756.5	4,303.9	4,598.2	4,534.9	-31.5
Libraries, Archives & Museums	5,764.1	5,747.5	5,520.3	5,782.2	5,837.4	73.3
Alaska Commission on Postsecondary Education	2,349.3	2,150.6	1,923.9	1,666.1	1,596.4	-752.9
<b>Total</b>	<b>29,723.2</b>	<b>28,465.8</b>	<b>26,787.0</b>	<b>26,597.6</b>	<b>26,874.6</b>	<b>-2,848.6</b>

**Department of Education: Agency Operations**  
(General Funds in millions)

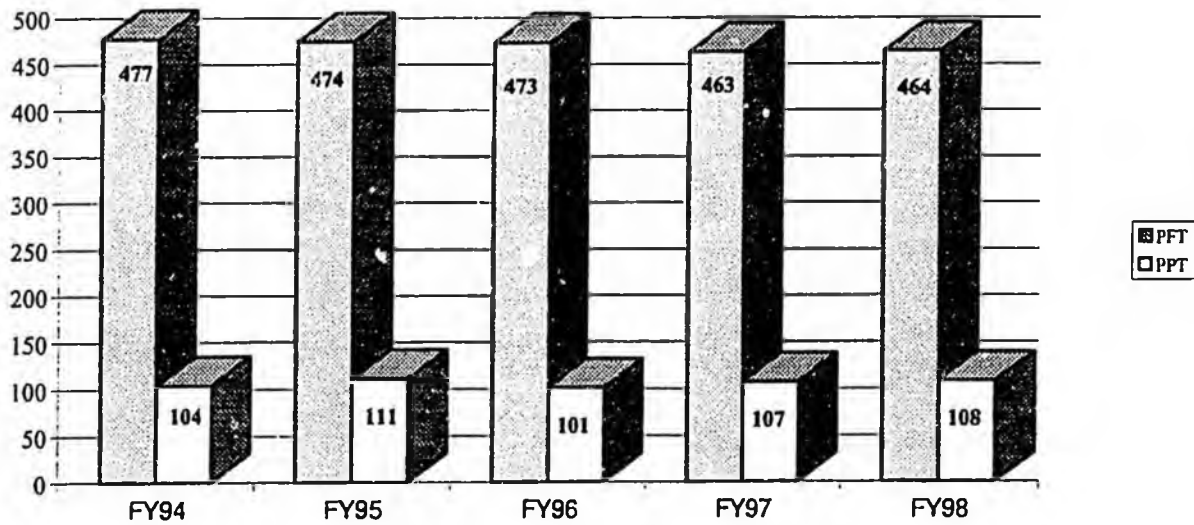


# FY98 Budget Overview

## Department of Education Five-Year Position Comparison

	FY94		FY95		FY96		FY97		FY98		Variance	
	PFT	PPT	PFT	PPT	PFT	PPT	PFT	PPT	PFT	PPT	PFT	PPT
Teaching & Learning Support	60	1	61	2	54	0	63	1	69	3	9	2
Executive Administration	44	4	37	5	40	2	34	1	39	1	-5	-3
School Finance	12	0	18	1	24	2	21	5	14	0	2	0
Alyeska Central School	24	24	23	25	21	26	21	26	21	26	-3	2
Professional Teaching Practices Commission	2	0	2	0	2	0	2	0	2	0	0	0
Alaska State Council on the Arts	3	2	3	2	3	2	4	0	4	1	1	-1
Alaska Vocational Technical Center	26	36	26	36	28	33	24	37	21	46	-5	10
Mt. Edgecumbe	17	26	17	26	15	24	14	26	14	26	-3	0
Vocational Rehabilitation	116	0	115	2	115	4	113	2	117	0	1	0
Alaska State Library & Archives	56	5	56	2	52	0	52	0	52	0	-4	-5
Alaska State Museum	17	5	15	7	14	7	16	5	16	5	-1	0
Alaska Commission on Postsecondary Education	100	1	101	3	105	1	99	4	95	0	-5	-1
<b>Total</b>	<b>477</b>	<b>104</b>	<b>474</b>	<b>111</b>	<b>473</b>	<b>101</b>	<b>463</b>	<b>107</b>	<b>464</b>	<b>108</b>	<b>-13</b>	<b>4</b>

Department of Education: Full and Part Time Positions



## Formula Programs

**FY98 Budget Overview**

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**Formula Programs**

The following information is a brief summary of the formula programs within the Department of Education that provide funding to school districts. The schedule on pages 42 and 43 of this overview provides a listing of the estimated allocation for these programs by school district.

**Foundation Program**

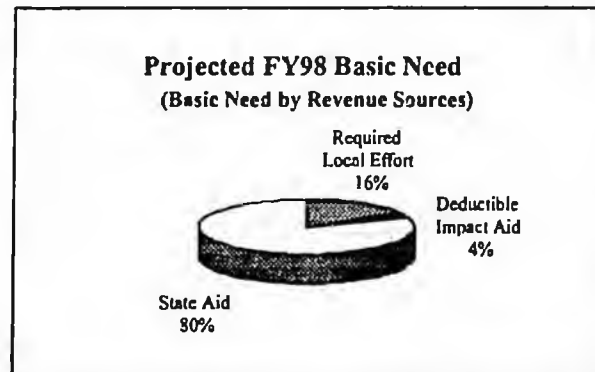
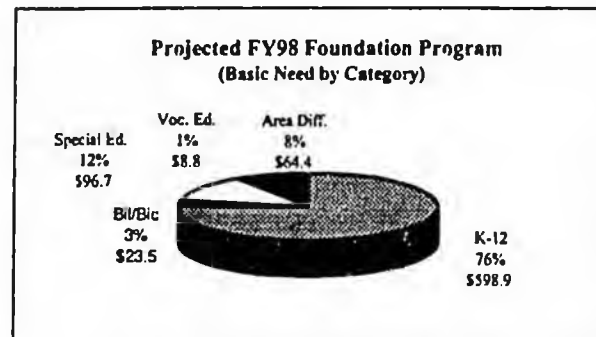
The Foundation Program provides the primary state financial support for the 53 school districts, Mt. Edgecumbe Boarding School and Alyeska Central School, the state's correspondence study program. In FY98, about \$660 million will be distributed to the school districts, according to "Basic Need", as determined by AS 14.17.021, less required local contributions and deductions for eligible Impact Aid. Alaska Statutes 14.17.170 require that foundation payments be distributed to school districts for the first nine months of the fiscal year based on the total funding received during the preceding fiscal year. The last three months of payments are adjusted to provide each district with a revised entitlement based on current year student count data.

The FY98 budget request includes a general fund increase of \$12,381,400 to fully fund projected enrollment and offset the loss of one-time Public School Fund revenues.

The schedule on page 37 of this overview identifies the changes in the Foundation Program from the FY97 authorized to the FY98 foundation projection.

The actual funds needed for this program may vary depending upon the actual FY98 student counts, local contributions, and federal impact aid receipts.

The following charts illustrate the projected FY98 Foundation Program Basic Need by Category and Revenue Source. Please refer to the Appendix to this overview entitled *A Review: The Alaska School Foundation Funding Program, January 1997*, for more information about the Foundation funding formula.





## FY98 Budget Overview

### FY98 Foundation Program Changes

Basic Need = Instructional Units x Area Cost Differential x \$61,000

State Aid = Basic Need -(Local Effort) - (90% or 96% Eligible PL 81-874 Deduct)

	FY97-Authorized	FY98-Projection	Difference
ADM	126,591.89	128,119.89	1,528.00
<b><u>Basic Need:</u></b>			
K-12 Units	9,692.16	9,818.08	125.92
Bil/Bic Units	335.70	385.54	49.84
Spec. Ed. Units	1,576.84	1,600.33	23.49
Voc. Ed. Units	141.26	145.30	4.04
Projected Instructional Adjusted Units	11,745.96 12,771.82	11,949.25 13,004.75	203.29 232.93
Basic Need @ \$61,000/per Instr. Unit \1	\$776,971.2	\$791,123.6	\$14,152.4
Required Local	(123,061.2)	(128,118.1)	(5,056.9)
90% or 96% Eligible PL 81-874 Deduct	(30,097.4)	(30,888.6)	(791.2)
REAA Supplemental	-	1,277.0	1,277.0
State Aid	623,812.5	633,393.8	9,581.3
Impact Aid \2	20,791.0	20,791.0	
Adjustments \3	5,236.3	5,402.6	166.3
<b>Total Need</b>	<b>649,839.8</b>	<b>659,587.4</b>	<b>9,747.6</b>
<b><u>Revenues:</u></b>			
Public School Fund	11,855.9	9,222.1	(2,633.8)
GF \4	617,192.9	629,574.3	12,381.4
Impact Aid Pass thru	20,791.0	20,791.0	-
<b>Full Funding</b>	<b>649,839.8</b>	<b>659,587.4</b>	<b>9,747.6</b>

\1 Alyeska Central School @ 65%.

\2 Estimates Impact Aid Pass thru for operation of schools on military installations in Anchorage, Fairbanks and Kodiak.

\3 Adjustments-Include \$68.8 for Risk Management property insurance for school buildings occupied on "use" permit by the school districts, \$3,736.3 for on-base military contracts, and \$1,597.5 prior year adjustments.

\4 The general fund increase includes \$2,633.8 to offset the drop in the Public School Fund revenue and \$9,747.6 for enrollment increases.

### ***Additional District Support***

The FY98 funding of \$3,445,900 will provide named recipient grants to single site school districts that consist of one funding community with an Average Daily Membership (ADM) of 900 or less to cover perceived shortfalls in the existing foundation formula.

### ***Cigarette Tax Distribution***

Alaska Statutes 43.50.140 provides that the proceeds derived from the payment of taxes, fees, penalties and license fees received by the Department of Revenue shall be paid into a state fund entitled "School Fund."

Funds shall be used exclusively for rehabilitation, construction and repair of the state's school facilities, and for the cost of insurance on school facilities. The funds are distributed in direct proportion to the number of students enrolled in the participating city/borough school districts. Cigarette tax funds are offset against reimbursement for school bond debt in accordance with AS 14.11.100(b).

The FY98 request includes a decrease of \$81,600 based on estimates of available revenues prepared by the Department of Revenue.

### ***Tuition Students***

Tuition payments are made to individual school districts to compensate for the loss of revenue caused by children living in mission

homes or other nonprofit institutions and for children whose custody has been placed outside of their home district by the court. The program provides revenue in excess of basic need comparable to excess local contributions. Administrative regulation 4 AAC 09.030 provides that the tuition rate shall be based upon the amount expended annually from local funds for current operation and capital outlay for the prior year divided by the average daily membership (ADM). Approximately 860 students are being served statewide under this program.

### ***Boarding Home Grants***

Boarding Home grants are paid to school districts serving high school students who cannot attend a school facility offering a high school program where they reside. Boarding care costs and transportation to and from the boarding home are paid for by the Boarding Home grants. These funds are paid on a reimbursement basis to provider districts. In the current year, approximately 40 students are being served through this program.

### ***Youth in Detention***

This program provides \$800,000 in grant funds to school districts for the additional cost of providing educational programs to incarcerated youth in facilities such as the Johnson Youth Center, McLaughlin Youth Center, Fairbanks Youth Center and the Bethel Youth Facility. Approximately 220 students are served annually.

***Schools for the Handicapped***

This program provides \$3,767,400 for support services to special education students who cannot be served adequately in the mainstream classroom environment. This funding is allocated to the following programs:

***Special Education Service Agency (SESA)***

Funding is provided to SESA in accordance with AS 14.30.600-660 for outreach services to school districts that serve low incidence severely disabled students. The FY98 request of \$2,029,000 for SESA includes an increase of \$46,100 based on the statutory formula of 2% of special education foundation funding or \$85 per special education student, whichever is greater.

***Alaska Youth Initiative (AYI)***

AYI is a cooperative program of the Departments of Education and Health and Social Services and is designed to prevent out-of-state institutionalization of Alaska's troubled youth by providing comprehensive services in Alaska. In FY98, \$637,000 is allocated for AYI. This program serves approximately 130 students annually.

***Providence Heights School***

The FY98 request includes \$145,000 for the Anchorage School District to operate an educational program for approximately 50 students at Providence Heights School who are patients of the Alaska Psychiatric Hospital.

***Alaska State School for the Deaf***

The Alaska State School for the Deaf is currently operated by the Anchorage School District and provides services for students who are not able to receive an adequate program in their home district. The school district receives foundation funds for the students enrolled. The FY98 request of \$956,400 includes a grant to the district of \$319,000 and \$637,400 for a reimbursable services agreement with the Department of Health and Social Services to pay for the residential program for students from outside of Anchorage who attend the school.

***Pupil Transportation***

In accordance with AS 14.09.010, the Department may provide for the transportation of students. Subject to availability of funds, the Department reimburses school districts for the cost of all approved regular routes, special education routes and other conveyance routes. In addition, the Department may provide transportation for children attending non-public schools, where the distances and routes traveled are comparable to those traveled by public school students and integrate non-public student transportation into existing systems where feasible.

The FY98 request of \$35,195,200 represents full funding for reimbursable pupil transportation costs.

### ***Child Nutrition Programs***

This program distributes federal funds for reimbursement of meals served to eligible children and adults in approved agencies. The federal funds earned by sponsors for reimbursable meals or milk served in participating schools, child or adult day care facilities, residential child care institutions, homeless shelters, or camps help subsidize the meal costs incurred by the sponsor.

The FY98 funding level is \$22,000,000. The administration of this program is transferred from the School Finance BRU to the Teaching and Learning Support BRU.

### ***Community Schools***

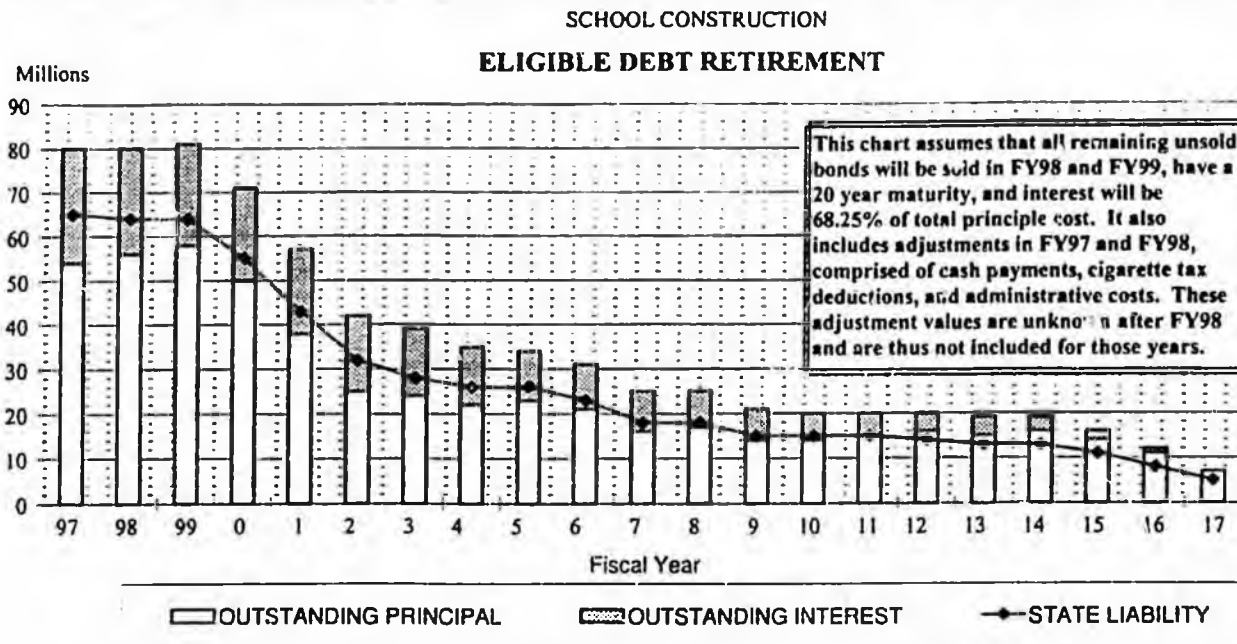
Through grants to local school districts, the Department provides funding to make school facilities available for community use, when they are not needed for regular school activities. In many communities, the school is the center of local activities, providing a place for both youth and adults to attend instructional classes. For many rural communities, the school is the only facility available for these activities to occur.

AS 14.36.030 provides for an annual grant to school districts operating a community school program of one-half of one percent of public school foundation support or \$10,000, whichever is greater. The statute also allows for proration of grants if the appropriation is insufficient to fully fund the program. Full funding of Community Schools would require an appropriation of over \$3,000,000. The FY98 request includes \$500,000 for the Community Schools program.

### ***School Debt Reimbursement***

The FY98 request of \$62,288,400 for this program will provide reimbursement for school construction debt that is financed by approved municipal bond sales and locally generated revenue. Upon the sale of the bonds, the municipality submits to the Department of Education information which is used to generate an annual budget for the debt service payment pursuant to AS 14.11.100.

The FY98 request is based on notification from eligible school districts, as of October 15, 1996, of voter approval on new bonds issued under the debt retirement program and expectation of debt service related to those, as well as continuation of existing debt. The following chart and schedule project the level of reimbursement under the current program to fiscal year 2017 using specific assumptions. These projections are updated annually based on information provided by school districts.



**State Liability Including Unsold Bonds Assumptions**

- All remaining unsold bonds will have a 20 year maturity.
- All remaining unsold bonds will be sold in FY98 and FY99.
- Interest will be 68.25% of the total principle cost.

FISCAL YEAR	PROJECTED LIABILITY	ADJUSTMENTS	PROJECTED FUNDING
FY97	65,249,340	-1,965,640	63,283,700
FY98	64,089,481	-1,801,081	62,288,400
FY99	63,780,626		63,780,626
FY00	55,478,341		55,478,341
FY01	43,463,114		43,463,114
FY02	31,640,721		31,640,721
FY03	28,382,793		28,382,793
FY04	25,994,755		25,994,755
FY05	25,793,112		25,793,112
FY06	22,693,918		22,693,918
FY07	18,134,564		18,134,564
FY08	17,705,338		17,705,338
FY09	14,944,906		14,944,906
FY10	14,746,780		14,746,780
FY11	14,573,135		14,573,135
FY12	14,459,770		14,459,770
FY13	13,482,155		13,482,155
FY14	12,798,212		12,798,212
FY15	11,134,083		11,134,083
FY16	8,179,740		8,179,740
FY17	5,283,567		5,283,567

NOTE: The FY97 and 98 liability numbers are based on school district notification of anticipated debt. The adjustments column includes cash payments, cigarette tax deductions, and administrative costs. The adjustment for these items is not known after FY98 and has not been included in this schedule.

December 15, 1996, Governor's FY98 Budget Request  
**ALASKA DEPARTMENT OF EDUCATION**  
**PROJECTED FY98 STATE PROGRAM ALLOCATIONS**  
 Projected allocations are subject to adjustment based on individual program requirements.

	Total Foundation	Additional District Support	Cigarette Tax Distribution	Tuition	Boarding Home	Youth In Detention	Schools for the Handicapped	Pupil Trans.	Community Schools	Debt Retirement	PROJECTED FY98 TOTALS
ALASKA GATEWAY	5,250,257	0	0	0	0	0	0	461,483	4,048	0	5,715,788
ALEUTIAN REGION	706,639	61,610	0	0	0	0	0	0	1,601	0	769,850
ALEUTIANS EAST	3,736,207	0	13,879	0	0	0	0	65,761	2,997	39,671	3,858,515
ANCHORAGE	184,402,510	0	1,017,548	881,148	0	399,677	464,000	10,897,003	145,121	21,871,482	220,078,489
ANNETTE ISLANDS	1,600,553	161,040	0	0	0	0	0	22,671	1,601	0	1,785,866
BERING STRAIT	17,162,573	0	0	0	0	0	0	37,568	13,588	0	17,213,728
BRISTOL BAY	1,884,665	0	12,382	0	0	0	0	217,455	1,601	343,657	2,459,760
CHATHAM	2,683,802	0	0	0	0	0	0	13,142	2,203	0	2,699,148
CHUGACH	1,872,397	0	0	0	0	0	0	0	1,601	0	1,873,998
COPPER RIVER	5,995,153	0	0	0	0	0	0	547,650	4,300	0	6,547,103
CORDOVA	2,716,894	166,530	17,635	0	0	0	0	52,958	2,150	0	2,956,166
CRAIG	2,371,072	179,950	15,204	1,408	0	0	0	21,095	1,870	0	2,590,599
DELTA/GREELY	4,681,434	0	0	0	0	0	0	858,735	3,661	0	5,543,830
DENALI	2,931,468	0	14,314	0	0	0	0	294,516	2,419	0	3,242,717
DILLINGHAM	3,741,308	207,390	18,981	9,013	0	0	0	330,526	3,074	0	4,310,292
FAIRBANKS	66,604,010	0	355,280	284,144	0	189,447	0	5,458,551	53,144	8,495,743	81,440,319
GALENA	1,720,646	171,410	9,473	802	0	0	0	38,366	1,601	55,391	1,997,689
HAINES	2,186,523	0	15,616	11,579	0	0	0	167,584	1,815	0	2,383,117
HOONAH	2,038,521	128,100	11,861	18,985	0	0	0	45,802	1,601	229,034	2,473,904
HYDABURG	977,362	98,210	8,333	0	0	0	0	2,683	1,601	0	1,088,190
IDITAROD	5,277,640	0	0	0	27,966	0	0	71,577	4,401	0	5,381,584
JUNEAU	20,725,831	0	126,515	86,992	0	78,363	0	1,365,978	17,497	2,973,987	25,375,163
KAKE	1,324,890	140,910	9,951	0	0	0	0	26,894	1,601	0	1,504,246
KASHUNAMIUT	2,121,185	151,940	0	0	0	0	0	3,119	1,601	0	2,280,845
KENAI	44,764,794	0	231,770	200,688	22,562	0	0	3,377,357	35,399	8,846,961	57,479,531
KETCHIKAN	9,438,683	0	67,864	31,637	0	0	0	926,617	7,810	1,288,507	11,761,118
KLAWOCK	1,530,359	155,550	10,993	0	0	0	0	7,298	1,601	0	1,705,801
KODIAK	13,281,056	0	68,889	32,526	20,432	0	0	733,832	11,003	1,566,596	15,714,334
KUSPUK	5,577,174	0	0	0	0	0	0	133,030	4,345	0	5,714,550
LAKE AND PENINSULA	6,778,065	0	16,984	0	0	0	0	99,080	5,437	434,642	7,334,208
LOWER KUSKOKWIM	39,595,060	0	0	0	0	132,513	0	272,221	30,679	0	40,030,473

December 15, 1996, Governor's FY98 Budget Request  
**ALASKA DEPARTMENT OF EDUCATION**  
**PROJECTED FY98 STATE PROGRAM ALLOCATIONS**  
 Projected allocations are subject to adjustment based on individual program requirements.

	Total Foundation	Additional District Support	Cigarette Tax Distribution	Tuition	Boarding Home	Youth in Detention	Schools for the Handicapped	Pupil Trans.	Community Schools	Debt Retirement	PROJECTED FY98 TOTALS
LOWER YUKON	14,977,190	0	0	0	0	0	0	0	11,091	0	14,988,281
MAT-SU	58,008,515	0	268,975	30,256	0	0	0	6,004,672	44,970	5,126,347	69,483,735
NENANA	1,487,031	152,500	9,690	0	0	0	0	90,988	1,601	0	1,741,810
NOME	4,956,453	280,590	21,233	14,681	0	0	0	213,460	3,675	0	5,490,092
NORTH SLOPE	11,951,605	0	47,019	0	0	0	0	340,752	8,742	5,550,860	17,898,978
NORTHWEST ARCTIC	18,099,143	0	49,370	0	21,970	0	0	0	14,097	0	18,184,580
PELICAN	563,594	51,240	6,868	0	0	0	0	0	1,601	0	623,303
PETERSBURG	3,264,527	212,880	22,801	2,819	0	0	0	124,769	2,584	662,174	4,291,554
RIBILOF	2,039,134	0	0	0	19,487	0	0	0	1,611	0	2,060,232
SITKA	6,291,941	0	45,137	17,150	0	0	0	381,917	5,338	641,347	7,382,830
SKAGWAY	734,653	112,850	9,039	0	0	0	0	4,138	1,601	0	862,281
SOUTHEAST	3,165,691	0	0	0	0	0	0	171,098	0	0	3,336,789
SOUTHWEST	7,439,476	0	0	0	39,277	0	0	96,616	5,412	0	7,580,781
ST. MARY'S	1,433,744	145,790	9,039	0	0	0	0	0	1,601	0	1,590,174
TANANA	1,185,734	117,120	8,171	13,686	0	0	0	18,847	1,601	0	1,345,159
UNALASKA	1,808,944	192,150	13,814	0	0	0	0	172,210	1,601	1,019,577	3,208,297
VALDEZ	3,412,771	267,180	25,753	0	0	0	0	302,687	2,711	1,678,782	5,689,884
WRANGELL	2,459,957	148,840	18,264	12,516	0	0	0	138,026	2,102	953,756	3,733,461
YAKUTAT	1,320,398	139,080	9,755	0	0	0	0	57,079	1,601	89,886	1,617,799
YUKON FLATS	6,379,085	0	0	0	0	0	0	68,634	4,417	0	6,452,135
YUKON/KOYUKUK	6,725,649	0	0	0	34,200	0	0	117,076	5,648	0	6,882,573
YUPIIT	4,279,034	0	0	0	0	0	0	0	3,416	0	4,282,450
ALYESKA CORRES.	4,022,889	0	0	0	0	0	0	0	0	0	4,022,889
Mc. EDGECUMBE	1,708,000	0	0	0	0	0	0	0	0	0	1,708,000
OTHER	26,193,511	0	0	82,170	0	0	3,303,400	341,679	0	420,000	30,340,760
TOTALS	11 \$659,587,400	12 \$3,445,860	13 \$2,608,400	14 \$1,731,200	15 \$185,894	\$800,000	\$3,767,400	\$35,195,197	\$500,000	\$62,288,400	\$770,109,751

- 11 OTHER INCLUDES CONTRACTUAL OBLIGATIONS AND OTHER ADJUSTMENTS.
- 12 OTHER INCLUDES CONTRACTS FOR HYDER STUDENTS ATTENDING SCHOOL IN CANADA.
- 13 OTHER INCLUDES ALLOCATIONS TO SPECIAL EDUCATION SERVICE AGENCY, ALASKA YOUTH INITIATIVE, ALASKA SCHOOL FOR THE DEAF RESIDENTIAL PROGRAM.
- 14 OTHER INCLUDES ESTIMATES TO COVER ADDITIONAL COSTS DUE TO ADDITIONAL ROUTES, POPULATION SHIFTS AND NEW CONTRACTS.
- 15 OTHER INCLUDES ESTIMATED DEBT REIMBURSEMENT PROGRAM OVERHEAD.



**Department of Education  
Formula Fund History - General Funds  
(millions)**

<b>Fiscal Year</b>	<b>Foundation Program</b>	<b>School Debt</b>	<b>Pupil Transportation</b>
79 Actual	193.4	22.3	16.2
80 Actual	245.2	24.1	18.6
81 Actual	265.1	38.4	17.0
82 Actual	345.4	39.5	20.1
83 Actual	407.3	49.7	20.4
84 Actual	428.8	93.7	22.3
85 Actual	454.8	95.0	24.6
86 Actual	472.3	106.3	23.1
87 Actual	380.6	115.8	21.4
88 Actual	409.0	109.5	21.1
89 Actual	426.4	109.0	24.6
90 Actual	462.8	108.9	24.5
91 Actual	498.8	116.7	24.5
92 Actual	532.9	127.7	27.3
93 Actual	567.4	125.4	28.4
94 Actual	581.2	99.8	29.4
95 Actual	595.8	103.3	31.6
96 Actual	613.5	79.4	32.8
97 Authorized	617.2	68.6	32.8
98 Governor	629.6	62.3	35.2



# Appendices

**A REVIEW**

**THE ALASKA SCHOOL FOUNDATION FUNDING PROGRAM**

**JANUARY 1997**

THE FOUNDATION PROGRAM is based on the "instructional unit" method of funding.

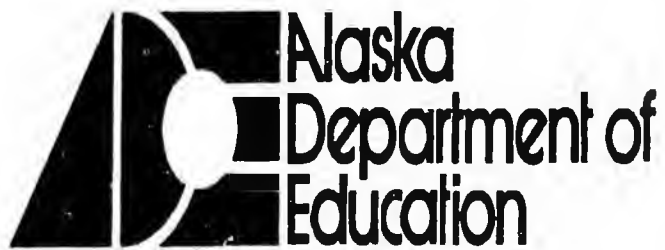
TERMS AND CONCEPTS printed on page 2, when used with the two mathematical formulas below, provide for understanding the foundation law.

**THE FORMULA USED TO CALCULATE BASIC NEED:**

**BASIC NEED = (INSTRUCTIONAL UNITS) x (AREA COST DIFFERENTIAL) x (\$61,000)**

**THE FORMULA USED TO CALCULATE STATE FOUNDATION AID:**

**STATE FOUNDATION AID = (BASIC NEED) - (LOCAL EFFORT) - (IMPACT AID)**



# TERMS AND CONCEPTS:

**ADM (AVERAGE DAILY MEMBERSHIP)** - The average of the number of students enrolled in a school district or specific school program (vocational education, bilingual education, special education) over a specified fall or spring student count period. The more students a district has in Average Daily Membership, the more instructional units the district generates increasing the funding it receives through the foundation program.

**AREA COST DIFFERENTIAL** - A factor multiplied by a school district's instructional units to adjust for costs associated with geographic conditions, sparsity and location of various school districts. Factors vary between 1.0 and 1.46, depending usually on remoteness of the district.

**BASIC NEED** - An amount of money determined by multiplying the area cost differential by the number of a school district's allowable instructional units times the instructional unit value, set by the legislature. The foundation program sets the instructional unit value at \$61,000.

**INSTRUCTIONAL UNIT**- A number represented by a group of students identified by grade level and the student profile dependent on whether the students are enrolled in vocational, special or bilingual education programs.

**INSTRUCTIONAL UNIT VALUE**- The amount under the foundation formula is \$61,000 per instructional unit and is established by law.

**TITLE VIII**- Impact aid to education, provides federal funds to school districts for children of parents living and/or working on federal property as an "in lieu of local tax revenue." Under the foundation program 10 percent (96% of REAAs) of each school district's eligible impact aid receipts, is subtracted from the district's basic need.

**REQUIRED LOCAL EFFORT**- Under the law, city and borough school districts are required to contribute the lesser amount of:

- 1) the equivalent amount generated by a four mill tax levy based on the full and true value of the taxable real and personal property in the school district in the second preceding year (two years prior); or
- 2) 35 percent of a school district's basic need for the preceding school year.

In addition to the required local effort, school districts are allowed to contribute the greater of an equivalent of 2.0 mills or \$14,030 per adjusted unit to hold disparities in funding per instructional unit among school districts to no more than 25 percent. The amount of local effort, either in the 4 mill equivalent or 35 percent basic need, is subtracted from a school district's basic need. Since Regional Education Attendance Areas do not have authority to collect taxes, there is no deduction for the local contribution portion of basic need in these districts.

**STATE FOUNDATION AID**- The amount of state money school districts are entitled to receive under the Public School Foundation Program, after local and federal shares are deducted.

## OTHER ISSUES

**ALASKA'S PUBLIC SCHOOL FOUNDATION PROGRAM** - AS 14.17 enables the state to meet fiscal equalization criteria outlined in the federal impact aid law, commonly known as the "disparity test." Alaska must meet the guidelines in order to recognize approximately \$30 million in Title VIII funds within the FY96 state foundation plan as general revenues.

**TITLE VIII DISPARITY TEST**- The Title VIII disparity test measures the disparity in local school district revenues. The test takes into consideration designated state and local revenues. Under guidelines of the disparity test, the range of revenues may not vary more than 25 percent between the school district that raises the lowest amount of revenue per instructional unit and the school district that raises the greatest amount. Since federal regulations allow states to eliminate five percent of the weighted instructional units at the top of the scale and five percent at the bottom, Alaska eliminates both of its oil rich schools districts, Valdez and North Slope Borough, which contribute considerably more than 25 percent beyond the lowest amount. Since REAAs are not authorized to raise local taxes, five percent of the units at the bottom of the scale can be from any REAA. The disparity test uses \$61,000 per instructional unit as the base.

**CENTRALIZED CORRESPONDENCE SCHOOL**- The law provides a formula for computing funds for the state Centralized Correspondence School. Instructional units are computed under the same formula used by elementary schools with more than 200 students and multiplied by 0.65.

**DECLINING ENROLLMENT**- The law contains language that protects districts from losing more than 10 percent of the prior year's K-12 instructional units by phasing in the reduction over four years.

**DISTRIBUTION PROCEDURES**- The Department of Education will make payment of foundation aid through monthly payments to school districts. The payments for the first nine months of each fiscal year will be based on actual instructional units for the prior school year. Payments for the last three months will be adjusted by current year instructional units. Any overpayments or underpayments made during the first nine months will be adjusted in the final three payments of the fiscal year. The first counting period will be during a 20-day period ending on the fourth Friday in each October. An optional 20-day count period ending the second Friday of February may be used to calculate foundation funding, if the February counting period yields more instructional units.

**FUND BALANCE LIMITATION**- The law prohibits districts from accumulating an unreserved fund balance of more than 10 percent of their operating expenditures and other uses for the year. The Department of Education must deduct the amount exceeding 10 percent from a school district's succeeding year's foundation entitlement.

**FULL AND TRUE VALUE**- The Department of Community and Regional Affairs will determine the full value of the taxable real and personal property in each city and borough school district for the purpose of calculating a school district's required local effort.

**GATHERING/REPORTING STUDENT DATA**- The statute requires districts to report to the Department of Education by October 15 of each school year an estimate of its student population for the next school year. The Department of Education will use the estimates to determine the amount of state foundation aid to seek from the Legislature for the following school year.

## TABLE OF INSTRUCTIONAL UNITS

### COMBINED, ELEMENTARY & SECONDARY INSTRUCTIONAL UNITS

Instructional units for funding communities with fewer than 200 students in grades K-6 or fewer than 200 students in grades 7-12 are determined by the formula:

ADM	UNITS
1-10	2
11-20	$2 + \frac{(ADM - 10)}{5}$
21-60	$4 + \frac{(ADM - 20)}{8}$
61-120	$9 + \frac{(ADM - 60)}{12}$
121-525	$14 + \frac{(ADM - 120)}{15}$

Elementary instructional units for funding communities with more than 200 students in grades K-6 are determined by the formula:

$$UNITS = 15 + \frac{(ADM - 200)}{17}$$

Secondary instructional units for funding communities with more than 200 students in grades 7-12 are determined by the formula:

$$UNITS = 18 + \frac{(ADM - 200)}{13}$$

Kindergarten students who attend less than four hours a day are counted as 0.5 ADM.

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

### VOCATIONAL EDUCATION

FTE\* X WEIGHTING FACTOR X .05 = VOCATIONAL EDUCATION UNIT - 280 students in 7 period day or 240 students in 6 period day = 1 Unit  
**MINIMUM FUNDING:** Any funding community in which a vocational education course, approved by the Department of Education, is operated receives a minimum of .10 instructional units for vocational education, or each school district in which such a course is operated receives a minimum of 1.00 units whichever is greater.

#### FACTOR PROGRAM

.5 **CATEGORY 1** contains 16 programs: health, consumer and homemaking, horticulture, commercial art, clothing and textiles, general marketing, food production, renewable and natural resources, forestry, agriculture services and supplies, transportation and travel, wildlife management, business management, child care management and surveying.

.5 **CATEGORY 2** contains 7 programs: aircraft mechanics, communication technologies, commercial photography, agriculture mechanics, accounting and related, small engine mechanic and automotive body repair.

#### FACTOR PROGRAM

.5 **CATEGORY 3** contains 9 programs: agricultural production, welding, industrial education, woodworking, automobile mechanics, electrical technician, drafting, fisheries and diesel engine mechanics.

.5 **CATEGORY 4** contains 3 programs: graphics, secretarial and word processing, and construction trades.

\* Full Time Equivalent

### SPECIAL EDUCATION

#### NUMBER OF STUDENTS X WEIGHTING FACTOR = SPECIAL EDUCATION UNITS

**MINIMUM FUNDING:** Any funding community in which a special education program, approved by the Department of Education, is operated receives a minimum of 0.25 instructional units for special education, or any school district in which such a program is operated receives a minimum of 1.00 such units, whichever is greater.

#### FACTOR PROGRAM

.025 **GIFTED AND TALENTED** - 40 Students = 1 Unit  
 .056 **RESOURCES** - 18 Students = 1 Unit

#### FACTOR PROGRAM

0.1 **SELF-CONTAINED** - 10 Students = 1 Unit  
 .333 **INTENSIVE/HOSPITAL HOMEBOUND** - 3 Students = 1 Unit

### BILINGUAL EDUCATION

#### WEIGHTING FACTOR\* X STUDENT COUNT X .042 = BILINGUAL EDUCATION UNITS

**MINIMUM FUNDING:** Any funding community in which a bilingual program, approved by the Department of Education, is operated receives a minimum of 0.10 instructional units for bilingual education, or each school district in which such a program is operated receives a minimum of 1.00 such units, whichever is greater.

#### FACTOR PROGRAM

1 **CATEGORY A:** Students who speak a language other than English exclusively. 24 Students = 1 Unit  
 1 **CATEGORY B:** Students who speak mostly a language other than English, but also speak some English. 24 Students = 1 Unit  
 .2 **CATEGORY C:** Students who speak a language other than English and English with equal ease. 119 Students = 1 Unit

#### FACTOR PROGRAM

.2 **CATEGORY D:** Students who speak mostly English but also speak a language other than English. 119 Students = 1 Unit  
 .1 **CATEGORY E:** Students who speak English exclusively but whose manner of speaking reflects the grammatical structure of another language. 238 Students = 1 Unit

\*Language dominance category weighting factor.

Alaska Department of Education  
**Projected FY98 Foundation Program  
Entitlement**

Prepared December 15, 1996

DECEMBER 15, 1996 GOVERNOR'S FY98 BUDGET REQUEST  
ALASKA DEPARTMENT OF EDUCATION  
PROJECTED FY98 FOUNDATION PROGRAM ENTITLEMENTS

The enrollment and units are based on the FY98 projections received from various districts.

	BASIC NEED \$81,000	REQUIRED LOCAL	ELIGIBLE PL81-874	PL81-874 PERCENT	DEDUCTIBLE	REAA	Total
					PL81-874 @ 90% or 96%	State Aid	Foundation Entitlement
ALASKA GATEWAY	5,569,810	0	380,529	100.00%	365,308	45,655	5,250,257
ALEUTIAN REGION	755,180	0	57,011	100.00%	54,731	6,190	706,639
ALEUTIANS EAST	4,343,810	370,183	509,562	51.77%	237,420	0	3,736,207
ANCHORAGE	242,239,540	53,180,262	8,314,618	62.23%	4,656,768	0	184,402,510
ANNETTE ISLANDS	2,555,280	0	1,016,335	100.00%	975,682	20,945	1,600,553
BERING STRAIT	20,313,000	0	3,455,132	100.00%	3,316,927	166,500	17,162,573
BRISTOL BAY	2,772,450	750,055	240,580	63.61%	137,730	0	1,884,665
CHATHAM	3,282,410	0	651,576	100.00%	625,513	26,905	2,683,802
CHUGACH	1,978,400	0	125,211	100.00%	120,203	16,200	1,872,397
COPPER RIVER	6,023,140	0	80,580	100.00%	77,357	49,370	5,995,153
CORDOVA	3,336,480	684,727	18,032	86.75%	14,859	0	2,716,894
CRAIG	2,698,640	314,683	16,690	85.78%	12,885	0	2,371,072
DELTA/GREELY	5,496,710	0	896,178	100.00%	860,331	45,055	4,681,434
DENALI	3,408,680	463,258	27,613	56.15%	13,954	0	2,931,468
DILLINGHAM	4,482,280	540,754	335,087	66.39%	200,218	0	3,721,308
FAIRBANKS	85,570,780	15,516,494	6,593,515	57.30%	3,400,276	0	66,604,010
GALENA	1,850,740	70,828	314,774	20.82%	59,266	0	1,720,646
HAINES	2,820,640	625,818	18,985	48.57%	8,299	0	2,186,523
HOONAH	2,184,410	88,804	238,998	21.89%	47,085	0	2,038,521
HYDABURG	1,002,840	23,593	17,039	12.29%	1,885	0	977,362
IDITAROD	5,787,680	0	580,708	100.00%	557,480	47,440	5,277,640
JUNEAU	29,107,980	8,373,230	16,954	58.45%	8,919	0	20,725,831
KAKE	1,453,020	69,645	281,923	23.05%	58,485	0	1,324,890
KASHUNAMUT	2,362,530	0	271,573	100.00%	260,710	19,365	2,121,185
KENAI	59,661,660	14,856,804	83,078	53.58%	40,062	0	44,764,794
KETCHIKAN	13,803,680	4,360,176	8,986	59.73%	4,831	0	9,438,683
KLAWOCK	1,718,980	63,975	274,629	56.43%	124,646	0	1,530,359
KODIAK	17,488,090	3,510,986	1,081,508	71.51%	696,048	0	13,281,056
KUSPUK	6,060,960	0	555,694	100.00%	533,466	49,680	5,577,174
LAKE AND PENINSUL,	7,251,070	272,532	1,028,381	21.66%	260,473	0	6,778,065
LOWER KUSKOKWIM	43,665,020	0	4,612,365	100.00%	4,427,870	357,910	39,595,060
LOWER YUKON	17,976,090	0	3,277,339	100.00%	3,146,245	147,345	14,977,190
MAT-SU	67,373,890	9,359,433	14,639	45.10%	5,942	0	58,008,515
NENANA	1,555,500	68,120	2,826	89.20%	2,349	0	1,487,031
NOME	5,587,600	614,838	43,424	41.73%	16,309	0	4,956,453
NORTH SLOPE	18,179,220	5,740,375	2,648,619	20.44%	487,240	0	11,951,605
NORTHWEST ARCTIC	19,850,620	1,052,284	2,240,789	34.67%	689,183	0	18,089,143
PELICAN	625,860	62,266	0	100.00%	0	0	563,594
PETERSBURG	4,173,010	900,986	15,861	52.52%	7,497	0	3,264,527
PRIIBILOF	2,377,170	0	372,418	100.00%	357,521	19,485	2,039,134
SITKA	8,706,530	2,333,207	158,779	56.95%	81,382	0	6,291,941
SKAGWAY	1,131,550	396,897	0	64.12%	0	0	734,653
SOUTHEAST	3,578,870	0	460,952	100.00%	442,514	29,335	3,165,691
SOUTHWEST	8,403,970	0	1,076,436	100.00%	1,033,379	68,885	7,439,476
ST. MARY'S	1,500,600	17,795	122,527	44.49%	49,061	0	1,433,744
TANANA	1,238,910	23,600	178,213	18.44%	29,576	0	1,185,734
UNALASKA	2,737,680	928,550	363	56.79%	186	0	1,808,944
VALDEZ	5,263,690	1,831,617	43,787	48.98%	19,302	0	3,412,771
WRANGELL	2,995,710	534,957	1,812	48.78%	796	0	2,459,957
YAKUTAT	1,462,170	128,408	39,086	37.99%	13,364	0	1,320,398
YUKON FLATS	6,928,990	0	631,979	100.00%	606,700	56,795	6,379,085
YUKON/KOYUKUK	7,623,170	0	1,000,006	100.00%	960,006	62,485	6,725,649
YUPIIT	5,067,880	0	864,985	100.00%	830,386	41,540	4,279,034
ALYESKA CORRES.*	4,022,889	0	0	100.00%	0	0	4,022,889
MR. EDGE CUMBE	1,708,000	0	0	100.00%	0	0	1,708,000
<b>TOTALS</b>	<b>\$791,123,579</b>	<b>\$128,118,140</b>	<b>\$45,299,784</b>		<b>\$30,888,635</b>	<b>\$1,277,085</b>	<b>\$633,393,889</b>

Impact Aid flow through	20,791,030
Military contracts and insurance	3,736,300
Estimated prior year adjustments	1,666,300
<b>EST. FY98 FOUNDATION ENTITLEMENT</b>	<b>\$659,587,489</b>

\* State correspondence program basic need is adjusted by 65%  
in accordance with AS 14.17.022.

**DECEMBER 15, 1986 GOVERNOR'S FY88 BUDGET REQUEST  
ALASKA DEPARTMENT OF EDUCATION  
PROJECTED FY88 FOUNDATION PROGRAM ENTITLEMENTS**

The enrollment and units are based on the FY88 projections received from school districts.

	PROJ. FY88 ADM	K-12 UNITS	BIL./ BIC.	SPEC. ED.	VOC. ED.	FY88 PROJ. INSTR. UNITS	AREA DIFF.	ADJUSTED FY88 INSTR. UNITS
ALASKA GATEWAY	568.00	66.83	1.00	7.84	1.06	76.73	1.19	91.31
ALEUTIAN REGION	33.00	6.45	1.00	1.00	1.00	9.45	1.31	12.38
ALEUTIANS EAST	369.00	45.51	1.00	6.85	1.00	54.36	1.31	71.21
ANCHORAGE	46,790.50	3,148.45	117.81	670.01	34.87	3,971.14	1.00	3,971.14
ANNETTE ISLANDS	390.00	32.00	1.00	6.67	1.00	40.67	1.03	41.89
BERING STRAIT	1,781.36	202.11	15.83	19.29	2.34	239.57	1.39	333.00
BRISTOL BAY	321.00	29.80	1.00	3.99	1.00	35.79	1.27	45.45
CHATHAM	332.00	46.47	1.00	3.77	1.00	52.24	1.03	53.81
CHUGACH	160.00	22.21	1.00	1.21	1.00	28.42	1.14	32.40
COPPER RIVER	759.50	77.14	1.00	7.47	1.00	86.61	1.14	98.74
CORDOVA	530.00	40.96	1.00	7.20	1.00	50.16	1.11	55.68
CRAIG	447.00	35.80	1.00	5.15	1.00	42.95	1.03	44.24
DELTA/GREELY	839.00	64.12	2.17	10.19	1.20	77.68	1.16	90.11
DENALI	395.00	41.30	0.00	3.13	1.00	45.43	1.23	55.88
DILLINGHAM	580.00	44.67	1.96	10.23	1.00	57.86	1.27	73.48
FAIRBANKS	16,350.50	1,121.36	9.54	200.74	16.42	1,348.06	1.04	1,401.98
GALENA	180.00	18.00	1.00	3.34	1.00	23.34	1.30	30.34
HAINES	442.00	36.80	1.00	5.24	1.00	44.04	1.05	46.24
HOONAH	274.00	24.27	1.00	6.89	1.00	33.16	1.08	35.61
HYDABURG	107.50	12.96	1.00	1.00	1.00	15.96	1.03	16.44
IDITAROD	436.00	62.06	1.19	6.77	1.32	71.34	1.33	94.88
JUNEAU	5,599.17	381.91	6.97	83.32	4.98	477.18	1.00	477.18
KAKE	190.00	18.67	1.00	2.46	1.00	23.13	1.03	23.82
KASHUNAMIUT	269.00	23.93	1.68	2.51	1.00	29.12	1.33	38.73
KENAI	10,579.00	830.32	17.39	116.04	14.31	978.06	1.00	978.06
KETCHIKAN	2,832.00	196.39	1.70	24.04	4.16	226.29	1.00	226.29
KLAWOCK	220.00	20.67	1.00	4.69	1.00	27.36	1.03	28.18
KODIAK	2,811.00	225.61	7.85	26.16	3.40	263.02	1.09	286.69
KUSPUK	517.00	67.45	1.00	5.26	1.00	74.71	1.33	99.36
LAKE AND PENN.	510.00	82.46	1.00	6.28	1.00	90.74	1.31	118.87
LOWER KUSKOKWIM	3,521.50	353.48	107.32	39.13	4.17	504.10	1.42	715.82
LOWER YUKON	1,845.00	195.76	12.03	18.95	1.55	218.29	1.35	294.69
MAT-SU	12,605.00	931.86	9.91	151.53	11.19	1,104.49	1.00	1,104.49
NENANA	170.00	17.33	1.00	1.92	1.00	21.25	1.20	25.50
NOME	771.00	57.10	1.15	9.11	1.00	68.36	1.34	91.60
NORTH SLOPE	2,037.00	178.74	11.13	14.40	1.26	205.53	1.45	298.02
NORTHWEST ARCTIC	2,044.00	195.44	4.93	22.41	1.65	224.43	1.45	325.42
PELICAN	40.00	6.50	1.00	1.00	1.00	9.50	1.08	10.26
PETERSBURG	782.00	58.13	1.00	8.26	1.00	68.41	1.00	68.41
PRIBILOF	211.00	24.90	1.03	3.05	1.00	29.98	1.30	38.97
SITKA	1,750.00	123.91	1.00	15.98	1.94	142.73	1.00	142.73
SKAGWAY	130.00	14.67	1.00	1.00	1.00	17.67	1.05	18.55
SOUTHEAST \1	264.00	51.67	0.00	3.74	1.00	56.41	1.04	58.67
SOUTHWEST	738.00	88.62	9.69	5.86	1.00	105.17	1.31	137.77
ST. MARY'S	140.00	15.33	0.83	1.76	1.00	18.92	1.30	24.60
TANANA	100.00	12.33	1.00	1.29	1.00	15.62	1.30	20.31
UNALASKA	375.00	31.00	1.00	2.34	1.00	35.34	1.27	44.88
VALDEZ	900.00	65.85	1.00	9.89	1.00	77.74	1.11	86.29
WRANGELL	525.00	40.70	1.00	6.41	1.00	49.11	1.00	49.11
YAKUTAT	174.00	17.60	1.00	2.59	1.00	22.19	1.08	23.97
YUKON FLATS	462.00	67.51	2.16	7.03	1.10	77.80	1.46	113.59
YUKON/KOYUKUK	552.00	77.78	4.46	8.64	2.38	93.26	1.34	124.97
YUPIIT	416.00	45.73	7.81	4.38	1.00	58.92	1.41	83.08
ALYESKA CORRES.	1,669.86	101.46	0.00	0.00	0.00	101.46	1.00	101.46
MI. EDGE CUMBE	285.00	25.00	1.00	1.00	1.00	28.00	1.00	28.00
<b>TOTALS</b>	<b>128,119.89</b>	<b>9,818.08</b>	<b>385.54</b>	<b>1,600.33</b>	<b>145.30</b>	<b>11,949.25</b>		<b>13,004.75</b>

\1 includes hh units

**ALASKA COMMISSION ON  
POSTSECONDARY EDUCATION**

**and the**

**ALASKA STUDENT LOAN CORPORATION**

**FY 98 Budget Overview**

**Presented: January 1997**

**Diane Barrans  
Executive Director**

**Charlene Morrison  
Finance Officer**

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~ Introduction ~

In the Alaska Commission on Postsecondary Education's (ACPE) FY97 budget overview, management emphasized the need for this agency to improve and expand its service to Alaskans in a variety of ways. The following will provide a briefing on progress made to date on these initiatives. However, as important as we believe these individual services to be, the common thread that binds these activities together is that, in combination, they are aimed at improving the Alaska Student Loan Corporation's (ASLC) efficiency and financial bottom-line.

With funding at the relatively flat level requested for FY 98, ACPE will be able to continue with these activities, while also identifying ways to amplify them. These activities include:

- ◆ *Improved front end counseling of borrowers.* ACPE has broadened and improved the information that is distributed and available to customers as part of the application process and at the onset of the repayment cycle. FY 98 Objective: *Staff are working to insure that information now available in print will be available electronically within the next fiscal year.*
- ◆ *Emphasize frequent contact with delinquent borrowers.* Due diligence efforts have, through automation of delinquent borrower rosters and delinquency notices, increased contact with delinquent borrowers more than threefold in the past 18 months. This unit, under new leadership, has greatly increased staff efficiency and the level of communication with delinquent borrowers. FY 98 Objective: *Identify technological enhancements that will expand the capacity of existing staff to contact more borrowers on a regular basis.*
- ◆ *Increase partnership with institutions to improve default management.* With the development and implementation of the Program Participation Agreement and Administrator's Compliance Handbook (scheduled for completion in March 1997), a partnership will be in place with institutions that is unprecedented for the ASLP. Over time, this relationship will become a key factor in reducing loan fund losses due to defaults. FY 98 Objective: *Continue to refine, delinquent borrower data that is provided directly to institutions for use in their default management activities.*
- ◆ *Emphasize and improve collaboration and communication.* The Institutional Relations (IR) staff, a newly reorganized unit at ACPE, in concert with the Division of Student Financial Aid, are responsible for insuring that uniform and consistent information is provided to: potential borrowers, school counselors, parents and school administrators. FY 98 Objective: *Develop relationships with other state agencies to maximize the use of information gathered by the State.*
- ◆ *Raise standards of accountability for postsecondary institutions.* The Commission is systematically reviewing its regulation of institutions under AS 14.48. In its consumer protection role, the ACPE has promulgated regulations to require that institutions properly assess a potential student's ability to benefit from education or training programs it offers. FY 98 Objective: *Document the association of education/training with success in gaining employment at a*

*living wage in the job market. The challenge is to identify a means of tracking student outcomes in a cost effective and efficient way.*

- ◆ *Marketing ACPE services and successes. ACPE has expanded its communications through: periodic news releases, monthly/quarterly reports and newsletters geared toward keeping policy makers, and the public apprised of agency activities and events; and, beginning construction on ACPE's web site. FY 98 Objective: Increase the application of electronic technology to streamline and expedite information sharing and administra-*

*tive functions of the program. Communicating throughout Alaska regarding the enhanced services will be a top priority for management.*

- ◆ *Expand financial aid training. Training and information is now available through formal, scheduled training sessions at ACPE offices or one-on-one at high schools, college fairs, and postsecondary institutions throughout Alaska. FY 98 Objective: Research and/or develop ways of broadening ACPE outreach to the smallest Alaskan community through technologies such as video production or the Internet.*

In short, it is the Commission's objectives to strengthen its financial base by working smarter, educating our customers, who are all Alaskans, and continuing to recommend legislative and regulatory change that will assist staff in accomplishing these objectives.

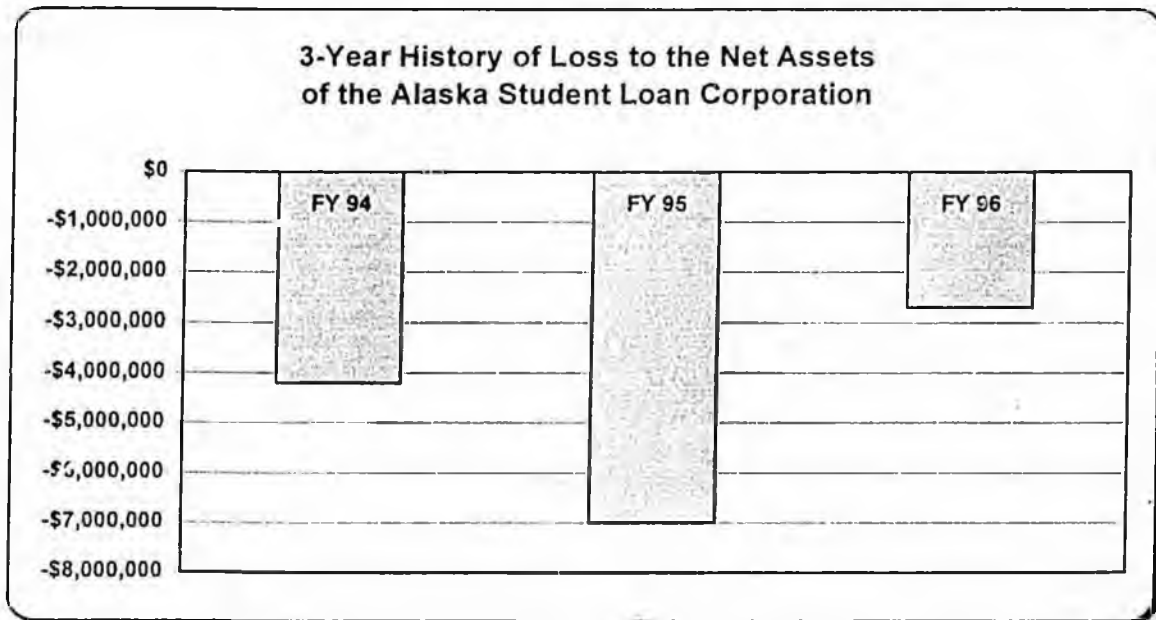
~ Alaska Student Loan Program ~

**Current Financial Outlook**

While some improvements have been made to the Loan Program in recent years, the Corporation continues to experience anticipated student loan related losses. In FY 96 and FY 95, those losses totaled \$5.3 million and \$10.5 million, respectively. When offset by annual revenues, the Corporation's net losses in FY 96 and FY 95 were \$2.7 million and \$6.9 million, respectively. Clearly positive changes are being made to reduce the drain on the loan fund. The Corporation's largest expense, except for payments on outstanding bonds, continues to be the provision for loan loss.

So long as there is unrestricted access to the loan fund with no collateralization, credit assessment, or other form of guarantee, it is unlikely the provision for loan loss can be further reduced significantly. In the simplest terms this means that the net assets (primarily outstanding student loans) contributed by the State of Alaska to the Corporation, and totaling \$306.7 million, will continue to erode. In the 9 years since the Corporation's creation, average net losses have been in excess of \$5.2 million a year. Such losses (\$47.3 million through FY 96) have reduced the Corporation's fund equity to \$259.4 million.

Figure 8



A number of changes, both legislative and regulatory, have been made to offset current losses and reduce the potential for future losses.

- ◆ Beginning with FY 96, the interest rate for new loans is tied to the rate the Corporation pays on its

outstanding bonds plus the cost of administration (limited to 2.5 percent). Yet interest only accrues on the borrower's balance once he/she leaves school, resulting in an interest-free period that can extend for years.

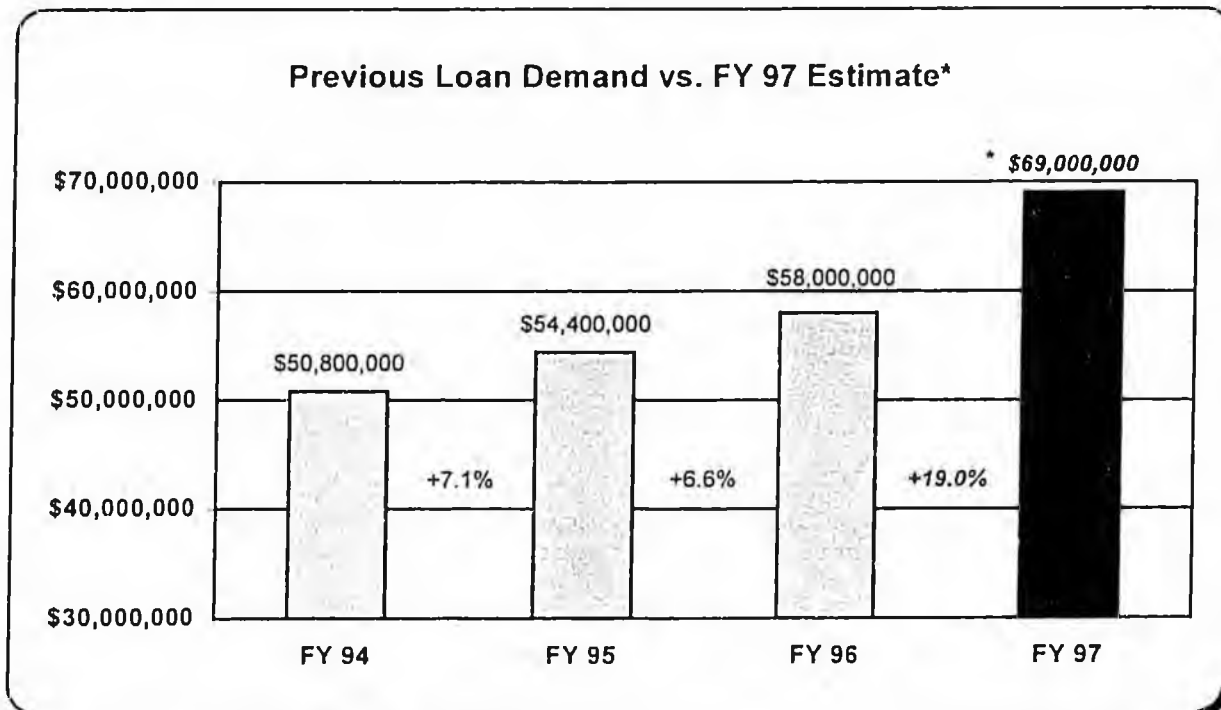
- ◆ Borrowers now pay origination fees, currently at the maximum rate allowed of 5 percent, to be used as an offset to losses due to bankruptcy, default, and death of borrowers. However, historical information indicates that approximately 12 percent of all loans originated are never repaid.
- ◆ Effective with loans entering repayment in FY 97, loan staff will track student default activity at each participating institution and will be identifying those institutions with extremely high rates of student default. In a multi-year process, loan staff will work with those institutions to reduce default rates to below 20 percent in order for that institution to continue to participate in the loan programs.

halt the erosion of the ASLC's fund equity. Because the Corporation has pledged student loans previously contributed by the state and new loans made with bond proceeds, it can continue to issue additional debt and, barring any catastrophic event, continue to meet loan demand through the year 2000.

Because loan demand is expected to jump by as much as 19 percent or more by the end of FY 97 -- due to this year's statutory increase in annual loan limits -- it is vital that additional improvements be made to the program. Discarding any discussion of significant capitalization to restore the health of the Loan Fund, either in part or in whole, the other options for increasing the viability of the fund are either: 1) require loan applicants to meet a credit test; or 2) modify the terms of the loans so the borrower is assessed interest on the loan from the time it is disbursed.

The cumulative effect of these changes, however, is not anticipated to altogether

Figure 9



In FY 98, agency staff will continue to work with Corporation financial advisors to develop scenarios and proposals to provide to the Board, this Administration, and the Legislature. Our focus is to continue efforts that will further improve the health of the Loan Fund while, at the same time, ensuring that access to education funding remains as broad as possible.

### Legislative Proposals

Below are the substantive legislative proposals that the Commission anticipates supporting in the 1997 legislative session:

- ◆ Minimize default risk and enhance Corporation credit status through implementation of front end applicant credit assessment to screen out chronic defaulters or require a credit-worthy cosigner;
- ◆ Reduce default losses to the Loan Fund by increasing collection tools by expanding intervention authority to include all occupations/professions licensed by the State;

- ◆ Reduce default losses to the Loan Fund by providing for administrative wage garnishment for defaulters; and
- ◆ Decrease expenses of the Corporation by developing a fee schedule for Regulation of Institutions (AS 14.48) that provides offset or pays for that function.

Other recommended changes relate to elimination of some archaic language and/or general clean-up and clarification of existing law.

The Commission has made considerable progress in the past three years: losses to the Corporation have been reduced (but not eliminated); customer service has been improved and collection efforts strengthened; and Alaskans are now better informed about the challenges facing this State institution. However, continued diligence on the part of management and staff, and legislative and financial support from policy makers, will be critical components in succeeding in making whole the ailing student financial assistance programs on which residents have come to depend.

~ FY 96 Alaska Student Loan Program Characteristics ~

Figure 10

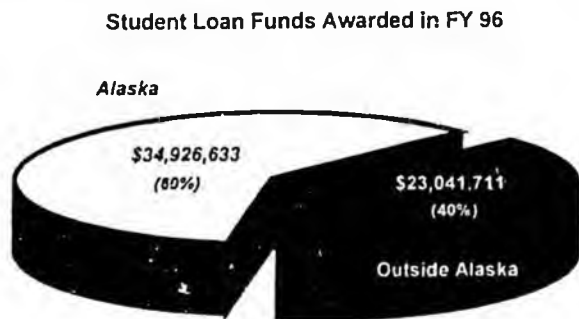


Figure 11

Average Loan Award in FY 96

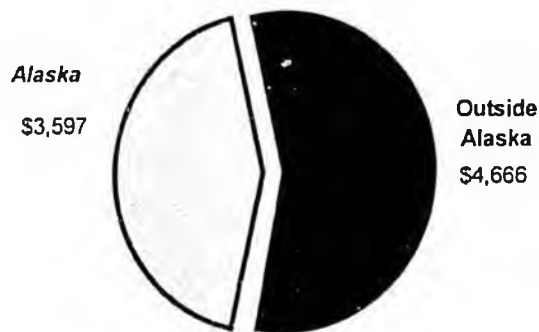
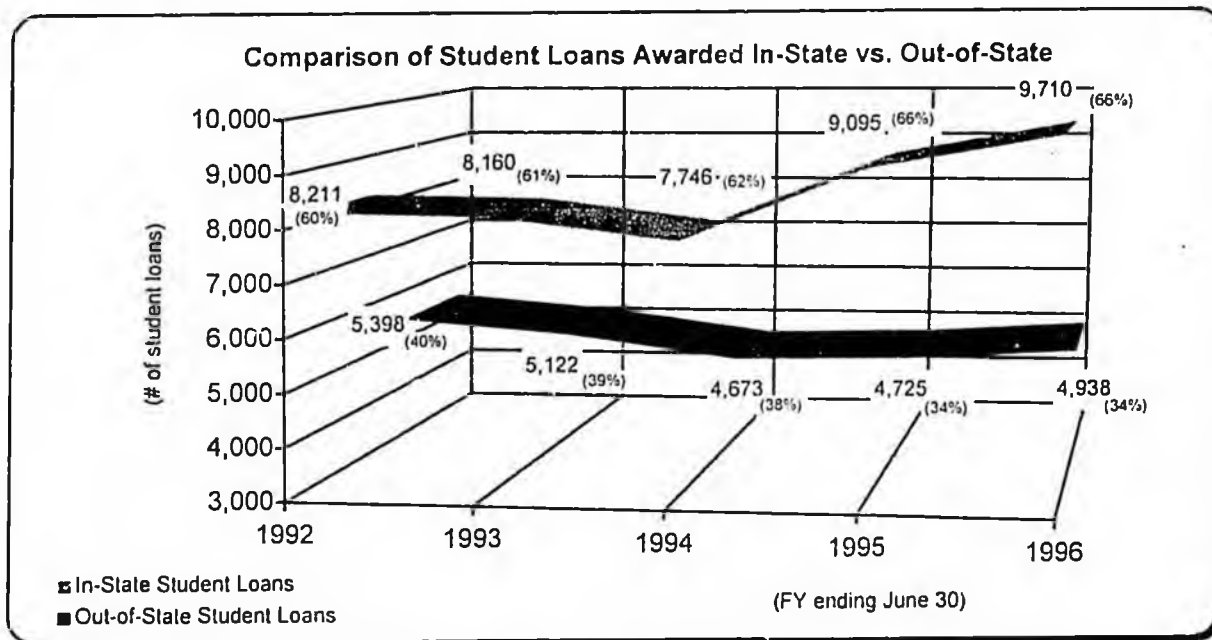


Figure 12



~ Agency Budget Summary ~

Operating Budget	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Personal Services	4,825.2	4,769.7	-1.2%
Travel	192.5	195.4	1.5%
Contractual Services	3,632.5	3,557.5	-2.1%
Commodities	108.5	121.1	11.6%
Equipment	5.8	89.9	1,550.0%
Grants	399.6	326.0	-18.4%
<b>Total</b>	<b>9,164.1</b>	<b>9,059.6</b>	<b>-1.1%</b>
<i>Positions</i>			
PFT	98.0	95.0	-3.1%
PPI	4.0	0.0	-100.0%
<i>Funding</i>			
1002 Federal Funds	276.4	180.0	-34.9%
1003 General Fund Match	163.5	163.5	0.0%
1004 General Fund	1,502.6	1,432.9	-4.6%
1022 Corporate Receipts	7,150.2	7,283.2	1.9%
1061 CIP Receipts	71.4	0.0	-100.0%

Capital Budget	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Equipment	196.5	90.0	-54.2%
<b>Total</b>	<b>196.5</b>	<b>90.0</b>	<b>-54.2%</b>
<i>Positions</i>			
PFT	0.0	0.0	0.0%
PPT	0.0	0.0	0.0%
<i>Funding</i>			
1061 CIP Receipts	196.5	90.0	-54.2%

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

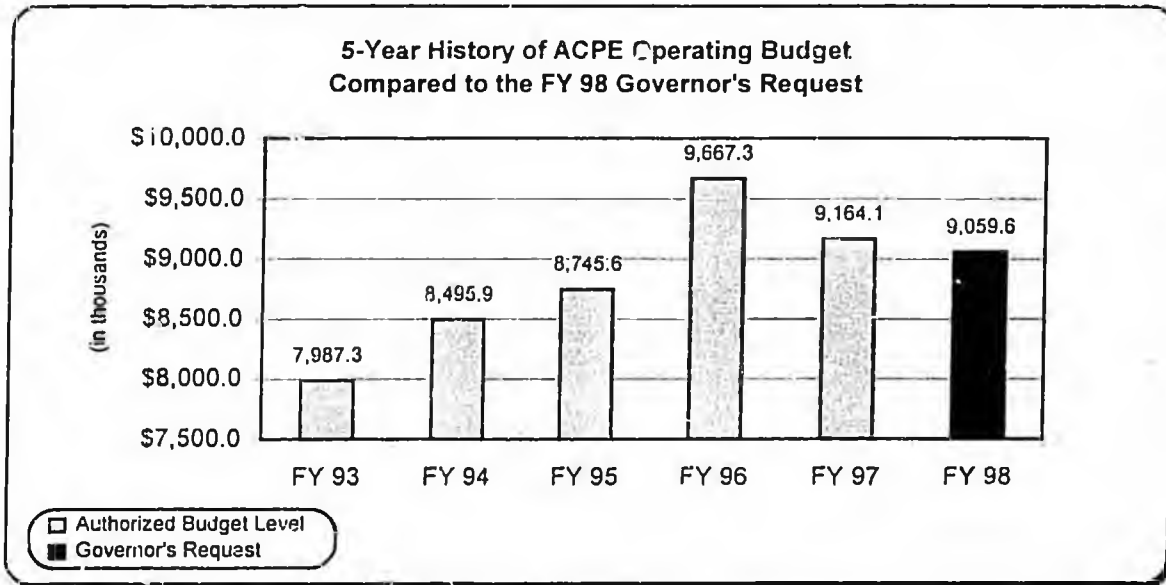
Central Microfilm Services  
Department of Education  
State of Alaska

## ~ Agency Budget Summary ~

Operating Budget	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Personal Services	4,825.2	4,769.7	-1.2%
Travel	192.5	195.4	1.5%
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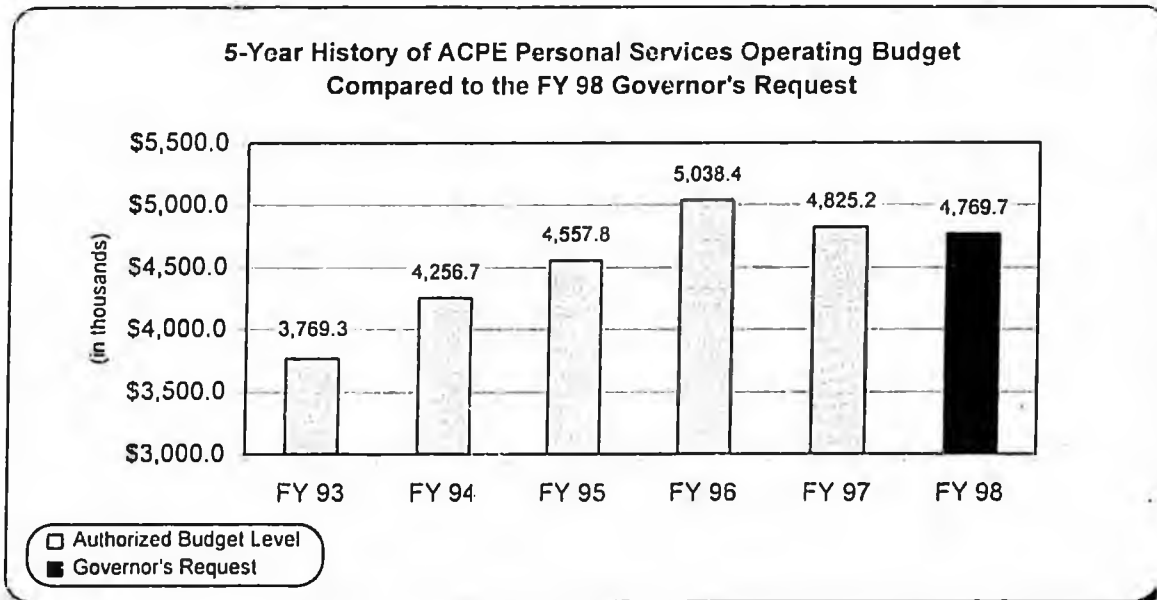
Capital Budget	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Equipment	196.5	90.0	-54.2%
<b>Total</b>	<b>196.5</b>	<b>90.0</b>	<b>-54.2%</b>
<i>Positions</i>			
PFT	0.0	0.0	0.0%
PPT	0.0	0.0	0.0%
<i>Funding</i>			
1061 CIP Receipts	196.5	90.0	-54.2%

Figure 1



A review of ACPE budget levels for the past five years shows that program administrative costs have grown as the program has grown. The proposed budgetary level for FY 98 is 3.5 percent higher than in FY 95, but is down 6 percent from FY 96. The increase in expenditures in FY 96 and FY 97 were primarily attributable to the costs of development and installation of a new loan servicing system.

Figure 2



A comparison of personal services costs to overall operating costs shows a 4.6 percent increase in the three-year period from FY 95 to FY 98, or slightly more than 1.5 percent per year. In FY 98, ACPE will be eliminating four permanent part-time positions and three permanent full-time positions. With the development of automated, system-supported activities, management expects to improve efficiency and eliminate some manual processes. At the same time, however, it will be necessary to scrutinize human resource needs to insure that the level of service to our publics remains at an acceptable level.

~ Student Loan Operations ~

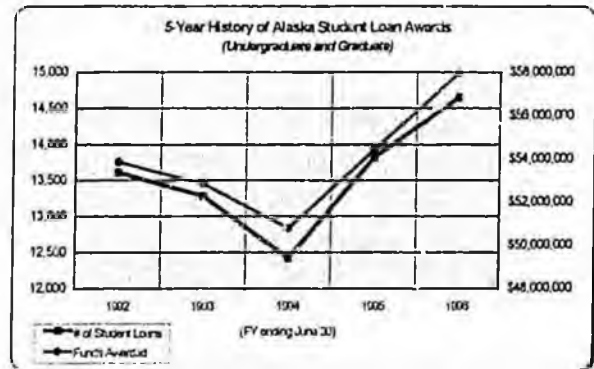
Synopsis

This component is the largest of the ACPE's five, containing the Student Financial Aid, Finance, and Information Support Services sections. The goals of this component are: 1) to service the outstanding loan portfolio in a manner which maximizes repayment to the Student Loan fund and protects the financial integrity of the Alaska Student Loan Corporation (ASLC), 2) to identify and implement program efficiencies through improved management, processes, and technology to ensure the self-sustainability and marketability of the Alaska Student Loan Programs (ASLP) through the 21st century, 3) to provide low cost financing to the ASLP, 4) to disburse low-cost loans to eligible Alaskans enabling them to pursue postsecondary education and training, and 5) to serve and value our customers, including students, parents, policy makers, bondholders, professional colleagues and coworkers.

The **Student Financial Aid** section is organized into six units: loan originations, loan operations, customer service, due diligence, records, and special programs.

**Loan originations** initiates the lending process. Loan originations staff develop and distribute applications statewide to both individuals and institutions. They enter, review for completeness and eligibility, and resolve errors in submitted applications. They also generate and distribute notification of awards, loan warrants, and disbursement receipts to track funds distributed to borrowers or returned for cancellation.

Figure 3



**Loan operations** processes payment options, deferment requests, bankruptcy declarations, loan schedule modifications, and forgiveness benefits for eligible borrowers. This unit also distributes truth-in-lending disclosure statements, re-directs returned mail, monitors memorial scholarship loans, responds to credit inquiries, determines eligibility for and application of forgiveness benefits, and administers and tracks borrower bankruptcy activity.

Distribution of FY 96 Operations Activity

Returned Mail Pieces	20,452
TIL Disclosures Sent	20,468
Deferments Processed	3,622
Paid-in-Full Processed	7,595
Credit Reports	2,399
Forgiveness Processed	2,133
Repayment Schedule Revisions	1,659
Bankruptcy Tracking	1,515

**Customer service** responds to telephonic and written requests for account assistance and to general public inquiries regarding student financial aid programs. In the Juneau and Anchorage offices, this unit also provides assistance to local walk-in customers.

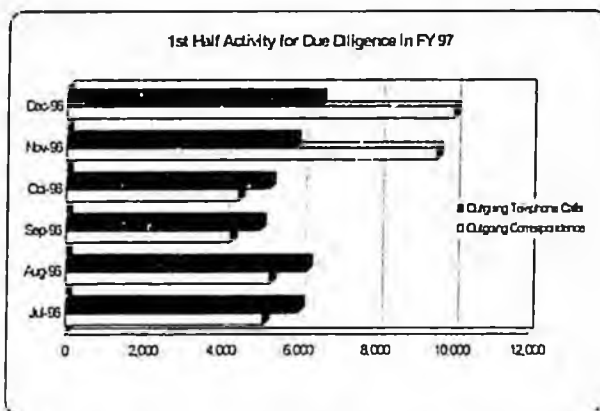
Figure 4

Telephone Inquiries Received by Customer Service  
FY 96 vs. FY 95



*Due diligence*, using on-line delinquency rosters, systematically contact borrowers who are past due in monthly payments. Accounts are clustered according to their delinquency status (30, 60, 90 days past due in payments) and due diligence staff work with these borrowers, educating them about the negative impacts of remaining delinquent or defaulting and offer alternative payment plans as appropriate, to avert borrower default. Additionally, staff send delinquency notices by mail on a daily basis. This unit is also responsible for communicating with institutions about borrower default levels to assist them in default management programs that are institution-based.

Figure 5

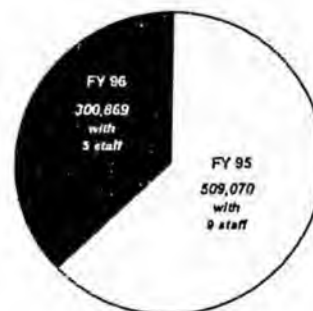


*Records* maintains an archived history of each account's activity and agency files. Through the work of this unit, ACPE employees have access to complete loan histories within minutes of a request,

allowing them to respond promptly to borrowers' questions. This unit is also responsible for safeguarding the ACPE's most valuable asset, the loan promissory notes.

Figure 6

Images Processed by Records Staff  
FY 96 vs. FY 95



The *special programs* unit administers the ACPE's smaller, more specialized financial aid programs, specifically: the Alaska Teacher Scholarship Loan Program; the A.W. "Winn" Brindle Memorial Scholarship Loan Program; the Alaska State Educational Incentive Grant Program; the WICHE Western Regional Graduate Program; and the WAMI Medical Education Program.

The Finance section manages the extensive financial activities of both the ACPE and the ASLC. Finance staff process, summarize, report, and analyze data related to the following critical functions:

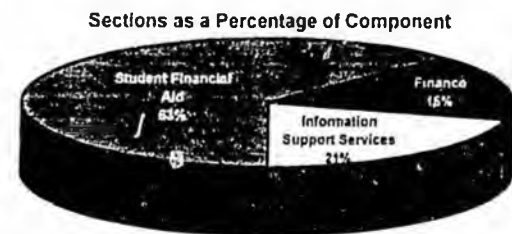
- ◆ tracking the flow of all funds;
- ◆ investing funds to maximize earnings while complying with federal regulations and bond covenants and while meeting operational needs;
- ◆ preparing annual agency operating, capital, and lending budgets;
- ◆ overseeing all procurement activities;

- ◆ coordinating the student loan disbursement process;
- ◆ processing all loan payments received in the Juneau and Anchorage offices; and
- ◆ administering funds for State and Federal financial aid programs available through the ACPE.

In addition to these functions, the finance division prepares all of the information and performs the analyses necessary for the ASLC to carry out its bonding activities. Finance staff prepare the Corporation's quarterly and annual financial statements, Official Statements, and cash flow analysis data, and respond to ad hoc information requests from the commission, corporation board, rating agencies, bond insurers, investment providers, and the legislature.

The Information Support Services (ISS) section provides data processing support to the agency and all of its operations. ISS manages two local area networks – one in Juneau and one in Anchorage – that support the agency's PC-based systems. These networks are connected through the State-maintained wide area network. ISS also manages the mainframe-based student loan servicing system that supports all aspects of the lending process from origination to final payoff.

Figure 7



~ Component Operating Budget ~

Student Loan Operations	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Personal Services	4,039.3	3,964.7	-1.9%
Travel	63.1	65.1	3.8%
Contractual Services	2,132.0	2,051.5	-3.8%
Commodities	93.5	102.5	9.6%
Equipment	0.0	79.2	
<b>Total</b>	<b>6,327.9</b>	<b>6,263.0</b>	<b>-1.0%</b>
<i>Positions</i>			
PFT	86.0	82.0	-4.7%
PPT	4.0	0.0	-100.0%
<i>Funding</i>			
1022 Corporate Receipts	6,256.5	6,263.0	0.1%
1061 CIP Receipts	71.4	0.0	-100.0%

**Changes From FY 97 to FY 98**

The Commission approved cost of living (COLA) increases to the salary schedule due to the passage of SB1003 in the last legislative session. The COLA is budgeted at 1.5 percent in FY 98. In addition, the Office of Management and Budget allocated increased authority for a health premium increase in FY 98.

Due to operational efficiencies, the Commission deleted three full-time permanent positions from this component.

Due to the completion of the student loan system conversion project, the four positions funded with the capital project budget are deleted.

Two positions, a secretary and a project coordinator, are transferred from student loan operations to program administration. These transfers realign staff who provide support to the institutional relations function within the Agency which only indirectly relates to student loan operations. Supporting funds for these positions are also transferred.

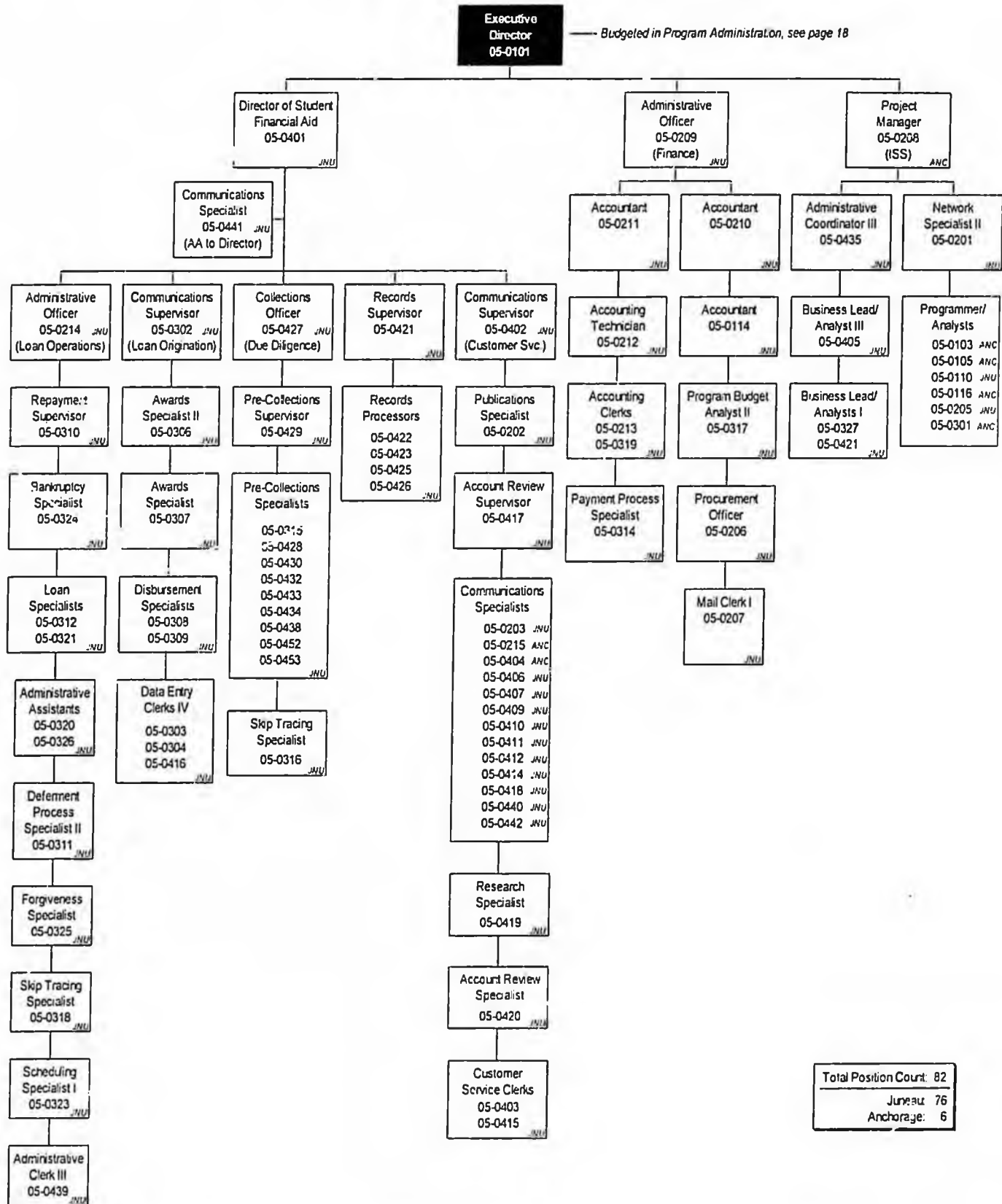
One position, an analyst/programmer, is transferred to student loan operations from program administration to support the new loan servicing system. The costs of this position are offset by the deleted positions above, therefore, no supporting funds are transferred from program administration.

Contractual, supply, and equipment funds are transferred from student loan operations to program administration. These funds are associated with an anticipated reduction in third-party contractual costs related to the federal student status clearinghouse. Seven positions are deleted and one position is transferred out from student loan operations in FY 98, reducing the need for supply and equipment funds in this component.

An increment to the equipment line is requested to assist with the purchase of a

financial analysis software package for the finance section. This software will allow staff to project cash flow related to the student loan portfolio. These projections will help determine the effects of various changes to the student loan program and forecast both the immediate and future effects of changes on the Corporation's financial stability. This tool will aid staff in making recommendations to the Commission and the Corporation for statutory changes to the Alaska Student Loan Program. The estimated cost of this package is \$50,000.

## ~ Student Loan Operations Proposed FY 98 Organization Chart ~



## ~ Program Administration ~

**Synopsis**

This component houses the Executive Director's Office, the Personnel Office, and the Institutional Relations section. The goals of this component are: 1) to administer and provide policy direction for programs administered by the Commission and funded by the Corporation, identifying and achieving efficiencies through improved management, processes and technology; 2) to review and oversee postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system, to ensure compliance with AS 14.48 and 20 AAC 17, relating to regulation of institutions; 3) to emphasize quality in education and training programs to ensure value for Alaskans in their pursuit of lifelong learning; and 4) to provide Alaskans with information about the educational opportunities available in Alaska and about the financial aid programs available to assist in accessing those opportunities.

The Executive Director's Office provides overall administration and policy direction to the Commission programs and staff and to exercise review and oversight of postsecondary programs and institutions operating in the state, except those exempted by state statute, such as the University of Alaska.

The Personnel Office provides human resources support to all units of the Commission and is responsible for assisting in developing and implementing recruitment and screening techniques to appropriately staff the agency. This staff also identifies staff training needs and coordinates that activity.

The Institutional Relations section is organized into four units: institutional authorization; Alaska State Approving Agency; institutional liaison; and institutional audit and school compliance.

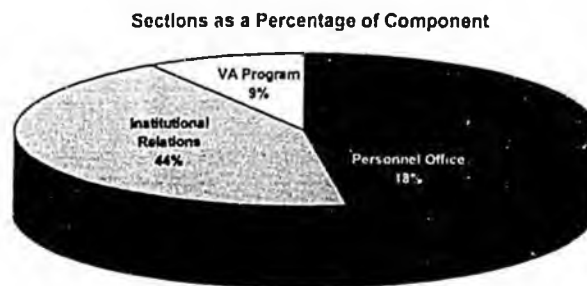
The *institutional authorization* (IA) unit facilitates the authorization and regulation of 69 postsecondary institutions in the state of Alaska. Based upon a list of responsibilities established for the ACPE in statute, IA staff strive to provide consumer protection services to Alaska's students. The IA coordinator works closely with administrators of the institutions to assure ethical business practices, fair advertising, and appropriate health and safety practices.

The *Alaska State Approving Agency* (SAA) is a federal veterans affairs program which provides review and oversight of educational institutions and training sites to determine if state educational programs qualify for attendance by veterans utilizing their G.I. Bill benefits. This program is funded entirely through federal receipts.

The *institutional liaison* is a coordinator position whose responsibility it is to maintain a network of key contacts with student financial aid customers throughout Alaska. This network includes financial aid staff at institutions participating in Alaska's education loan programs, education counselors at high schools, employment centers, parent groups, and various other interested organizations. This position was originally full-time, but was merged in FY 97 to include SAA coordination.

The *institutional audit and school compliance* unit staff provide a variety of compliance audit and program review services to the agency, schools participating in the Alaska Student Loan Program, and schools authorized to operate by ACPE. Because the majority of authorized institutions are located in the greater Anchorage and surrounding area, all audit/compliance staff and functions are centralized in Anchorage to increase efficiency.

Figure 13



~ Component Operating Budget ~

Program Administration	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Personal Services	785.9	805.0	2.4%
Travel	129.4	130.3	0.7%
Contractual Services	109.0	155.6	42.7%
Commodities	15.0	18.6	24.0%
Equipment	5.8	10.7	84.5%
<b>Total</b>	<b>1,045.1</b>	<b>1,120.2</b>	<b>7.2%</b>
<i>Positions</i>			
PFT	12.0	13.0	8.3%
PPT	0.0	0.0	0.0%
<i>Funding</i>			
1002 Federal Receipts	151.4	100.0	-34.0%
1022 Corporate Receipts	893.7	1,020.2	14.2%

**Changes From FY 97 to FY 98**

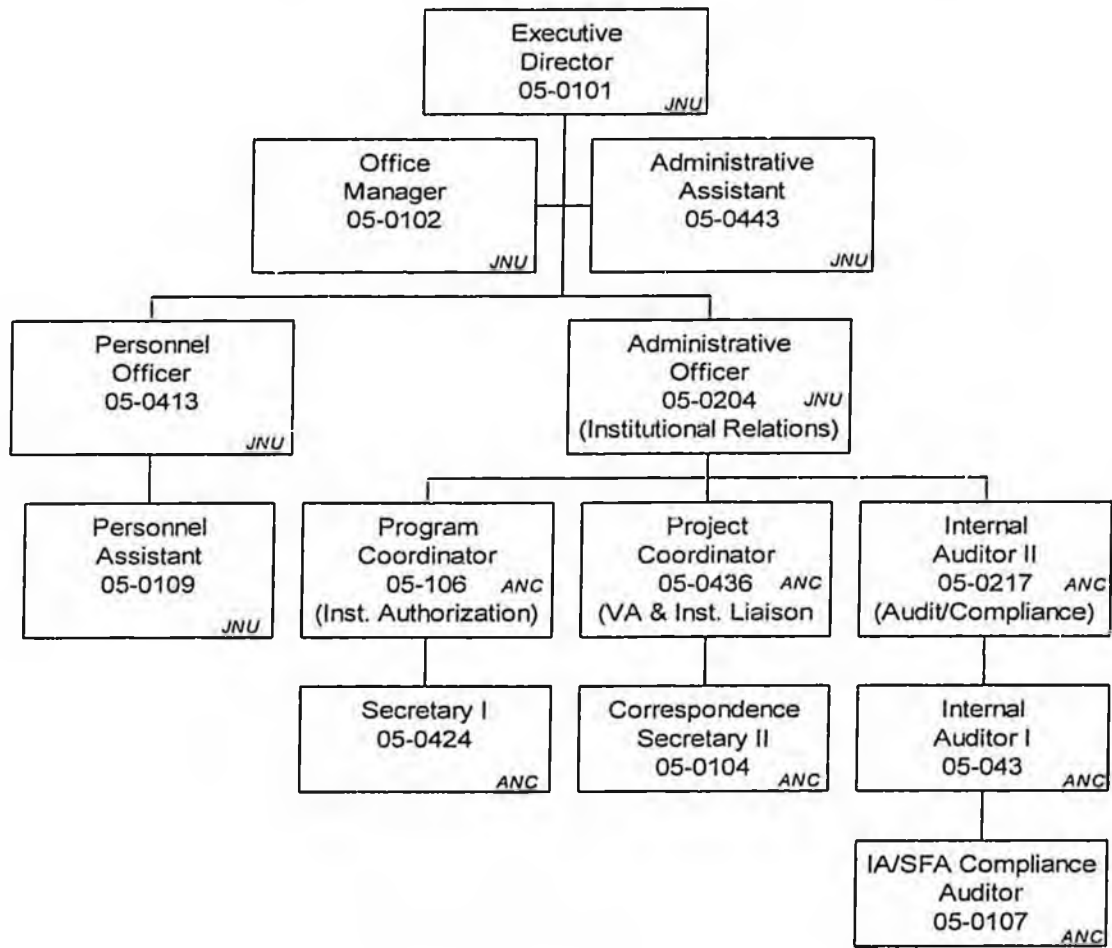
The Commission approved cost of living (COLA) increases to the salary schedule due to the passage of SB1003 in the last legislative session. The COLA is budgeted at 1.5 percent in FY 98. In addition, the Office of Management and Budget allocated increased authority for a health premium increase in FY 98.

Two positions, a secretary and a project coordinator, are transferred to program administration from student loan operations. The positions do not directly function in student loan operations and are realigned as support staff for the institutional relations function within the Commission. Supporting funds for these positions are also transferred.

One position, an analyst/programmer, is transferred from program administration to student loan operations to support the new loan servicing system. The costs of this position are offset by position deletions within student loan operations, therefore, no supporting funds are transferred from program administration.

Contractual, supply, and equipment funds are transferred to program administration from student loan operations. These funds are to be used for the following: a job evaluation study to determine the role, relationship and value of each position to the business needs of the agency; to supplement supply budgets for the rising costs of paper and printer toner; and the purchase of recording and transcribing equipment.

~ Program Administration  
Proposed FY 98 Organization Chart ~



Total Position Count:	13
Juneau:	6
Anchorage:	7

~ WAMI Medical Education ~

**Synopsis**

The WAMI program provides guaranteed access to a medical school for residents of Alaska. The University of Washington, School of Medicine, which focuses on producing family practice doctors, acts as the regional medical school for Washington, Alaska, Montana and Idaho by reserving a predetermined number of class places each year. After admission, Alaska students attend the University of Alaska, Anchorage, for the first year of medical school. Then students attend the second through fourth year in Seattle, with the option of clinical clerkships during this time at clinics in towns in the WAMI states.

The Alaska clinical sites are supported by WAMI funding as Alaska is a participant in the WAMI program. Alaska currently

contracts with the University of Washington and pays for thirty (30) places, ten (10) in each of the 2nd, 3rd and 4th years of study.

**Issues**

With the phase-out of the WICHE Professional Student Exchange Program, the WAMI Program remains the primary vehicle through which Alaska residents gain access to a medical education program.

**Changes from FY 97 to FY 98**

An increment of \$41,400 is requested to cover a contractual increase in support fees for the University of Washington, School of Medicine.

~ Component Operating Budget ~

WAMI Medical Education	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Contractual Services	1,309.0	1,350.4	3.2%
<i>Total</i>	1,309.0	1,350.4	3.2%
<i>Positions</i>			
PFT	0.0	0.0	0.0%
PPT	0.0	0.0	0.0%
<i>Funding</i>			
1004 General Fund	1,309.0	1,350.4	3.2%

~ WICHE Student Exchange Program ~

**Synopsis**

The Commission serves as Alaska's agency for coordinating activities in the 15-state Western Interstate Commission on Higher Education (WICHE) through cooperative agreements with other states in the region. The goal of this component is to provide undergraduate and graduate educational access and information to Alaskan students studying or wishing to study in fields for which there are no programs operating in Alaska or which are offered to residents of member states in order to maximize the benefits of regional educational resources.

The component administers various WICHE programs in Alaska: 1) The Western Undergraduate Exchange (WUE); 2) The Professional Student

Exchange Program (PSEP); and 3) The Western Regional Graduate Program (WRGP). The current total participation level for Alaska is about 800 students a year.

**Changes from FY 97 to FY 98**

FY 97 funding pays WICHE compact membership dues and funds six continuing PSEP students. These six students will complete their final year of program support in FY 97, and new students have not been funded in the last four years. Therefore, FY 98 funding is reduced by (\$111,100) and the remaining contractual funds will pay WICHE compact membership dues only. This membership provides access for Alaskans to the other two exchange programs.

~ Component Operating Budget ~

WICHE Student Exchange Program	FY 97 Final Authorized	FY 98 Request	% Change
<b>Line Items</b>			
Contractual Services	82.5	82.5	0.0%
Grants	111.1	0.0	-100.0%
<b>Total</b>	<b>193.6</b>	<b>82.5</b>	<b>-57.4%</b>
<b>Positions</b>			
PFT	0.0	0.0	0.0%
PPT	0.0	0.0	0.0%
<b>Funding</b>			
1004 General Fund	193.6	82.5	-57.4%

~ Federal Student Aid ~

**Synopsis**

This component administers the State Student Educational Incentive Grant (SEIG) program. The goal of SEIG program is to administer federal student financial aid programs to provide the greatest benefit to Alaskan students. This program provides need-based grants of up to \$1,500 per year to eligible low-income students enrolled in full-time undergraduate programs at in-state and out-of-state postsecondary institutions.

**Issues**

The state must commit maintenance of effort (MOE) funds of approximately one-to-one in order to qualify for federal funding; therefore, the budget authority for this program is funded with both federal and state funds. This program is

the only needs-based student aid program administered by the State.

The FY 98 funding level for this component will allow the Commission to award need-based grants to approximately 162 of the 1,562 eligible applicants.

**Changes from FY 97 to FY 98**

FY 97 actual federal funding of \$49,800 for the SEIG program was 50.5 percent lower than the actual funding level in FY 96 of \$100,600. The Commission anticipates an increase over FY 97 actual federal funding for FY 98 and has budgeted at a level consistent with anticipated actual receipts. That will satisfy the MOE requirement of funding at a level at least equal to the prior three-year average.

~ Component Operating Budget ~

Federal Student Aid	FY 97 Final Authorized	FY 98 Request	% Change
<i>Line Items</i>			
Grants	288.5	243.5	-15.6%
<i>Total</i>	288.5	243.5	-15.6%
<i>Positions</i>			
PFT	0.0	0.0	0.0%
PPT	0.0	0.0	0.0%
<i>Funding</i>			
1002 Federal Receipts	125.0	80.0	-36.0%
1003 General Fund Match	163.5	163.5	0.0%

**Appendix A**

### *Alaska Commission on Postsecondary Education*

<i>Member</i>	<i>Seat</i>
Mark Regich, Chair	General Public
Bobette Bush, Vice Chair	Community College
Senator Johnny Ellis	Alaska State Senate
Representative Con Bunde	Alaska House of Representatives
Dr. Milton Byrd	Proprietary Education
Mary Jane Fate	UA Board of Regents
Eric Forrer	UA Board of Regents
Rosa Foster	General Public
Dr. Alice Galvin	Alaska Human Resource Investment Council
Dr. Lydia L. Hays	Private Higher Education
Dr. Roger Jarvis	State Board of Education
Charles H. Parr	General Public
Scott A. Sterling	General Public
Vacant	Student

### *Alaska Student Loan Corporation*

Mark Begich, Chair	Alaska Commission on Postsecondary Education
Eric Forrer, Vice Chair	Alaska Commission on Postsecondary Education
Mark Boyer	Commissioner of Administration
Wilson Condon [Designee: Ross Kinney]	Commissioner of Revenue
Willie Hensley [Designee: Guy Bell]	Commissioner of Commerce and Economic Development

## ~ Mission Statement ~

The Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation support the development of economically viable, lifelong learners and citizens by providing educational loans to postsecondary students and authorizing the operation of postsecondary institutions.

### Alaska Commission on Postsecondary Education

Statutory responsibilities and duties:

#### *Offer Student Financial Aid by*

- ◆ originating and servicing, for the Alaska Student Loan Corporation, full-time, half-time, teacher scholarship, and family education loans ~
- ◆ originating and servicing Memorial Scholarship loans ~
- ◆ disbursing state and federal grants to low income students ~
- ◆ arranging participation in both the WICHE Professional Exchange and WAMI Medical programs ~

#### *Protect the Consumer by*

- ◆ monitoring school advertising and contracts with students ~
- ◆ handling customer complaints ~
- ◆ assuring loan/tuition refunds and student teach-outs when schools close ~
- ◆ gathering information on funding available to residents of Alaska and disseminating the information to reasonably assure that qualified residents are aware of financial resources available to those attending or seeking to attend postsecondary institutions ~

### *Authorize Postsecondary Institutions within Alaska by*

- ◆ approving institutions for Alaska student loans and Veterans Affairs funding ~
- ◆ providing biennial review and re-authorization for approximately 69 postsecondary institutions or programs ~
- ◆ regulating program and degree offerings ~

### Alaska Student Loan Corporation

Statutory responsibilities and duties:

*Borrow money to carry out the purpose of the Corporation and issue obligations as evidence of that borrowing.*

*Invest or reinvest money held by the Corporation.*

*Enter into agreements with the ACPE relating to the administration of the student loan fund.*

It is the Corporation's intention to maintain a mix between outstanding debt and repayments on loans held by the Corporation until new loan demand can be financed exclusively with loan repayments.

# Alaska Mental Health Trust Authority

Presentation to  
House Finance Committee

January 24, 1997

1

handout  
1/24/97

# Key Terms of Settlement

- Mental Health Trust Lands and associated state lands released for development
- Trust Authority free to use Trust resources to act as a catalyst for change
- Trust Authority funding recommendations considered in a single appropriation bill
- Trust Authority to aid in comprehensive planning for mental health

# Present Challenges

- Assure beneficiaries that they will get the benefit of their bargain
- Work with legislature to make the process succeed
- Encourage innovation and improvements for Alaska's mental health system
- Avoid reinstating the litigation

## Trust Land Management Report Card: FY97

### **INCOME**

- √ Increased Trust land revenues by over 250% from FY95 with receipts coming from activities associated with over 20% of the Trust land portfolio.
- √ Reduced cost of revenue dollar by 31.9%. It cost \$268,000 to produce \$580,500 in 1995, and \$558,000 to produce \$1,450,000 in 1996.

### **SETTLEMENT CLOSURE**

- √ Substantially completed conveyances to Trust: 5,000 parcels, 99 deeds, 1 million acres.
- √ Published regulations for management of Trust lands, with adoption expected in January 1997.

### **LAND**

- √ Actively managing over 130 existing land leases by inspecting sites, enforcing non-compliance and revising agreements as necessary to ensure consistency with Trust management principles.
- √ increased land lease rents from approximately \$170,000 due in 1996 to over \$500,000 in 1997 (over 200 percent increase).
- √ sold 25 subdivision parcels scattered throughout the state.

### **TIMBER**

- √ sold five million board feet of Trust land timber, worth approximately \$1 million, as the first in a series of timber sales at Icy Cape (received approx. \$500,000 in FY96).

### **MINERALS**

- √ managed over 1,500 valid existing mining claims on Trust land.
- √ Commenced Fort Knox gold production, with 100% of royalties paid to the Trust.
- √ Commenced mineral exploration which affect over 100,000 acres of Trust land.

### **COAL, OIL AND GAS**

- √ Facilitated the return of active coal mining to the Matanuska Valley at the Evan Jones mine.
- √ Completed successful Cook Inlet Basin lease sale: 7 tracts, 26,000 acres, \$550,000 bonus bids (\$20 per acre average).

### **OTHER**

- √ received the first donation of real estate to the Trust: 26 acres on the Kenai Peninsula.
- √ Broke the "log jam" of community development requests on Trust land.
  - Granted right-of-way at Thome Bay to Kasaan.
  - Approved sale of overburden dump site to City of Petersburg.
  - Granted rights-of-way necessary for Fort Knox project completion.
  - Processing road improvement rights-of-way in Wasilla, Wrangell, and other communities.
  - Facilitating waterfront re-development in downtown Juneau.

# Community Benefits

- Fairbanks Area: Fort Knox Mine
- Cordova/Yakutat: Johnson Creek Timber Sale
- Moose Pass: Tower Timber Sale
- Matanuska Valley: CIRI and Nerox Coal Leases
- Kenai and Wasilla Areas: Cook Inlet Reoffer Leases
- Juneau: Subport Development
- Petersburg: Rock Pit and Fill Site Lease
- Prince of Wales: Thorne Bay to Kasaan R/W
- Anchorage: School Site Exchange, closed Hiland Road Landfill

# Land Management: Costs and Revenues

	<i>Costs</i>	<i>Revenues</i>
FY95 (6 months)	\$268,000	\$380,000
FY96	\$558,000	\$1,450,000
FY97 budgeted	\$697,500	\$2,000,000
YTD	\$204,790	\$1,101,400

# What we said we would do

- Developing outcome measures and data integration
- Increasing funding for effective and cost-efficient programs
- Decreasing funding for ineffective or unnecessary programs or other costs
- Needs-based funding for services

## AMHTA Report Card: FY97

In its first full year of operations, the Trust Authority:

- ✓ established the Trust's mission and vision;
- ✓ established and adopted an Investment Policy Statement which guides the Trust in cash asset management activities;
- ✓ **adopted an annual payout rate of 3 percent** of the Trust's cash principal balance for funding programs in the Comprehensive Integrated Mental Health Program;
- ✓ **generated \$1.4 million through natural resource development;**
- ✓ provided leadership in developing the state's Comprehensive Integrated Mental Health Program through the adoption of guiding principles, funding strategies, and collaboration;
- ✓ Conducted an outcome measures Training Institute to begin building program accountability;
- ✓ recommended funding for the state's FY97 Comprehensive Integrated Mental Health Program and successfully negotiated its implementation;
- ✓ **committed nearly \$8 million in Trust income** for FY97 to support the state's Comprehensive Integrated Mental Health Program.
- ✓ established protocols for addressing future program funding requests;
- ✓ implemented strategies to ensure the development of better information for decision makers;
- ✓ defined the scope of Trust Authority regulations and implemented a work plan to prepare regulations;
- ✓ developed funding strategies for FY98; and,
- ✓ informed and educated the public, consumers, planning boards, and legislature about the purpose and activities of the Trust.

*For information about the Trust:*

*Alaska Mental Health Trust Authority*

3601 C St. Suite 742  
Anchorage, AK 99503  
(907) 269-7960 phone  
(907) 269-7966 fax

*For information about Trust land:*

*Alaska Mental Health Trust Land Office*

3601 C St., Suite 880  
Anchorage, AK 99503  
(907) 269-8656 phone  
(907) 269-8905 fax

# What we will do next

- Close Harborview Developmental Center
- Proceed with API 2000
- Outcome-oriented programs
- Integrated data collection

handout  
1/24/97

# Alaska Mental Health Trust Authority

## Annual Report



September 15, 1996

# Alaska Mental Health Trust Authority

## Vision and Mission

adopted 2/9/96

The Alaska Mental Health Trust Authority administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust and to provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program to improve the lives and circumstances of its beneficiaries.

### Members of the Alaska Mental Health Trust Authority

Nelson Page, Chair	<i>Anchorage</i>
Kay Burrows	<i>Anchorage</i>
Tom Hawkins	<i>Anchorage</i>
John Malone	<i>Bethel</i>
John Pugh	<i>Juneau</i>
Evelyn Tucker	<i>Anchorage</i>
Phil Younker	<i>Fairbanks</i>

### STAFF TO THE ALASKA MENTAL HEALTH TRUST AUTHORITY

Jeff Jessee	<i>Executive Director</i>
Mary Elizabeth Rider	<i>Planner</i>
Bill Herman	<i>Planner</i>
Gil Nelson	<i>Clerk</i>
Betty Sorensen	<i>Administrative Manager</i>

# Alaska Mental Health Trust Authority Annual Report

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## Executive Summary

## **Executive Summary**

### ***Purpose of the Annual Report***

Each year, the Alaska Mental Health Trust Authority writes a report to the Governor, legislature, the beneficiaries, and the public. In this, the Trust Authority's second year of operation, the Trustees are pleased to inform readers about the activities of the Trust Authority, the status of the Comprehensive Integrated Mental Health Program, and the separate appropriation that pays for services in the mental health program. This report features for the first time some comparative and descriptive information about the Trust's beneficiaries: information about age, ethnicity, education, gender, marital status, living circumstances, employment, income, and services needed and used. This information has assisted the Trustees in planning budget priorities for the coming fiscal year. The Trustees believe that Alaska's policy-makers will find this information of use as they consider the separate appropriation for the Comprehensive Integrated Mental Health Program for fiscal year 1998 (FY98).

### ***Overview of Trust Authority Activities***

The purposes of the Alaska Mental Health Trust Authority (Trust Authority or AMHTA) are to ensure the proper management of Trust assets, recommend the separate appropriation of general funds and spend Trust income to ensure the creation of a Comprehensive Integrated Mental Health Program to improve the lives and circumstances of the beneficiaries. The beneficiaries include Alaskans who experience:

- mental illness;
- mental retardation or similar disabilities;
- chronic alcoholism with psychosis; or,
- Alzheimer's disease or related dementia.

The Comprehensive Integrated Mental Health Program contains many services from institutions to community services, and includes prevention and family support as critical components of the total service array. The state's mental health program continues to require change to meet the needs of the Trust's beneficiaries and other Alaskans who require similar assistance.

## AMHTA Report Card

In its first full year of operations, the Trust Authority:

- √ established the Trust's mission and vision;
- √ established and adopted an Investment Policy Statement which guides the Trust in cash asset management activities;
- √ **adopted an annual payout rate of 3 percent** of the Trust's cash principal balance for funding programs in the Comprehensive Integrated Mental Health Program;
- √ **generated \$1.4 million through natural resource development;**
- √ provided leadership in developing the state's Comprehensive Integrated Mental Health Program through the adoption of guiding principles, funding strategies, and collaboration;
- √ recommended funding for the state's FY97 Comprehensive Integrated Mental Health Program and successfully negotiated its implementation;
- √ **committed nearly \$8 million in Trust income** for FY97 to support the state's Comprehensive Integrated Mental Health Program.
- √ established protocols for addressing future program funding requests;
- √ implemented strategies to ensure the development of better information for decision makers;
- √ defined the scope of Trust Authority regulations and implemented a work plan to prepare regulations;
- √ developed funding strategies for FY98; and,
- √ informed and educated the public, consumers, planning boards, and legislature about the purpose and activities of the Trust.

Four Governor-appointed boards plan services for the Trust's beneficiaries: the Alaska Mental Health Board (AMHB), Governor's Council on Disabilities and Special Education (Governor's Council), Alaska Commission on Aging (ACoA), and the Governor's Advisory Board on Alcoholism and Drug Abuse (ABADA). The Trust Authority spearheads the efforts of these planning boards in ensuring the creation of an adequate mental health program. To do this effectively, the Trust must work to ensure that providers, administrators, and consumers are generally in agreement about the problems, the number of people affected, the impact of these problems on beneficiaries, and solutions. Significant effort has been spent during the last year clarifying the Trust's role in relation to state administrative agencies, the planning boards, and consumers of services.

### ***Managing Trust Assets***

The Trustees have contracted with the Alaska Permanent Fund Corporation for the management of the cash principal of the Trust. The Trust earns a pro rata share of the total earnings of the Permanent Fund. To ensure consistent contributions from the Trust to support the mental health program, the Trustees adopted an annual payout rate of 3 percent of the Trust's cash principal balance. This net income is then available in subsequent fiscal years to fund mental health program expenses.

The Trustees have contracted with the Department of Natural Resources for the management of the Trust land. The portion of the revenue from the land which is attributable to income is also available in subsequent fiscal years to support the mental health program. The Trust Land Office has significantly increased Trust revenues from the land and is preparing a long term development plan for these assets. In addition, the Trust Land Office has released proposed Trust land management regulations for public comment.

This asset management structure will ensure a steady and increasing funding source for mental health services in perpetuity. The Trustees will further refine and integrate the management of these assets to maximize the return for the beneficiaries.

### ***Developing the Comprehensive Integrated Mental Health Program***

Good planning and decision-making begin with good information. The Trustees have learned a great deal about the beneficiaries and the mental health program over the last year but believe that more must be done to provide the quality of information needed for the difficult decisions that lie ahead.

Most of the planning boards rely on national prevalence data, sometimes without much adaptation for Alaska's unique problems and conditions. Information on service utilization is primarily from the public sector, increasing the difficulty of determining how public and private services can be integrated. Different data systems are uncoordinated and often cannot provide even an unduplicated count of who is being served. Most importantly to the Trustees, more focus must be placed on identifying and measuring the consumers outcomes attained because of publicly funded services.

Improvements in these information systems are in progress. The Department of Health and Social Services is developing a comprehensive data integration system. The planning boards and other departments are moving toward more reliable data gathering and reporting methods. In addition to supporting many of these efforts with Trust income, the Trustees will conduct a training institute in fall 1996 to focus attention on the need to develop consumer outcome measures for program planning and evaluation.

The Trustees continue to work in conjunction with the Department of Health and Social Services as it develops a Comprehensive Integrated Mental Health Plan. This document, titled In Unison, will provide policy direction for future mental health program development and budget recommendations.

## ***Funding the Mental Health Program***

### **FY97 Mental Health Program Funding**

For FY97 the Trustees allocated nearly \$8 million in Trust income to support the state's mental health program. These funds leveraged an additional \$2.4 million in GF/MH funding and \$1.5 million in Alaska Housing Finance Corporation receipts. The results from this partnering include:

- continued phase-out of Harborview Developmental Center as a residential facility for beneficiaries;
- support for key prevention programs such as Healthy Families Alaska;
- funding mini-grants for essential beneficiary services such as eyeglasses, hearing aids and dental care;
- increased direct services such as respite care, vocational services, emergency care for chronic alcoholics, treatment for people with dual diagnoses, care coordination for seniors, psychiatric nursing services for prisoners, and infant learning;
- Trust funding for innovative systems change such as a case management system for seriously emotionally disturbed youth, improvements in management information systems, and quality assurance monitoring;
- capital funding for facility renovation and construction, including a new adult day care center in Chugiak to be built with Trust income;
- funding for housing accessibility modifications; and
- development of integrated transportation systems to better utilize vans and other beneficiary transportation systems.

### **FY98 Mental Health Program Funding**

The Trustees have reviewed budget recommendations from the four planning boards and the Departments which serve the beneficiaries. Despite a projected population increase of 2 percent and inflation rate of 3.5 percent, the Trustees recommend General Fund/Mental Health (GF/MH) operating budget increases of approximately 4.4 percent. The Trustees believe that by carefully targeting these funds and Trust income, the overall quantity, quality and efficiency of services to the beneficiaries can be increased. The Trustees have already allocated nearly \$1 million of Trust income to enable the state to complete the phase-out of the Harborview Developmental Center in FY98 without increasing the need for GF/MH funds for that purpose.

In addition, the Trustees recommend a GF/MH capital budget of approximately \$4.7 million and the use of \$4.5 million of Alaska Housing Finance Corporation receipts to be matched by \$2.3 million in Trust income. This capital funding package is necessary to maintain the mental health program infrastructure and further management information system development.

The Trustees will supplement this report as they allocate additional Trust income for FY98.

## **Overview of the Trust**

### ***Vision and Mission***

The Alaska Mental Health Trust Authority administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust and to provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program to improve the lives and circumstances of its beneficiaries.

### ***Background***

The seven Trustees of the Alaska Mental Health Trust Authority manage the Alaska Mental Health Trust for its beneficiaries. The Trust was established before statehood by the Alaska Mental Health Enabling Act of 1956.

The purpose of the Enabling Act in 1956 was to authorize the Territory to bring home Alaskans with mental disabilities who had been sent Outside and to ensure the creation of a Comprehensive Integrated Mental Health Program for all Alaskans. The beneficiaries of the Trust include Alaskans who experience:

- mental illness;
- mental retardation or similar disabilities;
- chronic alcoholism with psychosis; or,
- Alzheimer's disease or related dementia.

The Comprehensive Integrated Mental Health Program contains many services from institutions to community services, and includes prevention and family support as critical components of the total service array.

### ***Settlement Framework***

The state originally selected 1,000,000 acres of federal land for the Trust. But breaches of the state's fiduciary duty and mismanagement resulted in the best half of that land being removed from the Trust for parks, local governments and private ownership. A lawsuit, Weiss v. State, was filed and in 1985 the Alaska Supreme Court ordered that the Trust be restored.

In 1994 the lawsuit was settled. The Trust was recreated with:

- 500,000 acres of remaining original Trust land;
- 500,000 acres of replacement land; and a
- \$200 million cash endowment.

The Trustees were appointed to ensure proper asset management and to ensure the creation of a Comprehensive Integrated Mental Health Program. To accomplish this goal, other significant changes to the state's planning and budgeting process were made and include:

- A Comprehensive Integrated Mental Health Program planning process led by the Department of Health and Social Services in conjunction with the Trust Authority;
- Trust Authority coordination and review of budget recommendations developed by the four planning boards;
- A separate appropriation bill based upon the recommendations of the Trust Authority for state general fund support of the operating and capital expenses of the mental health program; and,
- Spending of Trust income by the Trustees to help ensure a Comprehensive Integrated Mental Health Program.

### ***Duties of the Trust Authority***

*Enhance and Protect the Trust.* Trustees have a fiduciary obligation to ensure that the Trust's assets are managed in a way that will provide funding for services to beneficiaries in perpetuity.

*Spend Trust Income.* Income from Trust land and financial investments pays for services in the Comprehensive Integrated Mental Health Program; to adjust the principal of the Trust for inflation; and to pay for the cost of managing the Trust's assets and for the Trust Authority.

*Provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program.* The Trust Authority coordinates with state agencies about programs that affect beneficiaries. Trustees consider recommendations from four Governor-appointed boards and commissions in funding services to beneficiaries from Trust income, and in recommending the state's General Fund/Mental Health budget in their Annual Report. The Trust Authority's recommendations are brought forward as a separate appropriation bill before the legislature. Trustees, members of the four ensure boards, consumers, and providers work with the administration and legislature to ensure adequate funding for the Comprehensive Integrated Mental Health Program through this separate appropriation and the expenditures of Trust income by the Trustees.

**The Year In Review**

## ***The Year in Review***

### ***FY96 Trust Activities***

Significant accomplishments of FY96 include establishing a vision and mission; planning the Comprehensive Integrated Mental Health Program in conjunction with the Department of Health and Social Services; conducting successful budget negotiations for the FY97 Comprehensive Integrated Mental Health Program; establishing protocols for addressing future program funding requests; defining the scope of Trust Authority regulations; using Trust income to supplement the FY96 budget; informing and educating the public about the Trust and Trust Authority activities; and managing the Trust's cash and land assets including the adoption of an Investment Policy Statement.

#### Establishing a Mission and Vision

In February 1996, Trustees established the Trust's vision and mission:

*The Alaska Mental Health Trust Authority administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust and to provide leadership in advocacy, planning, implementing, and funding of a Comprehensive Integrated Mental Health Program to improve the lives and circumstances of its beneficiaries.*

#### Managing Trust Assets

To manage Trust cash assets, the Trust Authority contracts with the Alaska Permanent Fund Corporation (APFC). The APFC invests the Trust principal, and re-invests a portion of the Trust's income to inflation-proof Trust assets. The Trustees contracted with the Alaska Permanent Fund Corporation to manage the \$200 million cash principal along with the Permanent Fund. The Trust earns its pro rata share of Permanent Fund income and pays its share of expenses. Further discussion of Trust fund management follows on p. 9.

To manage the land assets, the Trust Authority contracts with the state's Department of Natural Resources. A separate Mental Health Trust Land Office manages 1 million acres of land, assuring that the land is maintained, improved, and generates revenue for the Trust. The Trust Land Office consults with Trustees on lands activities such as timber, real estate, minerals and coal, oil and gas development. Trustees must approve exchanges of Mental Health Trust land. The Mental Health Trust Lands Office is fully funded with Trust income. In future years, revenue from Trust lands is expected to provide an increasingly important contribution to Trust income and principal. Further discussion of natural resource management follows on p. 12.

### Planning the Comprehensive Integrated Mental Health Program

The Department of Health and Social Services is charged by statute to write a plan describing the Comprehensive Integrated Mental Health Program in conjunction with the Alaska Mental Health Trust Authority. Trustees funded half of a two-year position to write a plan documenting the existing system and proposing changes to the program. Trustees and Trust Authority staff work closely with the Department in coordinating data collection, and ensuring that the Department's plan complements the plans of the four planning boards.

### Negotiating FY97 funding for the Comprehensive Integrated Mental Health Program

To recommend a base level of state general fund support for the mental health program, the Trustees considered historical state spending, reviewed recommendations made by the ACoA, AMHB, ABADA, and Governor's Council, and considered input from the Departments of Health and Social Services, Corrections and Administration. The Trustees recommended a continuation of the state's past base level of general fund/mental health (GF/MH) funding of \$110 million for FY97.

The Trustees proposed funding strategies to further the state's efforts toward de-institutionalization and provide community based services as close to beneficiaries' homes as possible. It focuses on early intervention and increasing the ability of beneficiaries to remain as independent as possible, thereby reducing the demand for expensive services.

Recommendations by the four planning boards identified a substantial unmet need far past the Trust's funding capacity. The Trust Authority proposed operating budget increments of about \$4.9 million in GF/MH funding and the expenditure of \$1.9 million in Trust income: a total of \$6.8 million. The Trustees recommended nearly \$7 million in capital investments, including nearly \$2 million from the Trust.

The Governor submitted a mental health operating budget which included some of the Trustee's recommendations for funding program improvements but also contained reductions in some core mental health services. Members of the legislature retained one reduction in service, but worked closely with the Trustees and the administration to respond to the needs of Trust beneficiaries. The legislature and Governor increased the state's GF/MH contribution to meet the operating expenses of the mental health program by over \$2.3 million, and the capital costs associated with the mental health program by almost \$1.8 million in Alaska Housing Finance Corporation funds and \$75 thousand GF/MH funds. To assist the Governor and legislature in their decisions to commit increased state funds in a time of declining oil revenues, the Trustees committed over \$7.9 million in Trust income to the comprehensive mental health program in both operating and capital expenses. In total, the state's operating budget for the mental health program increased by over \$6 million. The capital budget is \$5.8 million, two-thirds of which are Trust funds. Two tables describing the mental health budget follow on pages 7 and 8.

### Establishing protocols for addressing program funding requests

The Trustees adopted and implemented policies and procedures for making funding recommendations and responding to funding requests. The Trust has five ways to recommend GF/MH funding and to obligate Trust Income. These are the Request for Recommendations process resulting in the separate Mental Health Appropriation Bill; Small Projects funding; Emergency Requests; Special Issues funding; and projects that result from negotiations with the Governor and legislature.

### Defining the scope of Trust Authority Regulations

The Trust Authority is responsible for promulgating regulations relating to the Comprehensive Integrated Mental Health Program and to spending Trust funds. Regulations must address, but are not limited to:

- definitions of mental health disorders and services;
- procedures by which an aggrieved person or group who believe they have not received services that should be provided from the Trust may apply to the Authority for redress;
- allowing and encouraging entities providing trust funded services to integrate those services with other community human services funded by other sources;
- administrative adjudication procedures, including but not limited to the acceptance of applications for integration of services, investigations, hearings and the issuance of administrative orders;
- establishing a process for long range planning for expenditures from the mental health trust income account;
- criteria for determining the nature and extent of necessary services and related expenses to be funded from the trust;
- mechanism for charitable contributions to the Trust; and
- provisions for the administration of grants and contracts made with Trust income.

### Mental Health Program operating expenses FY96

In early 1996, the Trustees were made aware of a funding deficit in a program that provides substantial services to children who have autism. Due to changes in federal funding, the Alaska program's funding was reduced substantially. To ensure that services continued uninterrupted in the last quarter of FY96, the Trust guaranteed just over \$27,000 to the program, matched by \$10,000 from the Division of Mental Health and Developmental Disabilities.

With intensive, individualized, and focused intervention, autistic children ages two to five may have their autism substantially reduced or eliminated. This allows children to participate more fully in their communities and schools at significantly reduced costs to the education and human service systems. Services are provided by volunteers with professional oversight, for which families pay \$200 per month.

### Informing and educating the public

To learn about the needs of beneficiaries and inform them about the Trust's role and activities, the Trustees conduct Town Meetings in each community in which they meet. The Trust Authority has published two information sheets about the purpose of the Trust and budget process, occasional flyers describing the status of the budget, and a calendar of meetings relevant to the Department, four boards, and Trust Authority.

### ***FY97 Trust Strategies***

In July 1996, the Trustees set the following objectives for their work in FY97.

- Increase the Trust Authority's leadership role in developing the Comprehensive Integrated Mental Health Program.
- Better define the scope of the Comprehensive Integrated Mental Health Program. Identify the current public costs of the system and where funding allocations could be changed to improve program effectiveness and efficiency.
- Ensure that beneficiaries have access to necessary integrated services--regardless of their location and across service systems.
- With the four planning boards and administrative agencies, identify and understand outcomes for beneficiaries and other consumers of services.
- To obtain adequate baseline data about the number of beneficiaries who use or require services in FY97.
- Complete and adopt Trust Authority program regulations by July 1997.
- Increase and enhance communications between the Trust and beneficiaries.
- Put in place agreements and procedures defining roles in tracking Trust fund expenditures in state programs with program administrators.
- Successfully establish and implement a budget that improves the state's Comprehensive Integrated Mental Health Program.
- Maintain a successful integrated strategic plan for cash and land management.
- Coordinate with the AMHB and DHSS to assist in current planning for acute and long term care for people with mental illness in the Alaska Psychiatric Institute (API).

The Trustees established a budget with the Governor and legislature to fund the FY97 Comprehensive Integrated Mental Health Program. A summary of the Trustee's recommendations for improving the mental health program and the final budget outcomes follow. The mental health program is reviewed on page 30. A forecast of the numbers of people who need services, including descriptions of beneficiaries' service use and life circumstances, is found on pages 16 and following.

Operating increments FY97

Dept.	BRU/ Component	Service	AMHTA Recs. 10/31/95	Final MHTAAR	Final GF/MH
DOA	Senior Services	Care Coordination/ Purchased Services for Seniors	\$900.0	\$0.0	\$250.0
DOA	Senior Services	Increased Respite for Seniors	200.0	0.0	0.0
DOA	HCB Services	Training on ADRD		40.0	
DOA	HCB Services	Data Management Project for ADRD		217.0	
DOC	Statewide Operations	Prison Mental Health Psychiatric Residency Program	30.0	0.0	0.0
DOC	Statewide Operations	Psychiatric Nurse Assistants for Women Offenders	80.0	0.0	80.0
DOC	Statewide Operations	Needs assessment for MIS		50.0	
DHSS	State Health Services	Healthy Families Program	250.0MH	150.0	0.0
DHSS	Health Grants	Infant Learning Program Grants	740.0	0.0	150.0
DHSS	Health Grants	Pediatric neurodevelopmental assessments & genetic services		70.0	
DHSS	ADA Grants	MH/Chronic Alcoholism Dual Diagnosis Treatment	368.0	0.0	100.0
DHSS	ADA Grants	Emergency Care for Chronic Alcoholics	254.6	0.0	110.0
DHSS	ABADA	Capital needs assessment project		50.0	
DHSS	Psych Emerg Services	Mental Health Crisis Respite	750.0	0.0	250.0
DHSS	Psych Emerg Services	Diversion from Hospitalization	0.0	0.0	150.0
DHSS	Services to CMI	12 Sourdough residents to community placement	385.0MH	0.0	385.0
DHSS	Desig Eval & Treatment	MH Voluntary/Involuntary Inpatient Care	750.0	0.0	0.0
DHSS	SED Youth	Case management project for youth		150.0	
DHSS	Gen. CMHC	Quality assurance monitoring for adult mental health services		60.5	
DHSS	DPA Admin	Case Mgmt for SSI Benefit Re-determination		25.0	
DHSS	ADA Admin	Case Mgmt for SSI Benefit Re-determination		50.0	
DHSS	DD Cmty Grants	Partial restoration of Governor's HDC 2nd year decrement (-585.0)	0.0	0.0	305.0
DHSS	DD Cmty Grants	8 HDC residents to community placement	310.0MH	0.0	310.0
DHSS	DD Cmty Grants	DD Respite services	425.0	0.0	250.0
DHSS	DD Cmty Grants	1 time respite for infants & toddlers		150.0	
DHSS	DD Cmty Grants	DD Vocational services	500.0	150.0	0.0
DHSS	Inst & Admin	API Equipment	0.0	37.5	0.0
DHSS	Inst & Admin	Feasibility study for API		50.0	
DHSS	Inst & Admin	Onetime Harborview offset for ongoing program increments elsewhere	0.0	1,250.0	0.0
DHSS	Inst & Admin	Onetime Harborview flow through for community placement of residents	0.0	695.0	0.0
DHSS	Medical Assistance	Essential Medicaid services for beneficiaries (glasses, hearing aids, dental care, & occupational therapy)	1,000.0MH	0.0	0.0
DOR	AMHTA	Mini-grants to Trust beneficiaries		1,000.0	
			GF/MH	\$4,997.6	\$4,295.0
Mental Health Trust Authority Authorized Receipts (MHTAAR or MH)				\$1,945.0MH	\$2,340.0

NOTE: This table does not reflect cuts to GF/MH base made by Governor and Legislature.

Capital expenditures FY97

Dept.	Description	AMHTA Recs. 10/31/95	Final MHTAAR	Final GF/MH	Final AHFC
DOA	Construction of new Adult Daycare Facility in Chugiak	933.2	919.0	0.0	0.0
DOA	Planning for remodel of new Adult Daycare Facility in Palmer	60.0	81.0	0.0	0.0
DOA	ADRD Remodel/Renovation in Sitka, Fairbanks, Palmer, Juneau Pioneer Homes	271.9MH 271.9	271.9	0.0	271.9
DOC	Plan for coordinated services & MIS development		100.0		
DHSS /DOA	Remodel/Renovation competitive grants	250.0MH	250.0	0.0	0.0
DHSS	Vehicles for Coordinated Transportation Services	500.0MH 500.0	500.0	0.0	0.0
DHSS	Data Integration Project	75.0MH 75.0	75.0	75.0	0.0
DHSS	ADA Mandated upgrades -Mental Health Facilities	300.0	0.0	0.0	0.0
DHSS	Moving/Renovation of MH clinic in Aniak	125.0MH	125.0	0.0	0.0
DHSS	Clinic addition/renovation in Ketchikan	212.0MH	212.0	0.0	0.0
DHSS	Program modifications of agency & state DD facilities	200.0	0.0	0.0	0.0
DHSS	Crisis Respite of MH clinics - Replacement/Renovation	500.0	200.0	0.0	0.0
DHSS	ADA Mandated upgrades - Alcohol/Drug Facilities	300.0	0.0	0.0	0.0
DHSS	Emergency Services (Detox) Modifications	150.0MH	150.0	0.0	0.0
DHSS	Remodel/Renovation of existing alcohol/drug facilities	750.0	300.0	0.0	0.0
DHSS	Construction new/replacement alcohol/drug facilities	1,000.0	0.0	0.0	0.0
DHSS	MIS upgrade for Division of ADA		200.0		
DHSS	Adaptive equipment for people with developmental disabilities	150.0MH 150.0	0.0	0.0	0.0
DHSS	Beneficiary special needs housing (home improvements/modifications for accessibility)	250.0MH 250.0	250.0	0.0	250.0
DHSS	Adult special needs housing	0.0	0.0	0.0	1,250.0
	Mental Health Trust Authority Authorized Receipts (MHTAAR or MH) GF/MH	1,833.9 5,290.1	3,633.9	75.0	
	Alaska Housing Finance Corporation				1,771.9

## ***Trust Fund Investment and Income***

The Trustees may use net income from Trust land and financial investments to: financially assist in implementing the Comprehensive Integrated Mental Health Program; to adjust the cash principal of the Trust for inflation; and to pay for the cost of managing the Trust's assets and the Trust Authority.

### **Investment Strategies: Cash Assets**

The Alaska Mental Health Trust Authority has the fiduciary obligation to ensure that the cash assets of the Trust are managed in a way that will ensure funding for services to current and future beneficiaries.

The Trust Authority has three investment pools with APFC to manage Trust cash assets. The *Principal Account*, which was an existing account, includes the original settlement amount and inflation proofing based on the United States Consumer Price Index. The *Net Income Investment Account* holds the fiscal year earnings for payout following final APFC account audits. Payments are made based on the Trust's Spending Policy outlined in the Investment Policy Statement attached in the appendix. Because the Trust Authority cannot spend funds placed in the Principal Account, Trustees established the *Principal Reserve Account* to meet future inflation proofing and spending needs when the current fiscal year earnings do not meet spending policy requirements.

The Trust Authority has contracted with the Alaska Permanent Fund Corporation (APFC) to manage Trust cash assets. The APFC commingles the Trust investments of the Principal, Principal Reserve and Net Income Investment Accounts with APFC funds for investment purposes, and receives a pro rata share of the Permanent Fund earnings, and pays a pro rata share of APFC expenses.

The Trustees have determined that the projected levels of variability of returns, projected asset class allocation (APFC Resolution 96-4 as adopted) and liquidity are within the Trust Authority's desired risk tolerance, time horizon and needed investment return as outlined in the Investment Policy Statement (IPS).

### **Investment Policy Statement**

During FY96, the Trustees established an Investment Policy Statement to assist the Trustees in effectively supervising, monitoring and evaluating the investment of the AMHTA's principal and principal reserve assets in the Mental Health Trust fund. This Investment Policy Statement was formulated by the Trustees after considering the financial implications of a wide range of policies, and describes the prudent investment process that the Trust Authority deems appropriate.

### Spending Policy

In adopting a spending policy within the IPS the Trustees outlined four objectives:

1. Follow a spending policy based upon realized return.
2. Maintain the purchasing power of the fund (inflation proofing).
3. Apply a smoothing rule to mitigate the effects of short-term market volatility on spending.
4. Maintain a constant funding support ratio by providing a steady reliable income stream from the Trust cash principal and land income to ensure the implementation of a Comprehensive Integrated Mental Health Program for the beneficiaries.

Investment returns may vary dramatically from year to year. If Trustees were to spend the annual net investment return of the fund after inflation proofing, the spending amount would fluctuate significantly. Therefore the Trustees have adopted an equilibrium (fixed percentage) spending policy based upon the year end value of the fund.

The targeted annual disbursement rate for the Trust fund is three percent (3%) of the aggregate cash principal and principal reserve account balance as reported by the APFC's Annual Audit Report at the close of the fiscal year. This three percent disbursement, plus 100 percent of the same fiscal year revenue from Trust lands allocated as income, constitutes the available funds for use by the Trustees in subsequent fiscal years to ensure the implementation of a Comprehensive Integrated Mental Health Program.

The AMHTA may adopt an equilibrium spending rate based upon an average of several years (three to five) of the fund's market value. The Trust does not have enough history yet to implement this policy.

### Assets, earnings, and expenditures: FY95 and FY96

In FY95, the \$200 million cash principal of the settlement earned the 6 month Treasury Bill rate through the Department of Revenue's (DOR) General Investment Pool. This allowed the Trust funds to earn a fixed return with no risk to cash principal until the Trustees were appointed to assume full responsibility for Trust management. The Trustees transferred the \$200 million to the APFC into the Mental Health Trust Principal account. In FY95, the Trust earned approximately \$6,786,900 in interest and \$388,200 for Trust land fees, rents, royalties, and sales. Of the revenues generated from Trust lands, \$29,500 was allocated as cash principal based on state law and Trust Authority policy. The Trustees established inflation-proofing as the first priority for use of the Trust income and transferred \$3,533,000 to the APFC Mental Health Trust Principal account to adjust for FY95 inflation. Trust income also paid \$155,000 for the Trust Authority FY95 administrative budget. At the beginning of FY96, the AMHTA accounts had a balance of:

DOR Income Account	\$3,457,678.00
DOR Principal Account	29,503.00
APFC Principal	\$200,000,000.00
APFC FY95 Inflation Proofing	3,533,000.00

In FY96, the Trust principal earned, while in DOR, approximately \$364,000 in interest. The Trust Land Office generated approximately \$1,460,000 for Trust land fees, rents, royalties and sales. Of the Trust land revenues, \$667,500 for Trust land timber and gravel sales were allocated as principal. The total earnings of Mental Health Trust funds with APFC are now approximately \$23,949,000.

Trust income obligated for FY96 included allocations for Trust Authority administration of \$745,808; DNR Mental Health Trust Land Office of \$560,000; and for an emergency grant to the Center for Psychosocial Development's Autism Intensive Early Intervention Program (IEI), of \$27,202. The total allocations of Trust income for FY96 were \$1,333,010.

Based on the unmet needs faced by the beneficiaries, the current spending policy and strategic asset allocation objectives adopted by the Trustees, there are no unused or unallocated Trust funds that will be unnecessary to meet the projected operating and capital expenses of the Comprehensive Integrated Mental Health Plan.

#### Assets, earnings, and expenditures: FY97

For FY97, the Trustees have obligated a total of \$9,639,900 of Trust income. Of those funds, \$3,633,900 pays for capital expenses associated with the Comprehensive Integrated Mental Health Program; \$4,295,000 is for operating expenses associated with the mental health program; \$70,000 pays for small projects; \$50,000 funds the Training Institute on consumer outcomes; \$697,500 operates the Mental Health Trust Land Office; and \$893,500 funds Trust Authority administration.

#### Future assets, earnings, and expenditures

In fiscal years 1998 through 2000, the Trust Authority expects to achieve an annual rate of 8.36 percent return on Trust cash assets invested with the APFC before adjustments for inflation and expenses. This expectation is based on APFC's strategic asset allocation as described in APFC Resolution 96-4. The Trust also expects an average increase of about 18 percent per annum in revenue generated from Trust land fees, rents, royalties and sales.

From FY97, expenditures for future years are projected to be consistent with the Trust Authority's Investment Policy Statement. The Trust Authority's administrative budget will remain at approximately \$900,000 with a 1 to 2 percent increase per year. The Trust Land Office anticipates a significant increase in FY98 based on expenditures related to the asset management plan. The Trustees expect to complete and approve this plan in FY97. In FY99 and beyond, Trust Land Office operating costs should remain relatively constant, subject to inflation or to address unanticipated opportunities.

## ***Natural Resources Development***

The Alaska Mental Health Trust settlement legislation requires that the Department of Natural Resources (DNR) manage Alaska Mental Health Trust land under contract to and on behalf of the Alaska Mental Health Trust Authority. In 1995, the Mental Health Trust Land Office was established within DNR. The Trust Land Office is responsible for management of Trust land in a manner that is consistent with provisions of law applicable to other state land, unless doing so proves inconsistent with Trust management principles set forth by the Alaska Mental Health Enabling Act.

When making management decisions regarding Trust Land, the Trust Land Office considers, at a minimum, these Trust management principles:

- undivided loyalty to the Trust and its beneficiaries;
- maximization of long term revenues from Trust land;
- protection and enhancement of the long term productivity of Trust land;
- avoidance of secondary and cumulative negative impacts on Trust land;
- encouragement of a diversity of revenue-producing uses on Trust land; and
- management of Trust land in a prudent, efficient and accountable manner.

In addition to the Trust management principles outlined above, Trust Land Office activities are guided by an annual contract negotiated with the Trust Authority. The contract sets specific goals and objectives to be accomplished by the Trust Land Office and identifies the costs of achieving those goals.

Revenues from FY96 Trust Lands

