

ALASKA LEGISLATURE

1/44

HOUSE and SENATE FINANCE COMMITTEE FILES, () 1997-1998

Department of Education CSSB 36(FIN) am

elsewhere in this legislation. McDowell Group also indicated that DOE could not apply the same methodology they used in determining the proposed district cost factors in CS SB36. McDowell did not suggest an alternative methodology to determine district cost factors.

8. Page 9, line 2 – minimum expenditure for instruction. Most districts can not meet this requirement due to fixed costs to operate facilities. Only school districts with large student populations and larger schools can meet this requirement.
9. Page 9, line 30 - the definition of “instructional component” is incomplete.
10. Page 12, line 4 – need to include a definition of eligible Impact Aid. DOE is revising the definition of eligible Impact Aid to conform to the law following reauthorization.
11. Page 17, lines 6 through 12 – Funding for Special Education Service Agency (SESA). This section can not be applied as CS SB36 is currently written. The funding formula no longer requires special education students to be identified and does not make an allocation specific for special education.
12. Page 21, line 4 – subsection(b) requires department to define “school.” Current regulation 4 AAC 05.900(5) defines a school as a program of instruction. There is a lack of data to support a consistent definition of “school.” As the definition is clarified a significant reallocation of dollars will occur.
13. Page 21, lines 6 through 9 – Transition for proposed district cost factors. Requires the department to submit to the legislature proposed districts cost factors by January 15, 2001. As previously stated the McDowell Group has informed DOE that their methodology can not be used to update proposed district cost factors.
14. Page 21, lines 15 through 19 – Transition for small schools. Need to clarify intent with the school size table on page 5 and include appropriate language on page 5.
15. Page 21, lines 19 through 24 – Transition for minimum expenditure for instruction. As previously mentioned only school districts with large student populations and larger schools can meet this requirement.
16. Page 14, line 14 – removes the requirement to employ a chief school administrator. If districts hire a non-certified administrator to run the school district, the administrator would not be subject to the ethic requirements of the PTPC.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HCS CSSB 36(FIN)

Revision Date: _____ Dept. Affected: EDUCATION
 Title: An act relating to public schools; BRU: School Finance
 Component: District Support Services
 Sponsor: Senators Phillips, Taylor, Wilken, Torgerson
 Requester: House Finance COMPONENT SERIAL NO. 155

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES | 54.0 | 137.4 | 137.4 | 137.4 | 137.4 | 137.4 |
| TRAVEL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CONTRACTUAL | 100.0 | 270.0 | 370.0 | 270.0 | 370.0 | 270.0 |
| SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EQUIPMENT | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 154.0 | 407.4 | 507.4 | 407.4 | 507.4 | 407.4 |

| | | | | | | |
|----------------------|-----|-----|-----|-----|-----|-----|
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|----------------------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES | | | | | | |
|---------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1003 GF Match | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1004 GF | | 407.4 | 507.4 | 407.4 | 507.4 | 407.4 |
| 1005 CF/Program Receipts | | | | | | |
| 1103 AHFC Receipts | 154.0 | | | | | |
| TOTAL | 154.0 | 407.4 | 507.4 | 407.4 | 507.4 | 407.4 |

Estimate of current year (FY98) cost: \$

POSITIONS:

| | | | | | | |
|-----------|-----|--|--|--|--|--|
| FULL-TIME | 2.0 | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Please see attached analysis

Prepared by: Karen J. Rehfeld, Director
 Division: Education Support Services
 Approved by Commissioner: Shirley J. Holloway, Ph.D.
 Agency: Department of Education

Phone: 465-8650
 Date: _____
 Date: 5/11/98

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Additional Analysis

The legislation requires that the Department of Education update the District Cost Factors (DCF), developed by the McDowell Group's 1998 study, by January 15 every other year. This will require the DOE to repeat the research process for the building blocks that McDowell used to develop the DCF's. This research will include an analysis of updated instructional, administrative and non-personal services costs.

In the course of their study, the McDowell Group found that the expenditure data available was inadequate and not comparable. To improve the validity of school district data will require greater involvement from the DOE in the application and reporting of expenditures in accordance with the school district chart of accounts and closer scrutiny of school district audits and expenditures. The DOE does not have the resources available for this activity and the costs represented in this fiscal note are estimates of the required staff and other support that would be necessary to implement the requirements of the legislation.

The resources identified in the fiscal note include two new full-time auditors. These auditors will work with school districts to ensure uniform and consistent application of the state chart of accounts for reporting expenditure information. To ensure that procedures are implemented and followed, staff will provide training to school district business officials and work with independent auditors to develop standard reporting of information. The fiscal note includes funding for the state to conduct management audits of schools districts on a rotational basis, every three years (approximately 18 districts per year), to determine compliance with these requirements. These management audits will supplement the required annual audits that are contracted independently by the school districts. In addition, the fiscal note includes resources to contract for updating the District Cost Factors, as required in the legislation. The external research and review of the DCF's will lend credibility to updates as they occur.

Personal Services - \$54.0

This will provide funding for two new full-time positions: an Internal Auditor IV, range 21, @ \$72.7; and an Internal Auditor III, range 19, @ \$64.7. This team of auditors will work with school districts to ensure consistent application of the school district chart of accounts, provide training to school district business officials on appropriate accounting procedures and work with independent audit firms in conducting management audits of school districts. The FY99 cost is reduced based on a January start for the new positions.

Contractual - \$100.0

This will provide funding for developing procedures manuals for schools districts, training for school districts in uniform application of the state chart of accounts, and contracting for the updating the District Cost Factors (beginning in FY99 and then every other year). Beginning in FY00, the DOE will begin contracting for management audits of schools districts (18 districts @ \$15.0 each). This also provides funding for telephone, fax, and printing costs.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HCS CSSB 36(FIN)

Revision Date: _____ Dept. Affected: EDUCATION
 Title: An act relating to public schools; BRU: Teaching and Learning Support
 Component: Quality Schools
 Sponsor: Senators Phillips, Taylor, Wilken, Torgerson
 Requester: House Finance **COMPONENT SERIAL NO.** 2147

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING EXPENDITURES | FY99 | FY00 | FY01 | FY02 | FY03 | FY04 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PERSONAL SERVICES | 32.0 | 74.4 | 74.4 | 74.4 | 74.4 | 74.4 |
| TRAVEL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CONTRACTUAL | 1,860.0 | 1,860.0 | 1,060.0 | 1,060.0 | 1,060.0 | 1,060.0 |
| SUPPLIES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EQUIPMENT | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 1,892.0 | 1,934.4 | 1,134.4 | 1,134.4 | 1,134.4 | 1,134.4 |
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|----------------------------|--|--|--|--|--|--|
| CHANGES IN REVENUES | | | | | | |
|----------------------------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | 1,934.4 | 1,134.4 | 1,134.4 | 1,134.4 | 1,134.4 |
| 1005 GF/Program Receipts | | | | | | |
| 1103 AHFC Receipts | 1,892.0 | | | | | |
| TOTAL | 1,892.0 | 1,934.4 | 1,134.4 | 1,134.4 | 1,134.4 | 1,134.4 |

Estimate of current year (FY98) cost: \$

POSITIONS:

| | | | | | | |
|-----------|-----|--|--|--|--|--|
| FULL-TIME | 1.0 | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Please see attached analysis

Prepared by: Barbara Thompson, Director Phone: 465-8727
 Division: Teaching and Learning Support Date: _____
 Approved by Commissioner: Shirley J. Holloway, Ph.D. *[Signature]* Date: 5/11/98
 Agency: Department of Education

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Additional Analysis

The legislation requires that schools complete developmental profiles for each entering kindergarten or first grade student. Standards in reading, writing, and mathematics will be mandated. A comprehensive assessment system will be provided to conduct frequent and meaningful testing at multiple age levels to prepare students for the High School Graduation Qualifying Exam and identify those students who need assistance. The legislation also requires that schools be held accountable for student performance. Each school will be classified as distinguished, successful, deficient, or in crisis. Distinguished or successful schools will receive state accreditation. A school determined to be deficient or in crisis will receive assistance from the state in preparing a locally developed and approved school improvement plan. If a school fails to improve after two years, the state will have the authority to implement emergency measures as necessary or appropriate to manage the school's academic or fiscal affairs.

The following represents estimated costs to implement the specific elements of the legislation.

State Report Card - \$25.0

Contractual - \$25.0

The legislation makes changes to the existing *Report Card to the Public* that expands the requirements to report information at the individual school level and reporting on the measurement of school performance against state standards. This will require changes in the current data collection methodology, reformatting of the presentation of the data, and interaction between the department and the school districts to ensure that the required information is collected and reported. These funds will provide for professional resources necessary to modify existing data collection systems, communication between districts, and printing of materials.

Multiple Age-Level Assessment - \$1,832.0

Personal Services - \$71.7

This will provide funding for one full-time position; an Education Specialist II, Range 21, at \$74.4. The Education Specialist II position will work closely with the testing contractor in developing multiple age level assessments. Major duties include monitoring and reviewing the work of the contractor and providing an interface between the contractor and the department. The Education Specialist II will also be responsible for managing the assessment system, record keeping, training district personnel, scheduling, data analysis, reporting results, test review and revision, and public information relating to the assessment program. This position will be responsible for arranging the meetings of the assessment evaluation committees, dissemination of information regarding the Alaska comprehensive student assessment system, and preparation of periodic status reports on the development of the comprehensive assessment system. First year funding is reduced based on a January start date for the new position.

Contractual - \$1,800.0

The legislation requires development of a statewide student assessment system based on Alaska standards in reading, writing, and math. The comprehensive assessment system will include the High School Graduation Qualifying Exam and three additional benchmark assessments. Included in this fiscal note are the costs associated with the development of the three additional benchmark assessments. The assessment system will be developed in three phases. The first phase, beginning in FY99, will include finalization of the student performance standards at the three additional benchmark points, development of test items and tasks, item/task tryouts, and the field testing of the test forms. The three additional benchmarks are: (1) ages 5-7; (2) ages 8-10; and (3) ages 11-14. The fourth benchmark in the comprehensive assessment system is the High School Graduation Qualifying Exam. The department will seek professional services to develop the test for each of the three additional benchmark levels. The test will include a combination of multiple-choice and constructed-response questions. The first-year cost per the three additional benchmarks is estimated at \$600.0 each, for a total of \$1,800.0.

Developmental Profile - \$35.0

Contractual - \$35.0

Development of the developmental profile for schools to use will require involvement of parents, teachers, school district personnel and others from the education community. This funding will provide the resources to access national experts, research, curriculum and models, audio conferences, communication with advisory groups, printed materials, mailing and fax costs.

FY00 Costs

The Alaska school accreditation process and the developmental profile should be completed by FY00. However, the ongoing costs of implementation and the level of support necessary to implement these processes are not known at this time. The equipment line includes the ongoing upgrade and replacement costs of computer equipment for staff.

The continuing funding for Phase II of the comprehensive assessment program is critical to complete the technical studies of test bias, reliability and validity along with the procedures for administering, scoring and reporting the results of the assessments.

FY01-04 Costs

Although the ongoing costs of administering, scoring and reporting the results of the comprehensive student assessments based on state standards in reading, writing, and math will not be known until the assessments are actually developed, it is estimated that the costs will be approximately \$1,000.0 annually. In FY01, the fiscal note for assessment is reduced in the travel line by \$80.0 based on the assumption that the test will be fully developed and the review committees will no longer need to meet. Funding for assessment in the contractual line is reduced by \$250.0 based on test development being completed and the remaining funds will support test administration, scoring and reporting. \$600.0 in contractual funds will be redirected to technical assistance to support the school improvement process that will be in place for schools designated as deficient or in-crisis based on the assessment program.

#1

0-1.S0070J.3 -
Ford
5/8/98

adopted N/O
A M E N D M E N T |

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN). Draft Version "J"

- 1 Page 9, line 3, following "1998":
- 2 Insert ", and additional district support appropriated by the legislature for fiscal year
- 3 1998"

5/10/98am #2
TRANSITION FOR
BASIC NEED

O-LS0070J.4 -
Ford
5/8/98

NO OBJ

AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FLN), Draft Version "J"

- 1 Page 26, following line 12:
- 2 Insert a new bill section to read:
- 3 "* Sec. 45. TRANSITION: BASIC NEED. Notwithstanding AS 14.17.410(b)(2), enacted
- 4 in sec. 2 of this Act, for fiscal year 1999, the Department of Education shall determine basic
- 5 need for purposes of calculating the required contribution of a city or borough school district
- 6 under AS 14.17.410(b)(2) by using projected data."
- 7 Renumber the following bill sections accordingly.

#3

QUALITY SCHOOL
GRANTS

O-I.50070J.1
Ford
5/8/98

NO OBJ

adopted

AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 8, line 11, following "funding.":

2 Insert "(a)"

3 Page 8, line 14:

4 Delete "competitive"

5 Page 8, following line 14:

6 Insert a new subsection to read:

7 "(b) For purposes of the reduction required under AS 14.17.400(b), funding
8 authorized under (a) of this section is treated the same as the state share of public
9 school funding under AS 14.17.410."

#4

CORRESPONDENCE
CLEANUP

O-LS007(V.9
Ford
5/9/98

adopted N/O
AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

- 1 Page 5, line 7:
- 2 Delete "the base student allocation and multiplying that product by"

adopted NO JOB #15
QUALITY SCHOOL
DELETE ACCREDITATION
INSERT ACCOUNTABILITY

0-LS0070V.10
Ford
5/9/98

AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 15, line 21, through page 16, line 3:

2 Delete all material and insert:

3 Sec. 14.03.123. School accountability. (a) Beginning in August 2002, and
4 during each of the following 12-month periods, the department shall assign each
5 public school in each district the performance designation of distinguished, successful,
6 deficient, or in crisis based on multiple student measures, including student
7 achievement. The state board of education shall establish this process by regulation.

8 (b) A public school assigned a performance designation of deficient or in
9 crisis shall develop a school improvement plan under (c) of this section. The
10 department shall inform the governing body of each district of the performance
11 designation assigned to each public school in the district."

12 Page 16, line 8, through line 30:

13 Delete all material and insert:

14 "(e) A public school that receives a designation of deficient or in crisis shall
15 prepare a school improvement plan to improve student performance based on a
16 process established by the state board of education. The public school shall undertake
17 an improvement process under that plan to lead to a designation of successful or
18 distinguished. The school improvement plan must be prepared with the maximum
19 feasible public participation of the community, including, if appropriate, interested
20 individuals, teachers, parents, parent organizations, students, tribal organizations, local
21 government representatives, and other community groups. The district shall consult
22 with and assist the public school in the preparation of the school improvement plan.
23 The school improvement plan must be approved by the local school board. The
24 commissioner may provide technical assistance to a public school or the district at any

0-LS0070V.10

1 time during the preparation and implementation of the school improvement plan on
2 the request of an interested person and the approval of the district.

3 (f) Beginning August 1, 2002, and periodically during each of the following
4 12-month periods, the department shall monitor the progress of the implementation
5 of each school improvement plan prepared under (e) of this section.

6 (g) The department may use existing staff or contract with one or more
7 qualified persons to assist a public school that is deficient or in crisis under this
8 section to improve student performance. Qualified persons to provide assistance under
9 this section include educators, business leaders, members of the governing body of
10 that district, and community leaders. The provisions of AS 36.30 do not apply to a
11 contract awarded under this subsection."

5/11/98

0-LS0070J.18
Ford
5/10/98

Amend 3-8

AMENDMENT to amend #6

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 12, following line 31:

2 Insert a new section to read:

3 "Sec. 14.17.905. Facilities constituting a school. For purposes of this
4 chapter, the determination of the number of schools in a district is subject to the
5 following:

6 (1) a community with an ADM of at least 10, but not more than 100,
7 shall be counted as one school;

8 (2) a community with an ADM of at least 101, but not more than 750,
9 shall be counted as

10 (A) one elementary school, which includes those students in
11 grades kindergarten through 6; and

12 (B) one secondary school, which includes students in grades
13 7 through 12;

14 (3) in a community with an ADM of greater than 750, each facility
15 that is administered as a separate school or a facility the department determines is
16 used as a result of overcrowding shall be counted as one school, except that each
17 alternative school with an ADM of less than 200 shall be counted as a part of the
18 school in the district with the highest ADM unless the alternative school

19 (A) is a charter school; or

20 (B) has a separate administration."

DEFINITION #6
OF SCHOOL

0-I.S0070U.16
Ford
5/9/98

PASSCD 6-5

AMENDMENT

adopted

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 12, following line 31:

2 Insert a new section to read:

3 "Sec. 14.17.905. Facilities constituting a school. (a) For purposes of this
4 chapter, the determination of the number of schools in a district is subject to the
5 following:

6 (1) a community with an ADM of at least 10, but not more than 100,
7 shall be counted as one school;

8 (2) a community with an ADM of at least 101, but not more than 750,
9 shall be counted as

10 (A) one elementary school, which includes those students in
11 grades kindergarten through 6; and

12 (B) one secondary school, which includes students in grades
13 7 through 12;

14 (3) in a community with an ADM of greater than 750, each facility
15 that is administered as a separate school shall be counted as one school, except that
16 each alternative school with an ADM of less than 200 shall be counted as a part of
17 the school in the district with the highest ADM."

#7
adopted
ND (BJ) TWO YEAR
PHASE IN
AMENDMENT

0-I.S0070V.2
Ford
5/8/98

Yr 1 - 60%
Yr 2 - ~~100%~~ 100%

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 26, following line 12:

2 Insert a new bill section to read:

3 *** Sec. 45. TRANSITION: PUBLIC SCHOOL FUNDING.** (a) If, in fiscal year 1999,
4 a city or borough school district or a regional educational attendance area would receive more
5 public school funding under AS 14.17.410, enacted in sec. 2 of this Act, than the district or
6 area would have received as state aid in fiscal year 1999, the district or area may not receive
7 state funding that exceeds the amount the district or area would be eligible to receive in state
8 aid in fiscal year 1999 and 60 percent of the difference between the state aid the district or
9 area would have received in fiscal year 1999 and the state funding the district or area was
10 eligible to receive under AS 14.17.410, enacted in sec. 2 of this Act, in fiscal year 1999.

11 (b) For purposes of this section, "state aid" means state aid distributed under the
12 provisions of AS 14.17, as those provisions read on January 1, 1998, and additional district
13 support appropriated by the legislature."

14 Renumber the following bill sections accordingly.

#8

Failed 3-7

AMENDMENT

OFFERED IN THE HOUSE

BY DAVIES

TO: HCS CSSB 36 (FIN)

Page 11 line 13+14 delete all material

Page 10, line 14, delete through page 11, line 9:

Insert "Sec. 14.17.520. Expenditures for instruction. (a) The department shall have each school audited annually to ensure that each school uses accounting procedures established by the department. The department shall provide oversight to ensure that administrative costs are minimized with the goal that 70 percent of the budget be dedicated to instructional components."

~~the largest amount feasible~~

Renumber following subsections accordingly.

ROLL CALL: HOUSE FINANCE COMMITTEE

DATE

5/9/98

SUBJECT

SB 36 Amend # 8

| MEMBER | YES | NO |
|-------------|-----|----|
| FOSTER | | ✓ |
| GRUSSENDORF | ✓ | |
| KELLY | | ✓ |
| KOHRING | | ✓ |
| MARTIN | | ✓ |
| MOSES | ✓ | |
| MULDER | | ✓ |
| DAVIES JOHN | ✓ | |
| DAVIS GARY | | ✓ |
| HANLEY | — | |
| TERRIAULT | | ✓ |

TOTAL

| | |
|---|---|
| 3 | 7 |
|---|---|

PASSED _____

FAILED _____

5/11/98

9

failed 3-7

AMENDMENT

OFFERED IN THE HOUSE

By : Rep. Ben Grussendorf

TO: HCS CSSB 36 (FIN)

Page 3, line 13 add a new subsection to read:

"(1) The prior year's actual local contribution in excess of the required local effort;
or"

Re-number remaining subsections as c(2) and c(3).

adopted

5/11/98

0-LS0070V.17

Ford

5/10/98

AMENDMENT

* amended - NO OBJ

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), Draft Version "J"

1 Page 8, line 16:

2 Delete "(b) and (c)"

3 Insert "(b) - (e)"

4 Page 9, following line 1:

5 Insert new subsections to read:

passed
7-4

6 "(d) Beginning in fiscal year 2000, if a district receives more public school
7 funding under AS 14.17.410 than the district received in the preceding fiscal year, any
8 amount received by the district under this section shall be reduced. The amount of
9 the reduction required under this subsection is equal to the amount of increase from
10 the preceding fiscal year in public school funding multiplied by ~~75~~⁴⁰ percent. In this
11 subsection, "public school funding" does not include funding under this section.

(a)

12 (e) Beginning in fiscal year 2000, in each fiscal year, the department shall
13 compare each district's ADM with the district's ADM in fiscal year 1999. If the
14 current fiscal year ADM is less than ⁷⁵ percent of the district's ADM in fiscal year
15 1999, the department shall reduce the district's public school funding calculated under
16 (a) of this section by a percentage equal to the percentage of decrease in the district's
17 ADM."

(b)

passed
7-4

18 Reletter the following subsection accordingly.

5/11/98

AMENDMENT

11

Failed 4-7

OFFERED IN THE HOUSE

BY: REP. DAVIES

TO: HCS CSSB 36 (FIN)

Page 8, line 9, following "allocation."

Insert "(a)"

Page 8, following line 10:

Insert "(b) For a state fiscal year beginning on or after July 1, 1999, the base student allocation is equal to the previous year's base student allocation multiplied by 1.01."

0-1.S0070J.20
Ford
5/10/98

found 3-7
AMENDMENT # 12

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN). Draft Version "J"

- 1 Page 5, lines 2 - 7:
- 2 Delete all material and insert:
- 3 "Sec. 14.17.430. State funding for correspondence study. Except as
- 4 provided in AS 14.17.400(b), funding for
- 5 (1) the state centralized correspondence study program or a district that
- 6 offers a statewide correspondence study program includes an allocation from the
- 7 public school account in an amount calculated by multiplying the ADM of the
- 8 correspondence program by the base student allocation and multiplying that product
- 9 by 80 percent; and
- 10 (2) a district correspondence program includes an allocation from the
- 11 public school account in an amount calculated by multiplying the ADM of the district
- 12 correspondence program by the base student allocation and multiplying that product
- 13 by 90 percent."

Failed 4-7

AMENDMENT

13

OFFERED IN THE HOUSE
TO: HCS CSSB 36(FIN), VERSION "T"

p. 28
following line 8

Insert a new section to read:

"Sec. 28 Intent. It is the intent of the Legislature to address shortfalls in funding due to miscalculations in the public school funding formula, incorrect data, or unaddressed student enrollment increases through a supplemental appropriation."

Failed - 7-10

AMENDMENT

#14

OFFERED IN THE HOUSE

TO: HCS CSSB 36(FIN), VERSION "J"

Insert a new section to read:

Sec. 14.17.907 Temporary Overcrowding Emergency Assessment and Funding

- (a) By January 1 of each year, the department shall identify schools with an ADM equal to or greater than 125% of design capacity. If the voters have authorized bonds for an additional school or schools, the Department shall request supplemental funding to mitigate costs associated with the overcrowding, including year round schools, double shifting, leased facilities, and portables. The amount of supplemental requested shall be calculated accordingly to the formula as if ADM in excess of 100% were in attendance at the additional school or schools authorized by the voters.

Withdrawn

AMENDMENT

#15

§ DAVIES

Page 9, following line 1:

Insert a new subsection to read:

(d) For a state fiscal year beginning July 1, 1999, or thereafter, if the base student allocation under AS 14.17.470 is increased then the supplementary public school funding floor of each district, as calculated under (a) of this section, shall be reduced by an amount calculated as the base student allocation increase, multiplied by the district adjusted ADM, multiplied by 40 percent.

HOUSE CS FOR CS FOR SENATE BILL NO. 36(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): **SENATORS PHILLIPS, Taylor, Halford, Wilken, Torgerson**

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to public schools; relating to the definition of a school district,
2 to the transportation of students, to employment of chief school administrators, to
3 school district layoff plans, to the special education service agency, and to the
4 child care grant program; and providing for an effective date."

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

6 * **Section 1. PURPOSE.** The purposes of sec. 2 of this Act are to

7 (1) provide a level of funding through the public school funding program that
8 allows for an equitable level of educational opportunities for those students attending the
9 public schools of the state; and

10 (2) provide an equitable level of funding to each school within a school
11 district.

12 * **Sec. 2.** AS 14.17 is amended by adding new sections to read:

13 **Article 1. State Aid to Public Schools.**

14 **Sec. 14.17.300. Public school account.** (a) The public school account is

1 established. The account consists of appropriations for distribution to school districts,
2 the state boarding school, and for centralized correspondence study under this chapter.

3 (b) The money in the account may be used only in aid of public schools,
4 including community school programs, and for centralized correspondence study
5 programs under this chapter.

6 **Sec. 14.17.400. State aid for districts.** (a) The state aid for which a school
7 district is eligible in a fiscal year is equal to the amount for which a district qualifies
8 under AS 14.17.410.

9 (b) If the amount in the public school account is insufficient to meet the
10 amounts authorized under (a) of this section for a fiscal year, the department shall
11 reduce pro rata each district's basic need by the necessary percentage as determined
12 by the department. If the basic need of each district is reduced under this subsection,
13 the department shall also reduce state funding for centralized correspondence study and
14 the state boarding school by the same percentage.

15 **Sec. 14.17.410. Public school funding.** (a) A district is eligible for public
16 school funding in an amount equal to the sum calculated under (b) and (c) of this
17 section.

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

20 (1) state aid equals basic need minus a required local contribution and
21 90 percent of eligible federal impact aid for that fiscal year; basic need equals the sum
22 obtained under (D) of this paragraph, multiplied by the base student allocation set out
23 in AS 14.17.470; district adjusted ADM is calculated as follows:

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

26 (B) the number obtained under (A) of this paragraph is
27 multiplied by the district cost factor described in AS 14.17.460;

28 (C) the ADMs of each school in a district, as adjusted according
29 to (A) and (B) of this paragraph, are added; the sum is then multiplied by the
30 special needs factor set out in AS 14.17.420(a)(1);

31 (D) the number obtained for intensive services under

1 AS 14.17.420(a)(2) and the number obtained for correspondence study under
2 AS 14.17.430 are added to the number obtained under (C) of this paragraph;

3 (2) the required local contribution of a city or borough school district
4 is the equivalent of a four mill tax levy on the full and true value of the taxable real
5 and personal property in the district as of January 1 of the second preceding fiscal
6 year, as determined by the Department of Community and Regional Affairs under
7 AS 14.17.510 and AS 29.45.110, not to exceed ___ percent of a district's basic need
8 for the preceding fiscal year as determined under (1) of this subsection.

9 (c) In addition to the local contribution required under (b)(2) of this section,
10 a city or borough school district in a fiscal year may make a local contribution of not
11 more than the greater of

12 (1) the equivalent of a two mill tax levy on the full and true value of
13 the taxable real and personal property in the district as of January 1 of the second
14 preceding fiscal year, as determined by the Department of Community and Regional
15 Affairs under AS 14.17.510 and AS 29.45.110; or

16 (2) 23 percent of the district's basic need for the fiscal year under
17 (b)(1) of this section.

18 (d) State aid may not be provided to a city or borough school district if the
19 local contributions required under (b)(2) of this section have not been made.

20 (e) If a city or borough school district is established after July 1, 1998, for the
21 first three fiscal years in which the city or borough school district operates schools,
22 local contributions may be less than the amount that would otherwise be required
23 under (b)(2) of this section, except that

24 (1) in the second fiscal year of operations, local contributions must be
25 at least the greater of

26 (A) the local contributions, excluding federal impact aid, for the
27 previous fiscal year; or

28 (B) the sum of 10 percent of the district's eligible federal
29 impact aid for that year and the equivalent of a two mill tax levy on the full
30 and true value of the taxable real and personal property in the city or borough
31 school district as of January 1 of the second preceding fiscal year, as

1 determined by the Department of Community and Regional Affairs under
2 AS 14.17.510 and AS 29.45.110; and

3 (2) in the third year of operation, local contributions must be at least
4 the greater of

5 (A) the local contributions, excluding federal impact aid, for the
6 previous fiscal year; or

7 (B) the sum of 10 percent of the district's eligible federal
8 impact aid for that year and the equivalent of a three mill tax levy on the full
9 and true value of the taxable real and personal property in the district as of
10 January 1 of the second preceding fiscal year, as determined by the Department
11 of Community and Regional Affairs under AS 14.17.510 and AS 29.45.110.

12 (f) A school district is eligible for additional state aid in the amount by which
13 the local contributions that would otherwise have been required under (b)(2) of this
14 section exceed the district's actual local contributions under (e) of this section.

15 **Sec. 14.17.420. Special needs and intensive services funding.** (a) As a
16 component of public school funding, a district is eligible for special needs funding and
17 may be eligible for intensive services funding as follows:

18 (1) special needs funding is available to a district to assist the district
19 providing special education, gifted and talented education, vocational education, and
20 bilingual education services to its students; a special needs funding factor of 1.20 shall
21 be applied as set out in AS 14.17.410(b)(1);

22 (2) in addition to the special needs funding for which a district is
23 eligible under (1) of this subsection, a district is eligible for intensive services funding
24 for each special education student who needs and receives intensive services and is
25 enrolled on the last day of the count period; for each such student, intensive services
26 funding is equal to the intensive student count multiplied by five.

27 (b) If a district offers special education, gifted and talented education,
28 vocational education, or bilingual education services, in order to receive funding under
29 (a)(1) of this section, the district must file with the department a plan that indicates the
30 services that will be provided to students who receive these services.

31 (c) In this section, "intensive services" has the meaning given by the

1 department by regulation adopted under AS 14.30.180 - 14.30.350.

2 **Sec. 14.17.430. State funding for correspondence study.** Except as provided
3 in AS 14.17.400(b), funding for the state centralized correspondence study program or
4 a district correspondence program, including a district that offers a statewide
5 correspondence study program. includes an allocation from the public school account
6 in an amount calculated by multiplying the ADM of the correspondence program by
7 80 percent.

8 **Sec. 14.17.440. State funding for state boarding schools.** (a) Except as
9 provided in AS 14.17.400(b), funding for state boarding schools established under
10 AS 14.16.010 includes an allocation from the public school account in an amount
11 calculated by

12 (1) determining the ADM of state boarding schools by applying the
13 school size factor to the student count as described in AS 14.17.450;

14 (2) multiplying the number obtained under (1) of this subsection by the
15 special needs factor in AS 14.17.420(a)(1) and multiplying that product by the base
16 student allocation; and

17 (3) multiplying the product determined under (2) of this subsection by
18 the district cost factor that is applicable to calculation of the state aid for the adjacent
19 school district under AS 14.17.460.

20 (b) State boarding schools are also eligible for intensive services funding under
21 AS 14.17.420(a)(2).

22 **Sec. 14.17.450. School size factor.** (a) For purposes of calculating a school's
23 ADM to determine state aid, the ADM of each school in a district shall be computed
24 by applying the following formula:

| | | | | | | | |
|----|----------------------|---------------|-------------------------------|------------|-----------|---------------|--|
| 25 | If the student count | | The adjusted student count is | | | | |
| 26 | in a school is | | | | | The number of | |
| 27 | | | | | | students in | |
| 28 | At least | But less than | Base | Multiplier | excess of | | |
| 29 | 10 | - 20 | 39.6 | | | | |
| 30 | 20 | - 30 | 39.6 | + (1.62 | x | 20) | |
| 31 | 30 | - 75 | 55.8 | + (1.49 | x | 30) | |

| | | | | | | | | |
|---|-------------|---|-----|--------|---|-------|---|-------|
| 1 | 75 | - | 150 | 122.85 | + | (1.27 | x | 75) |
| 2 | 150 | - | 250 | 218.1 | + | (1.08 | x | 150) |
| 3 | 250 | - | 400 | 326.1 | + | (0.97 | x | 250) |
| 4 | 400 | - | 750 | 471.6 | + | (0.92 | x | 400) |
| 5 | 750 or over | | | 793.6 | + | (0.84 | x | 750). |

(b) If the ADM in a school is less than 10, those students shall be included in the ADM of the school in that district with the lowest ADM as determined by the most recent student count data for that district.

Sec. 14.17.460. District cost factors. (a) For purposes of calculating a district's adjusted ADM under AS 14.17.410(b)(1), the district cost factor for a school district is as follows:

| DISTRICT | DISTRICT COST FACTOR |
|------------------------|----------------------|
| Alaska Gateway | 1.291 |
| Aleutians East | 1.423 |
| Aleutians Region | 1.736 |
| Alyeska Central School | 1.000 |
| Anchorage | 1.000 |
| Annette Island | 1.011 |
| Bering Strait | 1.525 |
| Bristol Bay | 1.262 |
| Chatham | 1.120 |
| Chugach | 1.294 |
| Copper River | 1.176 |
| Cordova | 1.096 |
| Craig | 1.010 |
| Delta/Greely | 1.106 |
| Denali | 1.313 |
| Dillingham | 1.254 |
| Fairbanks | 1.039 |
| Galena | 1.348 |
| Haines | 1.008 |

| | | |
|----|--------------------|-------|
| 1 | Hoonah | 1.055 |
| 2 | Hydaburg | 1.085 |
| 3 | Iditarod | 1.470 |
| 4 | Juneau | 1.005 |
| 5 | Kake | 1.025 |
| 6 | Kashunamiut | 1.389 |
| 7 | Kerai Peninsula | 1.004 |
| 8 | Ketchikan | 1.000 |
| 9 | Klawock | 1.017 |
| 10 | Kodiak Island | 1.093 |
| 11 | Kuspuk | 1.434 |
| 12 | Lake and Peninsula | 1.558 |
| 13 | Lower Kuskokwim | 1.491 |
| 14 | Lower Yukon | 1.438 |
| 15 | Matanuska-Susitna | 1.010 |
| 16 | Mt. Edgecumbe | 1.000 |
| 17 | Nenana | 1.270 |
| 18 | Nome | 1.319 |
| 19 | North Slope | 1.504 |
| 20 | Northwest Arctic | 1.549 |
| 21 | Pelican | 1.290 |
| 22 | Petersburg | 1.000 |
| 23 | Pribilof | 1.419 |
| 24 | Sitka | 1.000 |
| 25 | Skagway | 1.143 |
| 26 | Southeast Island | 1.124 |
| 27 | Southwest Region | 1.423 |
| 28 | St. Mary's | 1.351 |
| 29 | Tanana | 1.496 |
| 30 | Unalaska | 1.245 |
| 31 | Valdez | 1.095 |

| | | |
|---|---------------|--------|
| 1 | Wrangell | 1.000 |
| 2 | Yakutat | 1.046 |
| 3 | Yukon Flats | 1.668 |
| 4 | Yukon/Koyukuk | 1.502 |
| 5 | Yupiit | 1.469. |

6 (b) The department shall monitor the cost factors established under (a) of this
7 section and shall prepare and submit to the legislature by January 15 of every other
8 fiscal year proposed district cost factors.

9 **Sec. 14.17.470. Base student allocation.** The base student allocation is
10 \$_____.

11 **Sec. 14.17.480. Quality school funding.** (a) As a component of public
12 school funding, a district is eligible to receive a quality school funding grant not to
13 exceed the district's adjusted ADM multiplied by \$16. The department shall by
14 regulation establish a grant process to implement this section.

15 (b) For purposes of the reduction required under AS 14.17.400(b), funding
16 authorized under (a) of this section is treated the same as the state share of public
17 school funding under AS 14.17.410.

18 **Sec. 14.17.490. Supplementary public school funding floor.** (a) Except as
19 provided in (b) and (c) of this section, if, in fiscal year 1999, a city or borough school
20 district or a regional educational attendance area would receive less public school
21 funding under AS 14.17.410 than the district or area would have received as state aid,
22 the district or area is, in each fiscal year, eligible to receive additional public school
23 funding equal to the difference between the public school funding the district or area
24 was eligible to receive under AS 14.17.410 in fiscal year 1999 and the state aid the
25 district or area would have received in fiscal year 1999.

26 (b) A city or borough school district is not eligible for additional funding
27 authorized under (a) of this section unless, during the fiscal year in which the district
28 receives funding under (a) of this section, the district received a local contribution
29 equal to at least the equivalent of a four mill tax levy on the full and true value of the
30 taxable real and personal property in the district as of January 1 of the second
31 preceding fiscal year as determined by the Department of Community and Regional

1 Affairs under AS 14.17.510 and AS 29.45.110.

2 (c) For the purposes of the reduction required under AS 14.17.400(b), funding
3 authorized under (a) of this section is treated the same as the state share of public
4 school funding under AS 14.17.410.

5 (d) For purposes of this section, "state aid" means state aid distributed under
6 the provisions of AS 14.17, as those provisions read on January 1, 1998, and additional
7 district support appropriated by the legislature for fiscal year 1998.

8 **Article 2. Preparation of Public School Funding Budget.**

9 **Sec. 14.17.500. Student count estimate.** (a) A district shall prepare and
10 submit to the department by November 5 of each fiscal year, in the manner and on
11 forms prescribed by the department, an estimate of its ADM and other student count
12 data, including per school student count data, for the succeeding fiscal year upon
13 which computations can be made to estimate the amount of state aid for which the
14 district may be eligible under AS 14.17.400 in the succeeding fiscal year. In making
15 its report, the district shall consider its ADM, other student count data, the pattern of
16 growth or decline of the student population in preceding years, and other pertinent
17 information available to the district.

18 (b) Part-time students shall be included in the student count data in accordance
19 with regulations adopted by the department.

20 **Sec. 14.17.505. Fund balance in school operating fund.** (a) A district may
21 not accumulate in a fiscal year an unreserved portion of its year-end fund balance in
22 its school operating fund, as defined by department regulations, that is greater than 10
23 percent of its expenditures for that fiscal year.

24 (b) The department shall review each district's annual audit under
25 AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund
26 balance. The amount by which the unreserved portion of that balance exceeds the
27 amount permitted in (a) of this section shall be deducted from the state aid that would
28 otherwise be paid to the district in the current fiscal year.

29 **Sec. 14.17.510. Determination of full and true value by Department of**
30 **Community and Regional Affairs.** (a) To determine the amount of required local
31 contribution under AS 14.17.410(b)(2) and to aid the department and the legislature

1 in planning, the Department of Community and Regional Affairs, in consultation with
2 the assessor for each district in a city or borough, shall determine the full and true
3 value of the taxable real and personal property in each district in a city or borough.
4 If there is no local assessor or current local assessment for a city or borough school
5 district, then the Department of Community and Regional Affairs shall make the
6 determination of full and true value from information available. In making the
7 determination, the Department of Community and Regional Affairs shall be guided by
8 AS 29.45.110. The determination of full and true value shall be made by October 1
9 and sent by certified mail, return receipt requested, on or before that date to the
10 president of the school board in each city or borough school district. Duplicate copies
11 shall be sent to the commissioner. The governing body of a city or borough that is a
12 school district may obtain judicial review of the determination. The superior court
13 may modify the determination of the Department of Community and Regional Affairs
14 only upon a finding of abuse of discretion or upon a finding that there is no substantial
15 evidence to support the determination.

16 (b) Motor vehicles subject to the motor vehicle registration tax under
17 AS 28.10.431 shall be treated as taxable property under this section.

18 **Sec. 14.17.520. Minimum expenditure for instruction.** (a) A district shall
19 budget for and spend a minimum of 70 percent of its school operating expenditures in
20 each fiscal year on the instructional component of the district budget.

21 (b) The commissioner shall reject a district budget that does not comply with
22 (a) of this section and, unless a waiver has been granted by the board under (d) of this
23 section, shall withhold payments of state aid from that district, beginning with the
24 payment for the second full month after rejection and continuing until the school board
25 of the district revises the district budget to comply with (a) of this section.

26 (c) The commissioner shall review the annual audit of each district for
27 compliance with the expenditure requirements of (a) of this section. If the
28 commissioner determines that a district does not meet those requirements, the
29 commissioner shall advise the district of the determination, calculate the amount of the
30 deficiency, and deduct that amount from state aid paid to the district for the current
31 fiscal year. A deduction in state aid required under this subsection begins with the

1 payment for the second full month after the determination, unless a waiver has been
2 granted by the board under (d) of this section.

3 (d) A district that has been determined by the commissioner to be out of
4 compliance with the requirements of this section may, within 20 days of the
5 commissioner's determination, request a waiver by the board of the imposition by the
6 commissioner of any reduction in state aid payments under (b) or (c) of this section.
7 The request must be in writing and must include an analysis of the reasons and causes
8 for the district's inability to comply with the requirements of this section. The board
9 may grant the waiver if the board determines that the district's failure to meet the
10 expenditure requirements of this section was due to circumstances beyond the control
11 of the district. The request must also be submitted to the Legislative Budget and Audit
12 Committee, which shall review the district's request and forward the committee's
13 recommendations on it to the board.

14 (e) The commissioner shall submit an annual report on actions taken by the
15 commissioner or the board under this section to the Legislative Budget and Audit
16 Committee by April 15 of each year.

17 (f) In this section, "instructional component" includes expenditures for teachers
18 and for pupil support services.

19 Article 3. Procedure for Payments of State Aid.

20 Sec. 14.17.600. Student counting periods. (a) Within two weeks after the
21 end of the 20-school-day period ending the fourth Friday in October, each district shall
22 transmit a report to the department that, under regulations adopted by the department,
23 reports its ADM for that counting period and other student count information that will
24 aid the department in making a determination of its state aid under the public school
25 funding program. For centralized correspondence study, the October report shall be
26 based on the period from July 1 through the fourth Friday in October, except that
27 summer school students shall be counted as a proportionate fraction as determined by
28 the department. The department may make necessary corrections in the report
29 submitted and shall notify the district of changes made. The commissioner shall notify
30 the governor of additional appropriations the commissioner estimates to be necessary
31 to fully finance the public school funding program for the current fiscal year.

1 (b) Upon written request and for good cause shown, the commissioner may
2 permit a district to use a 20-school-day counting period other than the period set out
3 in (a) of this section. However, a counting period approved under this subsection must
4 be 20 consecutive school days unless one or more alternate counting periods are
5 necessary to permit a district to implement flexible scheduling that meets the district's
6 needs and goals without jeopardizing the state aid for which the district would be
7 ordinarily be eligible under this chapter.

8 **Sec. 14.17.610. Distribution of state aid.** (a) The department shall determine
9 the state aid for each school district in a fiscal year on the basis of the district's
10 student count data reported under AS 14.17.600. On or before the 15th day of each
11 of the first nine months of each fiscal year, one-twelfth of each district's state aid shall
12 be distributed on the basis of the data reported for the preceding fiscal year. On or
13 before the 15th day of each of the last three months of each fiscal year, one-third of
14 the balance of each district's state aid shall be distributed, after the balance has been
15 recomputed on the basis of student count and other data reported for the current fiscal
16 year.

17 (b) Distribution of state aid under (a) of this section shall be made as required
18 under AS 14.17.410. If a district receives more state aid than it is entitled to receive
19 under this chapter, the district shall immediately remit the amount of overpayment to
20 the commissioner, to be returned to the public school account. The department may
21 make adjustments to a district's state aid to correct underpayments made in previous
22 fiscal years.

23 (c) Upon an adequate showing of a cash flow shortfall of a district, and in the
24 discretion of the commissioner, the department may make advance payments to a
25 district. The total of advance payments may not exceed the amount of state aid for
26 which the district is eligible for the fiscal year.

27 **Article 4. General Provisions.**

28 **Sec. 14.17.900. Construction and implementation of chapter.** (a) This
29 chapter does not create a debt of the state. Each district shall establish, maintain, and
30 operate under a balanced budget. The state is not responsible for the debts of a school
31 district.

1 (b) Money to carry out the provisions of this chapter may be appropriated
2 annually by the legislature into the public school account. If the amount in the
3 account is insufficient to meet the allocations authorized under AS 14.17.400 -
4 14.17.470 for a fiscal year, state aid shall be reduced according to AS 14.17.400(b).

5 **Sec. 14.17.910. Restrictions governing receipt and expenditure of district**
6 **money.** (a) Each district shall maintain complete financial records of the receipt and
7 disbursement of state aid, money acquired from local effort, and other money received
8 or held by the district. The records must be in the form required by the department
9 and are subject to audit by the department at a time and place designated by the
10 department.

11 (b) State aid provided under this chapter is for general operational purposes
12 of the district. All district money, including state aid, shall be received, held,
13 allocated, and expended by the district under applicable local law and state and federal
14 constitutional provisions, statutes, and regulations, including those related to ethical
15 standards and accounting principles.

16 **Sec. 14.17.920. Regulations.** The department shall adopt regulations necessary
17 to implement this chapter.

18 **Sec. 14.17.990. Definitions.** In this chapter, unless the context requires
19 otherwise,

20 (1) "ADM or average daily membership" means the aggregate number
21 of full-time equivalent students enrolled in a school district during the student count
22 period for which a determination is being made, divided by the actual number of days
23 that school is in session for the student count period for which the determination is
24 being made;

25 (2) "district" means a city or borough school district or a regional
26 educational attendance area;

27 (3) "district adjusted ADM" means the number resulting from the
28 calculations under AS 14.17.410(b)(1);

29 (4) "district ADM" means the sum of the ADMs in a district;

30 (5) "eligible federal impact aid" means the amount of federal impact
31 aid received by a district as of March 1 of the fiscal year as a result of an application

1 submitted in the preceding fiscal year, including advance payments and adjustments
2 received since March 1 of the preceding fiscal year from prior year applications, under
3 20 U.S.C. 7701 - 7714, except payments received under 20 U.S.C. 7703(f)(2)(B), to
4 the extent the state may consider that aid as local resources under federal law;

5 (6) "local contribution" means appropriations and the value of in-kind
6 services made by a district;

7 (7) "taxable real and personal property" means all real and personal
8 property taxable under the laws of the state.

9 * Sec. 3. AS 14.03.120(d) is repealed and reenacted to read:

10 (d) Annually, before the date set by the district under (e) of this section, each
11 public school shall provide, in a public meeting of parents, students, and community
12 members, a report on the school's performance and the performance of the school's
13 students. The report shall be prepared on a form prescribed by the department and
14 must include

15 (1) information on accreditation;

16 (2) results of norm-referenced achievement tests;

17 (3) results of state standards-based assessments in reading, writing, and
18 mathematics;

19 (4) a description, including quantitative and qualitative measures, of
20 student, parent, community, and business involvement in student learning;

21 (5) a description of the school's attendance, retention, dropout, and
22 graduation rates as specified by the state board; and

23 (6) the annual percent of enrollment change, regardless of reason, and
24 the annual percent of enrollment change due to student transfers into and out of the
25 school district.

26 * Sec. 4. AS 14.03.120(e) is repealed and reenacted to read:

27 (e) By a date set by the district, each public school in the district shall provide
28 the report described in (d) of this section to the district's governing body. Along with
29 the report, each public school shall submit a summary of comments made on the report
30 by parents, students, and community members. By July 1 of each year, beginning in
31 2000, each district shall provide to the department a report on the performance of each

1 public school and the public school students in the district. The district's report must

2 (1) be entitled "School District Report Card to the Public"; and

3 (2) include

4 (A) copies of the reports and summaries of comments submitted
5 under this section by each public school in the district; and

6 (B) a compilation of the material described in (A) of this
7 paragraph by each public school in the district.

8 * **Sec. 5.** AS 14.03.120(f) is repealed and reenacted to read:

9 (f) By January 15 of each year, beginning in 2001, the department shall
10 provide to the governor and make available to the public and the legislature a report
11 on the performance of public schools in this state. The report must be entitled
12 "Alaska's Public Schools: A Report Card to the Public." The report must include

13 (1) comprehensive information on each public school compiled,
14 collected, and reported under (d) and (e) of this section for the prior school year;

15 (2) a summary of the information described in (1) of this subsection;
16 the summary must be prepared in a manner that allows school performance to be
17 measured against established state education standards; and

18 (3) for a report due by or after January 15, 2003, the performance
19 designation under AS 14.03.123(b) received by each public school during the prior
20 school year.

21 * **Sec. 6.** AS 14.03.120(g) is amended to read:

22 (g) In this section, "district" has the meaning given in AS 14.17.990
23 [AS 14.17.250].

24 * **Sec. 7.** AS 14.03 is amended by adding a new section to read:

25 **Sec. 14.03.123. School accountability.** (a) Beginning in August 2002, and
26 during each of the following 12-month periods, the department shall assign each public
27 school in each district the performance designation of distinguished, successful,
28 deficient, or in crisis based on multiple student measures, including student
29 achievement. The state board of education shall establish this process by regulation.

30 (b) A public school assigned a performance designation of deficient or in crisis
31 shall develop a school improvement plan under (e) of this section. The department

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shall inform the governing body of each district of the performance designation assigned to each public school in the district.

(c) The state board shall adopt regulations to allow a district to appeal the performance designation assigned to a public school in that district.

(d) The department may establish a program of special recognition for those public schools that achieve a distinguished performance designation.

(e) A public school that receives a designation of deficient or in crisis shall prepare a school improvement plan to improve student performance based on a process established by the state board of education. The public school shall undertake an improvement process under that plan to lead to a designation of successful or distinguished. The school improvement plan must be prepared with the maximum feasible public participation of the community, including, if appropriate, interested individuals, teachers, parents, parent organizations, students, tribal organizations, local government representatives, and other community groups. The district shall consult with and assist the public school in the preparation of the school improvement plan. The school improvement plan must be approved by the local school board. The commissioner may provide technical assistance to a public school or the district at any time during the preparation and implementation of the school improvement plan on the request of an interested person and the approval of the district.

(f) Beginning August 1, 2002, and periodically during each of the following 12-month periods, the department shall monitor the progress of the implementation of each school improvement plan prepared under (e) of this section.

(g) The department may use existing staff or contract with one or more qualified persons to assist a public school that is deficient or in crisis under this section to improve student performance. Qualified persons to provide assistance under this section include educators, business leaders, members of the governing body of that district, and community leaders. The provisions of AS 36.30 do not apply to a contract awarded under this subsection.

(h) Notwithstanding any other provisions in this title, if the performance designation of a public school has continued to be deficient or in crisis for two consecutive school years, the chief school administrator, if the district employs a chief

1 school administrator, the president of the governing body, and the principal of the
2 public school shall, at a public meeting of the state board of education, present a
3 written report on the performance of that public school.

4 (i) The state board of education shall develop, by regulation, measures that
5 may be progressively implemented by the commissioner to assist a public school to
6 improve student performance in accordance with this section.

7 (j) In this section, "district" has the meaning given in AS 14.17.990.

8 * Sec. 8. AS 14.03.125(e) is amended to read:

9 (e) In this section, "district" has the meaning given in AS 14.17.990
10 [AS 14.17.250].

11 * Sec. 9. AS 14.03.150(c) is amended to read:

12 (c) The department may not award a school construction or major maintenance
13 grant under AS 14.11 to a municipality that is a school district or a regional
14 educational attendance area that is not in compliance with (a) of this section. The
15 department shall reduce the amount of state [FOUNDATION] under AS 14.17.400
16 [AS 14.17.021] for which a school district may qualify [,] by the amount, if any, paid
17 by the department under (b) of this section.

18 * Sec. 10. AS 14.03.160(f)(2) is amended to read:

19 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

20 * Sec. 11. AS 14.03.260(c) is amended to read:

21 (c) The charter school shall provide the financial and accounting information
22 requested by the local school board or the Department of Education [,] and shall
23 cooperate with the local school district or the department in complying with the
24 requirements of AS 14.17.910 [AS 14.17.190].

25 * Sec. 12. AS 14.07.020 is amended by adding a new subsection to read:

26 (c) In implementing its duties under (a)(2) of this section, the department shall
27 develop

28 (1) performance standards in reading, writing, and mathematics to be
29 met at designated age levels by each student in public schools in the state; and

30 (2) a comprehensive system of student assessments, composed of
31 multiple indicators of proficiency in reading, writing, and mathematics; this

1 comprehensive system must

2 (A) be made available to all districts and regional educational
3 attendance areas;

4 (B) include a developmental profile for students entering
5 kindergarten or first grade; and

6 (C) include performance standards in reading, writing, and
7 mathematics for students in age groups five through seven, eight through 10,
8 and 11 - 14.

9 * **Sec. 13.** AS 14.08.101 is amended by adding a new paragraph to read:

10 (11) employ a chief school administrator.

11 * **Sec. 14.** AS 14.08.111(3) is amended to read:

12 (3) [EMPLOY A CHIEF SCHOOL ADMINISTRATOR AND] approve
13 the employment of the professional administrators, teachers, and noncertificated
14 personnel necessary to operate its schools;

15 * **Sec. 15.** AS 14.09.010(b) is repealed and reenacted to read:

16 (b) A school district that enters into a contract described under (a)(1) of this
17 section shall be reimbursed for

18 (1) at least 90 percent of the cost of operating the student transportation
19 system if the transportation is provided by the school district; and

20 (2) 100 percent of the cost of operating the student transportation
21 system when the transportation is provided under a contract with the school district.

22 * **Sec. 16.** AS 14.09.010 is amended by adding a new subsection to read:

23 (d) The department shall apply the same criteria in determining eligibility for
24 reimbursement under (b)(1) or (2) of this section.

25 * **Sec. 17.** AS 14.11.008(b) is amended to read:

26 (b) The required participating share for a municipal school district is based on
27 the district's full value per average daily membership (ADM), which is calculated
28 by dividing the full and true value of the taxable real and personal property in the
29 district, calculated as described in AS 14.17.510 [AS 14.17.025(a)(1),] by the district
30 ADM [AVERAGE DAILY MEMBERSHIP (ADM)] as defined in AS 14.17.990
31 [AS 14.17.250], for the same fiscal year for which the valuation was made. The

1 municipal district's full value per ADM determines the district's required participating
 2 share, as follows:

| Full Value Per ADM | " | District Participating Share |
|--------------------|---|------------------------------|
| \$1 - \$100,000 | | 5 percent |
| 100,001 - 200,000 | | 10 percent |
| 200,001 - 600,000 | | 30 percent |
| over 600,000 | | 35 percent. |

8 * **Sec. 18.** AS 14.14.115(c)(2) is amended to read:
 9 (2) "district" has the meaning given in AS 14.17.990 [AS 14.17.250].

10 * **Sec. 19.** AS 14.14.130(a) is amended to read:
 11 (a) A [EACH] school board may [SHALL] select and employ a qualified
 12 person as the chief school administrator for the district. In this subsection, "employ"
 13 includes employment by contract.

14 * **Sec. 20.** AS 14.14.130(b) is amended to read:
 15 (b) If the district employs a [THE] chief school administrator, the
 16 administrator [OF THE DISTRICT] shall administer the district in accordance with
 17 the policies that the school board prescribes by bylaw.

18 * **Sec. 21.** AS 14.14.130(c) is amended to read:
 19 (c) If the district employs a [THE] chief school administrator, the
 20 administrator shall select, appoint, and otherwise control all school district employees
 21 that serve under the chief school administrator subject to the approval of the school
 22 board.

23 * **Sec. 22.** AS 14.16.020(2) is amended to read:
 24 (2) [EMPLOY CHIEF SCHOOL ADMINISTRATORS AND] approve
 25 the employment of [OTHER] personnel necessary to operate state boarding schools;

26 * **Sec. 23.** AS 14.16.050(a)(2) is amended to read:
 27 (2) requirements relating to the public school funding program
 28 [STATE FINANCIAL ASSISTANCE FOR EDUCATION] and the receipt and
 29 expenditure of that funding [ASSISTANCE]:

30 (A) AS 14.17.500 [AS 14.17.080] (relating to student count
 31 estimates);

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(B) AS 14.17.505 [AS 14.17.082] (relating to school operating fund balances);

(C) AS 14.17.500 - 14.17.910 [AS 14.17.160 - 14.17.220] (setting out the procedure for payment of public school funding [FINANCIAL ASSISTANCE,] and imposing general requirements and limits on money paid);

* Sec. 24. AS 14.16.080(a) is amended to read:

(a) AS 14.17.440 [AS 14.17.024] applies to the calculation of public school funding [STATE AID] payable for operation of a state boarding school.

* Sec. 25. AS 14.20.025 is amended to read:

Sec. 14.20.025. Limited teacher certificates. Notwithstanding AS 14.20.020(b), a person may be issued a limited certificate, valid only in the area of expertise for which it is issued, to teach Alaska Native language or culture, military science, or a vocational or technical course for which the board determines by regulation that baccalaureate degree training is not sufficiently available. A limited certificate may be issued under this section only if the school board of the district or regional educational attendance area in which the person will be teaching [, THROUGH THE CHIEF SCHOOL ADMINISTRATOR,] has requested its issuance. A person who applies for a limited certificate shall demonstrate, as required by regulations adopted by the board, instructional skills and subject matter expertise sufficient to ensure the public that the person is competent as a teacher. The board may require a person issued a limited certificate to undertake academic training as may be required by the board by regulation and make satisfactory progress in the academic training.

* Sec. 26. AS 14.20.147(a) is amended to read:

(a) When an attendance area is transferred from a currently operating district to, or absorbed into, a new or existing school district, the teachers for the attendance area also shall be transferred unless otherwise mutually agreed by the teacher or teachers and the chief school administrator of the new district if the district employs a chief school administrator. Accumulated or earned benefits, including [BUT NOT LIMITED TO,] seniority, salary level, tenure, leave, and retirement, accompany the teacher who is transferred.

1 * **Sec. 27.** AS 14.20.148 is amended to read:

2 **Sec. 14.20.148. Intradistrict teacher reassignments.** When a teacher is
3 involuntarily transferred or reassigned to a position for which the teacher is qualified,
4 within the district, the teacher's moving expenses shall be paid unless the one-way
5 driving distance is 20 miles or less from the teacher's present place of residence, or
6 unless otherwise mutually agreed by the teacher and chief school administrator of the
7 district **if the district employs a chief school administrator.**

8 * **Sec. 28.** AS 14.20.177(a) is amended to read:

9 (a) A school district may implement a layoff plan under this section if it is
10 necessary for the district to reduce the number of tenured teachers because

11 (1) school attendance in the district has decreased; or

12 (2) the basic need of the school district determined under
13 **AS 14.17.410(b)(1)** [AS 14.17.021(c) AND ADJUSTED UNDER AS 14.17.225(b)]
14 decreases by three percent or more from the previous year.

15 * **Sec. 29.** AS 14.30.305 is amended to read:

16 **Sec. 14.30.305. State support of programs for children hospitalized or**
17 **confined to their homes.** A child who is hospitalized or confined to home and who
18 receives at least 10 hours of special education and related services per week may be
19 counted as a pupil in average daily membership when computing state support under
20 the public school **funding** [FOUNDATION] program.

21 * **Sec. 30.** AS 14.30.347 is amended to read:

22 **Sec. 14.30.347. Transportation of exceptional children.** When transportation
23 is required to be provided as related services, **an** exceptional **child** [CHILDREN] shall
24 be carried with other children **if the district provides transportation to other**
25 **children in the district** [,] except when the nature of **the** [THEIR] physical or mental
26 **disability** [DISABILITIES] is such that it is in the best interest of the exceptional
27 **child** [CHILDREN], as determined by the school district, that **the child** [THEY] be
28 transported separately. State reimbursement for transportation of exceptional children
29 shall be as provided for transportation of all other pupils except that eligibility for
30 reimbursement is not subject to restriction based on the minimum distance between the
31 school and the residence of the exceptional child.

| | | |
|---|---|----|
| 1 | (AS 29.60.010 - 29.60.080) | \$ |
| 2 | PRIORITY REVENUE SHARING FOR | |
| 3 | MUNICIPAL SERVICES (AS 29.60.100 - 29.60.180) | \$ |
| 4 | REVENUE SHARING FOR SAFE COMMUNITIES | |
| 5 | (AS 29.60.350 - 29.60.375) | \$ |
| 6 | TOTAL AID | \$ |

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

| | MILLAGE EQUIVALENT | |
|----|------------------------------|---------------------------|
| | PREVIOUS YEAR | THIS YEAR |
| 12 | <u>PUBLIC SCHOOL FUNDING</u> | |
| 13 | [FOUNDATION] PROGRAM | |
| 14 | ASSISTANCE | MILLS MILLS |
| 15 | STATE AID FOR RETIREMENT | |
| 16 | OF SCHOOL CONSTRUCTION | |
| 17 | DEBT |MILLS MILLS |
| 18 | MUNICIPAL TAX RESOURCE | |
| 19 | EQUALIZATION |MILLS MILLS |
| 20 | PRIORITY REVENUE FOR SHARING | |
| 21 | MUNICIPAL SERVICES |MILLS MILLS |
| 22 | REVENUE SHARING FOR SAFE | |
| 23 | COMMUNITIES |MILLS MILLS |
| 24 | TOTAL MILLAGE | |
| 25 | EQUIVALENT |MILLS MILLS" |

Notice shall be provided by

(1) [BY] furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) [BY] publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the

1 municipality's budget.

2 * Sec. 34. AS 29.60.030(d) is amended to read:

3 (d) The full and true assessed property value shall be determined by the
4 department in the manner provided for the computation of state aid to education under
5 AS 14.17.510 [AS 14.17.140]. When the determination of locally generated revenue
6 includes revenue of a utility received under AS 29.60.010(c)(1)(E), the full and true
7 assessed property value must include the computed assessed value of the utility,
8 determined by dividing the amount of the payment in place of taxes made by the
9 utility by the millage rate that would apply to the utility if the utility were subject to
10 levy and collection of taxes under AS 29.45.

11 * Sec. 35. AS 36.10.090(b) is amended to read:

12 (b) A local government or school district covered by the provisions of this
13 chapter that is found to be in violation of these provisions may be required to forfeit
14 all or part of the state aid made available for the project in which the violation occurs
15 and in addition may be denied up to 12 months of state revenue sharing or public
16 school funding [FOUNDATION MONEY]. A state department or agency head found
17 to be in violation of this chapter may be required to forfeit the position of department
18 or agency head.

19 * Sec. 36. AS 36.10.125(c) is amended to read:

20 (c) In an action brought under (b) of this section, the court may, in its
21 discretion, order denial of state revenue sharing or public school funding
22 [FOUNDATION MONEY], forfeiture of office or position, or injunctive or other
23 relief. If the court finds for the plaintiff in an action brought under (b) of this section,
24 it may award the plaintiff an amount equal to the actual costs and attorney fees
25 incurred by the plaintiff.

26 * Sec. 37. AS 36.30.850(b) is amended by adding a new paragraph to read:

27 (38) contracts of the Department of Education under AS 14.03.123(g).

28 * Sec. 38. AS 44.47.305(c) is amended to read:

29 (c) A grant under (a) of this section may not exceed \$50 per month for each
30 child the child care facility cares for, or for each full-time equivalent, as determined
31 by the department. The grant shall be adjusted on a geographic basis by the same

1 factor [PERCENTAGES] as funding for a school district is [INSTRUCTIONAL
2 UNIT ALLOTMENTS ARE] adjusted under AS 14.17.460 [AS 14.17.051].

3 * **Sec. 39.** AS 14.16.050(a)(1)(G); AS 14.17.010, 14.17.021, 14.17.022, 14.17.024,
4 14.17.025, 14.17.026, 14.17.031, 14.17.041, 14.17.043, 14.17.045, 14.17.047, 14.17.051,
5 14.17.056, 14.17.080, 14.17.082, 14.17.140, 14.17.160, 14.17.170, 14.17.190, 14.17.200,
6 14.17.210, 14.17.220, 14.17.225, 14.17.250; and AS 14.30.315(a) are repealed.

7 * **Sec. 40.** TRANSITION: REGULATIONS. (a) To the extent the regulations are not
8 inconsistent with the language and purposes of this Act, regulations relating to state aid for
9 public schools adopted by the Department of Education before the effective date of this
10 section remain in effect as valid regulations implementing this Act; all other regulations
11 relating to state aid for public schools adopted by the Department of Education before the
12 effective date of this section are annulled. The Department of Education may administer and
13 enforce those previously adopted regulations relating to state foundation aid for public schools.

14 (b) The Department of Education shall, by regulation, define the term "school" for
15 purposes of AS 14.17.

16 * **Sec. 41.** TRANSITION: PROPOSED DISTRICT COST FACTORS. The Department
17 of Education shall submit the initial proposed district cost factors, required under
18 AS 14.17.460(b), enacted in sec. 2 of this Act, to the Alaska State Legislature by January 15,
19 2001.

20 * **Sec. 42.** TRANSITION: CENTRALIZED CORRESPONDENCE FUNDING.
21 Notwithstanding AS 14.17.430, as enacted by sec. 2 of this Act, funding for a correspondence
22 study program includes an allocation from the public school account in an amount calculated
23 by multiplying the ADM of the correspondence program by a percentage as follows:

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|----|-------------------------------|------------|
| 24 | For the fiscal year beginning | Percentage |
| 25 | July 1, 1998 | 70 percent |
| 26 | July 1, 1999 | 75 percent |

27 * **Sec. 43.** TRANSITION: MINIMUM EXPENDITURE FOR INSTRUCTION.
28 Notwithstanding AS 14.17.520, enacted in sec. 2 of this Act, the minimum expenditure for the
29 instructional component of the school district budget is as follows:

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| 30 | For the fiscal year beginning | Minimum expenditure |
| 31 | July 1, 1998 | 60 percent |

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65 percent

* **Sec. 44. TRANSITION: SPECIAL EDUCATION FUNDING.** If, for fiscal year 1999, the special education service agency would receive less funding under AS 14.30.650, as amended by sec. 31 of this Act, than the agency would have received for fiscal year 1999 under AS 14.30.650 as that provision read before the effective date of this Act, the agency is eligible to receive additional state funding for fiscal year 1999 equal to the difference between the state funding the agency is eligible to receive under AS 14.30.650, as amended by sec. 31 of this Act, and the state funding the agency is eligible to receive on the day before the effective date of this Act.

* **Sec. 45. TRANSITION: BASIC NEED.** Notwithstanding AS 14.17.410(b)(2), enacted in sec. 2 of this Act, for fiscal year 1999, the Department of Education shall determine basic need for purposes of calculating the required contribution of a city or borough school district under AS 14.17.410(b)(2) by using projected data.

* **Sec. 46. TRANSITION: PUBLIC SCHOOL FUNDING.** (a) If, in fiscal year 1999, a city or borough school district or a regional educational attendance area would receive more public school funding under AS 14.17.410, enacted in sec. 2 of this Act, than the district or area would have received as state aid in fiscal year 1999, the district or area may not receive state funding that exceeds the amount the district or area would be eligible to receive in state aid in fiscal year 1999 and 60 percent of the difference between the state aid the district or area would have received in fiscal year 1999 and the state funding the district or area was eligible to receive under AS 14.17.410, enacted in sec. 2 of this Act, in fiscal year 1999.

(b) For purposes of this section, "state aid" means state aid distributed under the provisions of AS 14.17, as those provisions read on January 1, 1998, and additional district support appropriated by the legislature.

* **Sec. 47. REQUIRED REPORT.** The Department of Education shall compare the use of per school funding required under this Act to the use of funding communities required in AS 14.17 before the effective date of this Act and submit a report to the Alaska State Legislature by January 15, 2001.

* **Sec. 48.** This Act takes effect July 1, 1998.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

4/29/98 PM

TONY KNOWLES, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
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April 29, 1998

The Honorable Gene Therriault
Alaska State Legislature
House Finance Committee
State Capitol, Room 511
Juneau, Alaska 99801-1182

Dear Representative Therriault,

You have asked a number of questions about the implementation of AS 43.56, the Oil and Gas Exploration, Production and Pipeline Transportation Property Tax. Your letter focuses on some issues that have been the subject of a good deal of review over the years.

We understand the property tax methodology used by the two boroughs in question to be as follows.¹ Both the North Slope Borough and Valdez use the limitation set out in AS 43.56.010(c) (which is the same as the limitation set out in AS 29.45.080) to calculate the operating portion of their respective property taxes. These taxes technically apply only to the tax base included in the "225% limit."² Since the limitations set out in AS 29.45.080 (and, therefore, in AS 43.56.010) do not apply to taxes levied or pledged to secure bonds, the portion of the property tax levied for debt service on bonds applies to the entire tax base. Since a part of the tax applies to only a portion of the tax base, and a part of the tax applies to the entire tax base, the mill rate for the former is converted to an "as if" mill rate and applied to the entire tax base.

Since 1978, the method for determining the property within the 225% limit has been as set out in the attached letter from Deputy Commissioner of Revenue John Messenger to Mayor Eben Hopson at the North Slope Borough. That letter provides "[i]f the entire assessed valuation of property taxable by the municipality does exceed the '225 percent limitation' ... the Department will require a pro-rata reduction in the assessed value of all property in the municipality so that it comes within the limitation." While there has been controversy over the years over whether the proration should apply to the locally assessed property, the methodology first set out in 1978 has been

¹ The North Slope Borough and Valdez are the only boroughs in which the total value of assessed property exceeds 225% of the average per capita full and true value of property in the state multiplied by the number of residents in the municipality.

² The "225% limit" is set out in footnote 1, above.

approved by the Attorney General in 1985 and again by the Senate Select Advisory Committee on Municipal Taxation of Oil and Gas Properties in 1989. It is the method currently used by this department and by the pertinent municipalities.

Your specific questions are addressed below.

- 1. What is the Department's process used to determine the portion of the oil and gas property tax base taxable by a municipality under AS 43.56.010©? Who is the person responsible for making the determination?**

The process for determining the portion of the tax base taxable under AS 43.56.010(c) involves obtaining values from several sources. The Department of Community and Regional Affairs determines both the average statewide per capita value and the municipal population. The municipality, subject to review by the State Assessor, determines the value of locally assessed property. The Department of Revenue determines the value of the oil and gas property in a municipality. Once those numbers are known, the calculation of the taxable tax base is a straightforward mathematical exercise. The person responsible for the Department of Revenue's portion of the administration of AS 43.56 is Richard Brewer, Assistant Director of the Oil and Gas Audit Division.

- 2. Which of the two methods in AS 29.45.080 have Valdez and the North Slope Borough informed the Department will be used for 1998? What methods were selected by each of the two municipalities in the prior 10 years?**

Both the North Slope Borough and Valdez have used the method set out in AS 29.45.080(c) to calculate the operating expenditures portion of their property tax for the last ten years. As far as we know, neither has formally notified this department of its choice. The choice has been known to the department and records in both the Departments of Revenue and Community and Regional Affairs clearly acknowledge the choice made by each of these municipalities.

- 3. If either or both municipalities informed the Department that the method in AS 29.45.080(c) would be used, what portion of the oil and gas property tax base was designated by your department for taxation by the local governments? Please provide me with the announcements of the portions identified which were sent to all municipalities using the method in AS 29.45.080(c) for 1998 and the prior 10 years.**

Since the designation of the portion of the tax base subject to tax under the method set out in AS 29.45.080(c) is a simple mathematical calculation, as set out in Paragraph 1 above, the Department of Revenue has not issued a formal announcement of the calculation. The department notifies each municipality of the value of the oil and gas property within its borders on March 1 of each year; the values are certified by June 1 of that year.

4. **If a portion of the oil and gas property is required to be designated under AS 43.56.010(c) for local taxation purposes, what was the sum of that portion plus "the value of property otherwise taxable by the municipality" for the prior 10 years?**

The attached table sets out locally assessed values, total values, and values within the 225% limit for each municipality for the last ten years.

5. **What mill rates were applied by the North Slope Borough and Valdez against Oil and Gas Property in 1997 and in the prior 10 years? What mill rates are expected to be applied against AS 43.56 property for 1998?**

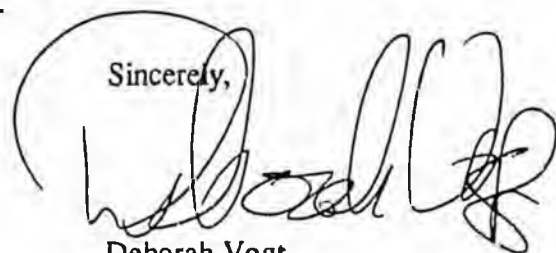
The mill rates used by the two municipalities for the last ten years are also shown in the attached table. Mill rates must be set by June 15 each year, and have not yet been set for 1998.

6. **Against what portion of the oil and gas property were the mill rates of the North Slope Borough and Valdez applied in 1997 and prior years?**

The mill rates for operating expenses were applied, by both Valdez and the North Slope Borough, against the property tax base within the 225% limit. The mill rates were, however, converted to the equivalent mill rates applicable to the entire property tax base. The mill rates for bonded indebtedness were applied against the entire tax base.

I hope that the material we are providing answers your questions. Please let me know if any clarification is required.

Sincerely,



Deborah Vogt
Deputy Commissioner

4/29/98 pm

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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House District 31

House Of Representatives

April 28, 1998

Memorandum

To: Rick Cross, Deputy Commissioner
Department of Education

From: Representative Pete Kelly *Pete*

Re: SB 36, "school size definition" as a function of funding.

Please provide House Finance Committee with two runs of data to clarify the "size of school definition" issue you have raised with regard to SB 36.

First, I need a run of all schools with the small K-12 schools divided into two entities, an elementary school and a secondary school. This run must include columns with the number of students, the dollars per student, dollars per school under SB 36, the net change dollars increased or decreased over the current funding formula, and any other information you feel the committee needs to know to understand the workings of SB 36. I would prefer a sort of this information by district, largest to smallest, but will trust your judgement.

The Second run needs to combine specialty "internal" schools within larger districts. I understand, from your testimony, that there are subsets of students within some of the larger schools that are subdivided out and given separate school names or designations. To understand the workings of SB 36 I need to see the dollar information described above with the artificial subsets of students recombined into the actual school facilities.

If you can recommend additional information that will demonstrate the "size of school" issue please consider this a request for such information. Is it possible, for example, to use the McDowell study in terms of "student community"?

PRESENTATION OF KETCHIKAN GATEWAY BOROUGH CONCERNING ENHANCEMENT OF STATE REVENUE FOR EDUCATION

I am Scott Brandt-Erichsen. I am the Borough Attorney for the Ketchikan Gateway Borough. I am here because Don Bullock and I have been asked to make a presentation to the House Finance Committee regarding the state's revenues from oil and gas property taxes.

Why are we making this presentation? I am involved because the Ketchikan Gateway Borough School District is severely impacted by the current school funding formula. You are probably all aware that, despite providing the maximum amount allowed by the state funding formula cap, Ketchikan has had to cut 53 positions over the last 7 years, including school nurses, librarians, school counselors, art, music, maintenance and support staff and classroom teachers, and is facing more cuts next year. I have received numerous calls from parents who are discussing filing a public interest lawsuit challenging the current formula if equitable adjustments are not made.

But this is not only about Ketchikan. It is about all districts who are inequitably funded under the current program. It is about Juneau, Sitka, Kenai and Ketchikan who are funding the maximum allowed by law and yet must cut programs and services as inflation reduces the buying power of that funding ceiling.

It is also about the rural districts without a significant tax base. Districts like the Northwest Arctic Borough which has more students than the North Slope Borough but has a per capita income so low (\$8,328 from DCRA Median household income and size off internet) that it would take a person almost three year's total income to earn enough to pay one year worth of the per capita property taxes collected by the North Slope Borough (\$24,369 p. 17 1997 Alaska Taxable). There are countless others too. Every community which has seen reduced municipal assistance and revenue sharing, and every community which is concerned about the level of transitional funding available for SB36, each of them has a vested interest in seeing that the State gets every dollar of revenue to which it is entitled so that the communities who rely upon transfer payments from the state don't have to face cuts or inequitable levels of funding just because some people in the State and the North Slope say "we've always done it this way."

Against this background, any potential increase in state revenues which could make funds available to restore educational equity is an option worth considering. The phrase "leaving no stone unturned" comes to mind.

So we are here to talk about increasing revenues. Specifically, the state's share of oil and gas property tax. The relationship between this tax and potential fund sources came to light in the Senate hearings when it was noticed that the North Slope seemed to be working off of two widely different tax base values. One about 2.2 billion and the other 11.7 billion. This apparent conflict came to the attention of Don Bullock.

Don Bullock works for the legislative liaison for the Ketchikan Gateway Borough. He has 17 year's experience with the Department of Revenue and has done extensive research into the legislative history and the application of the oil and gas tax property tax. He has also researched the implementation of that tax by the State Departments of Revenue, Community and Regional Affairs and the affected municipalities.

The history of the issue is this:

In an effort to avoid huge disparities in wealth between municipalities and to use the proceeds from the development of natural resources owned by all residents for the benefit of all residents, the legislature, in 1973, established a state property tax on oil and gas properties of 20 mills.

[Slide of AS 43.56.010(a) SLIDE #1]

At the time the Senate Committee on Community and Regional Affairs expressed its concern over the creation of fabulously rich communities which have oil and gas development adjacent to fabulously poor communities which do not. Through the state level tax and a specifically limited delegation of authority to municipalities to tax only part of the oil and gas property, the legislature sought to prevent such disparities, particularly where the resources which bring about the wealth belong to the people of the state as a whole. The limits selected were of two types. One on the total amount of revenue per resident which could be raised and the other on the portion of oil and gas property over which the local communities would have the jurisdiction to tax. Each community must select one of these two limiting methods by February 1st of each year.

The Senate committee recognized that allowing communities to tax was the same as if the state levied the tax itself and then appropriated the funds to the local government for its purposes. The Committee noted that the state legislature itself would not vote to appropriate \$3000 per person to the community of Fort Yukon and vote a state per person revenue sharing of only \$25 to Koyukuk. Such a result would, in the words of the Senate committee "be unfair and unconscionable." Senate Journal Nov. 3, 1973 at 81.

Here we are 25 years later and the result which the Senate in 1973 called unfair and unconscionable is exactly what we have. As you will see, the North Slope Borough and Valdez are "fabulously rich" while their neighbors are "fabulously poor". And the state's failure to properly implement the protections that the legislature enacted in 1973 is the chief cause.

According to Alaska Taxable 1997, the value of all oil and gas properties in the state as of January 1, 1997 was fourteen billion six hundred twenty-three million four hundred thirty-six thousand two hundred ten dollars. At a tax rate of 20 mills, this generates the state tax of approximately Two hundred ninety-two million four hundred seventy-thousand dollars.

[3 SLIDES NET TO STATE]

The state does not get all of this revenue, however. At the time AS 43.56 was enacted, the legislature realized that there would also be some impacts from oil and gas development on local municipalities. The state tax was imposed because of the strong belief that when the oil and gas resources which belong to all of Alaskans are being developed and shou'd benefit from that development. In drafting the legislation, a compromise was struck between maximizing the revenue from the tax for needs throughout Alaska and ensuring local governments had the revenues to meet local impacts.

The tax is:

authorized by AS 43.56.010(b) [SLIDE #3]

Limitations:

1. The tax is in lieu of all other ad valorem taxes on oil and gas property which is covered by AS 43.56. AS 43.56.010(b) and AS 29.45.080(a). [SLIDE #4 TEXT OF 43.56.030]

2. The rate of taxation must be at a rate no higher than the rate which applies to other property in the municipality. AS 43.56.010(b). [BACK TO SLIDE #3]
3. The maximum tax is limited by one of the two methods:
[SLIDE #5 TEXT OF AS 29.45.080(a)]
[SLIDE #6 FULL TEXT OF 29.45.080]
 1. Amount - AS 29.45.080(b). [SLIDE #7]
 2. Proportion of value - AS 29.45.080(c)
3. The taxes levied by municipalities are counted as a credit against the amount received by the state. AS 43.56.010(d).

The amount limitation is a calculated number. It is determined by taking the population as determined by the Department of Community and Regional Affairs and multiplying that by \$1500. For the North Slope, this would be \$ 19,407,000. For Valdez, it would be \$ 6,381,000.

[SLIDE #9]

The proration of value limitation is also a calculated number. The Department of Community and Regional Affairs is responsible for designating the portion of the oil and gas property tax base which may be subject to the municipal tax. AS 43.56.010(c). The state assessor provides this calculation each year in Alaska Taxable. For 1998, the figures for the North Slope are as follows:

[SLIDE #10 Explanation of millage rates]

Each municipality must decide by February 1 of each year which method it will use as a limitation. Over the years there have been some disputes about how these limitations are applied.

In a 1978 Alaska Supreme Court case, there was an issue about how the credit against the state mill levy would apply. This case also addressed the impact of AS 29.45.100 which waives the statewide 30 mill tax rate limit and the \$1500 per resident amount limit as they apply to taxes needed to pay debt service (bonds).

The court said that taxes for bonds may exceed the 30 mill limit. It also held that the credit applies on a statewide basis. Thus, a municipal levy which exceeds 20 mills will create a credit for the taxpayer which could be applied against state taxes on oil and gas property which the taxpayer owns elsewhere in the state.

The debt service exception in AS 29.45.100 says that taxes to pay bonds may be levied without limitation as to rate or amount.

[SLIDE #11 AS 29.45.100]

The term rate is obviously the mill rate. The mill rate limitation referred to in AS 29.45.090(a) (30 mills).

[SLIDE #12 AS 29.45.090(a)]

The amount limitation refers to the total revenue cap in AS 29.45.080(b) and AS 29.45.090(b)(1) [SLIDE #6 AS 29.45.080] This amount is \$1500 per year per resident.

Three important things to realize about this debt limitation statute make it clear that it is not carte blanche authority to tax at will. First, the debt limitation statute has been on the books since 1960. And since 1960 the same phrase has remained unchanged: "Without limitation as to rate or amount." This was in place long before there was any statute relating to taxation of oil and gas property, and long before the concept of apportioning shares of the oil and gas property tax base.

Second, stepping back and looking at the concept of the \$1500 per resident limit and the proration of value limit, you realize that if you were to read AS 29.45.100 as providing an exception to proration then the per person limit has no meaning once the statewide per person assessed value exceeds \$22,222. Doing the math, \$1500 per person is the same as 30 mills per person on a \$50,000 assessed value. Thus, if the statewide per person assessed value exceeds \$22,222, and the method applied by the North Slope is used, then the proration of value method will always give the local government more money without any increase in the mill rate. It is unreasonable, illogical, and contrary to the statutes to effectively eviscerate the \$1500 per person limit in this manner.

Third, the North Slope method, which I will step you through shortly, effectively repeals the \$1500 limit in AS 29.45.080(b).

Lets look at the errors.

At about the same time as the court was looking at the bond payment limit, the Department of Revenue responded to a question on the prorated value calculation. In a March 6, 1978 letter to North Slope Borough Mayor Eben Hobson, the Department of Revenue set out the method for calculating the prorated value under AS 29.45.080(c).

[SLIDES 13a,b,c 1978 Letter]

This letter contained a couple of errors. First, there was a simple arithmetic error. This is not significant as it is not carried through. Second, it erroneously prorated the non-oil and gas property.

This method effectively nullifies the \$1500 limit. The ratio of local property to Oil and Gas property end up the same under both methods. You can do the math and figure it out. With:
Total property values of \$11,728,282,009;
Oil and Gas property value of \$ 11,465,052,290; and
Local property values of \$ 283,962,200

The local property is 2.42% of the total assessed value.

Thus, under the \$1500 per person method the local property bears only 2.42% of the cost.

Then under the proration of value method If, as the North Slope does, you prorate both the local and the oil and gas property, then the ratio of 2.42% is preserved and even though the mill rate may increase, the true dollar tax burden stays the same, only the amount ceiling of \$1500 per person is removed.

Looking at the statute it was interpreting, the error is clear. AS 29.45.080(c) has the key phrases which show the proper method.

[SLIDE #6 AS 29.45.080(c)]

First the statute says that a municipality can levy and collect a tax on the full and true value of "that portion of taxable property taxable under AS 43.56 [oil and gas property] as assessed by the Department of Revenue which value" and here's the second clause "when combined with the value of the property otherwise taxable by the municipality" does not exceed the limit. Thus, the statute calls for prorating the value of the oil and gas property only, not houses and commercial buildings.

Despite the error, the 1978 letter is helpful in explaining proration of value. Putting the 1998 numbers in this format for the North Slope Borough shows that the North Slope Borough tax base is limited to taxing 18.5% of the full and true value of oil and gas property in the Borough if it elects the prorated value method.

[SLIDE #14 a and b]

In this slide, the difference in the tax base is due to rounding of the percentage to three significant digits.

You can compare this to the calculation from Alaska Taxable put out by the state assessor, and you will find that they are the same.

[SLIDE #10]

Two other Supreme Court cases addressed the oil and gas property tax, but are not as significant for the issues here. A 1986 decision upheld the method used to calculate population. You notice that the North Slope population used in the formula is 12,938 people. The actual Borough Population is listed as 9,189 on page 17 of 1997 Alaska Taxable. This includes an adjustment which counts remote site workers whose primary residence is elsewhere. This higher population figure benefits the North Slope Borough because it increases the \$1500 per person amount.

The second in 1990 rejected an effort by Valdez to set up a special taxing district comprised of oil and gas property.

Now we get to the crux of the issue. How the oil and gas property tax base gets converted to revenues. The calculation in Alaska Taxable does not follow the statutes on this point.

[SLIDE #15 DEVELOPMENT OF OVERALL RATE]

When the assessor calculates the impact of the mill levy, he overlooks the fact that the Borough elected the prorated value method. Instead of using the tax base permitted under AS 29.45.080(c) and AS 43.56.010(c), he uses the entire assessed value for the Borough. In effect, he switches methods without reverting to the total tax amount limitation of \$1500 per person.

In order to reach the entire assessed value, the Borough would need to use the \$1500 per person method. If they elect the prorated value method, then their tax base is only 18.5% of oil and gas property - about 2,167,000,000 for the North Slope.

How costly is this error? For the state, it reduces revenues by over 43 million a year under the \$1500 method or over \$18 million per year under the value method.

AS 43.56.010. Levy of Tax. (a) An annual tax of 20 mills is levied each tax year beginning January 1, 1974, on the full and true value of taxable property taxable under this chapter.

Gross State Tax on AS 43.56 Property, Municipal Taxation of AS 43.56 Property, and Net to the State

(Alaska Taxable 1997)

| | |
|---|------------------|
| State Taxable Full Value of AS 43.56 Property as of January 1, 1997 | \$14,623,436,210 |
| Value of AS 43.56 Property within Taxing Municipalities | \$13,095,322,770 |
| State Tax, Before Municipal Tax Credits | \$292,468,724 |
| Total Municipal Taxes on AS 43.56 Property, Credited Against State Tax | \$245,306,676 |
| Net Property Tax Revenue to State from AS 43.56 | \$47,162,048 |

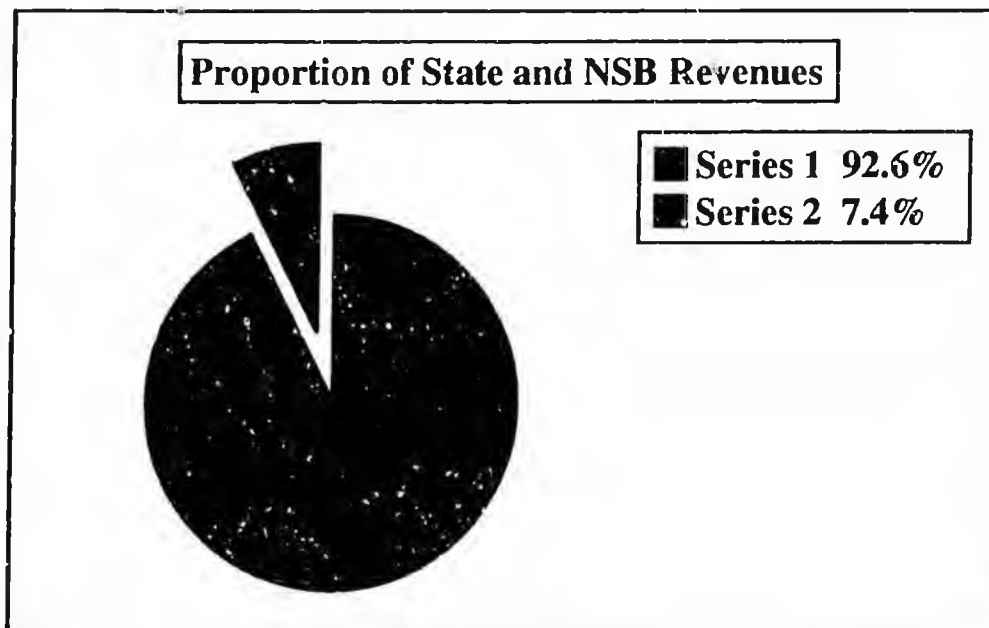
Proportion State Tax Collection on AS 43.56 Property

■ Series 1 ■ Series 2



**Similar Calculation but for Property
Located in the North Slope Borough
(Using Method in Alaska Taxable)**

| | |
|---|-------------------------|
| State Taxable Full Value of AS 43.56 Property in North Slope Borough as of January 1, 1997 | \$11,465,052,290 |
| State Tax, Before Municipal Tax Credits | \$229,301,046 |
| Total North Slope Borough Taxes on AS 43.56 Property, Credited Against State Tax | \$212,218,118 |
| Net Property Tax Revenue to State from AS 43.56 | \$17,082,928 |
| North Slope's Mill Rate | 18.510 |
| Effective States Mill Rate | 1.490 |



**Similar Calculation but for Property
 Located in Valdez**
 (Using Method in Alaska Taxable)

| | |
|--|----------------------|
| State Taxable Full Value of AS 43.56 Property in Valdez as of January 1, 1997 | \$692,583,260 |
| State Tax, Before Municipal Tax Credits | \$13,851,665 |
| Total Valdez Taxes on AS 43.56 Property, Credited Against State Tax | \$14,378,028 |
| Net Property Tax Revenue to State from AS 43.56 | -\$526,363 |
| Mill Rate for Valdez | 20.760 |
| Effective Mill Rate for State | -0.760 |

In this situation, an AS 43.56 taxpayer may take the balance of the credit against the tax due to the state for property located outside of Valdez. AS 43.56.010(d) does not limit the tax credit to the state tax due from property located in a taxing municipality

The Power of a Municipality to Tax AS 43.56 Property in AS 43.56.010 and AS 43.56.030

AS 43.56.010. Levy of Tax.

*** * ***

(b) A municipality may levy and collect a tax under AS 29.45.080 at the rate of taxation that applies to other property taxed by the municipality. The tax shall be levied at a rate no higher than the rate applicable to other property taxable by the municipality. A municipality may not exempt from taxation property authorized to be taxed under this chapter. Exemptions shall be limited to those in AS 29.45.030, 29.45.050, and AS 43.56.020.

*** * * ***

Slide Number:

The only taxes a municipality may impose on AS 43.56 property are those authorized in AS 43.56.010(b):

AS 43.56.030. In place of other taxes. Except for those taxes imposed under AS 43.55 and AS 43.57, the taxes levied or authorized under AS 43.56.010 (b) are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality on property subject to tax under this chapter or exempted from taxation by AS 43.56.020 , and

(2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020 , including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first \$1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

(C) taxes on the sale or use of services used in or associated with the property or in its maintenance or operation except for the sales tax on the first \$1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services.

Slide Number:

AS 29.45.080. Tax on oil and gas production and pipeline property. (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

Slide Number:

AS 29.45.080. Tax on oil and gas production and pipeline property. (a) A municipality may levy and collect taxes on taxable property taxable under AS 43.56 only by using one of the methods set out in (b) or (c) of this section.

(b) A municipality may levy and collect a tax on the full and true value of taxable property taxable under AS 43.56 as valued by the Department of Revenue at a rate not to exceed that which produces an amount of revenue from the total municipal property tax equivalent to \$1,500 a year for each person residing in its boundaries.

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of 225 percent of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

(d) By February 1 of each assessment year a taxing municipality shall inform the Department of Revenue which method of taxation the municipality will use.

(e) For purposes of this section, population shall be determined by the commissioner based on the latest statistics of the United States Bureau of the Census or on other reliable population data, and the commissioner shall advise each municipality of its population by January 15 of each year.

Slide Number:

Under the method in AS 29.45.080 (b), a municipality may

- 1.levy and collect a tax**
- 2.on the full and true value**
- 3.of taxable property taxable under AS 43.56 as
valued by the Department of Revenue**
- 4.at a rate not to exceed that which produces an
amount of revenue**
- 5.from the total municipal property tax**
- 6.equivalent to \$1,500 a year for each person
residing in its boundaries.**

Amount of AS 43.56 property taxed by the municipality: **All**

Amount of locally assessed property taxed by the municipality: **All**

Slide Number:

Under the method in AS 29.45.080(c), a municipality may

- 1. Levy and collect a tax**
- 2. On the full and true value**
- 3. Of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue**
- 4. Which value**
- 5. When combined with the value of property otherwise taxable by the municipality**
- 6. Does not exceed the product of**
- 7. 225 percent**
- 8. Of the average per capita assessed full and true value of property in the state**
- 9. Multiplied by the number of residents of the taxing municipality.**

Slide Number:

Under AS 29.45.080(c), the municipality applies its tax to the value of:

ALL Locally Assessed Property

Plus

A PORTION of the AS 43.56 Property

The TOTAL VALUE on which the municipality levies its tax may not exceed the VALUE calculated under the 225% formula.

The Department of Revenue determines the PORTION of AS 43.56 property which the municipality may tax under this method. AS 43.56.010(c).

Slide Number:

Municipal Taxation of Oil and Gas Property
AS 29.45.080, AS 43.56

Application of Formula For Determining Tax Base Cap
AS 43.56.010(c), AS 29.45.080(b), AS 29.45.080(c)

Limits on Revenue From Property Taxes For Operations

Table 1

| FY98 | North Slope Borough | Valdez |
|--|---------------------|--------------|
| Population | 12,038 | 4,254 |
| Operating Revenue Cap @ \$1500/resident AS 29.45.080(b), AS 29.45.090(b)(1) | \$19,407,000 | \$6,381,000 |
| Municipality's Operating Budget | \$60,009,558 | \$15,679,396 |
| Municipality's Operating Budget Above Revenue Cap in AS 29.45.080(b) | \$40,602,558 | \$9,298,396 |

DEVELOPMENT OF ACTUAL OVERALL RATE

FY 98 projected budget for debt service (payment of bonds): \$157,100,000

Actual assessed value: \$11,728,282,099

$$\frac{\$157,100,000}{\$11,728,282,099} = 13.39 \text{ mills (levy to satisfy debt service)}$$

$$\frac{\$60,009,558}{\$11,728,282,099} = 5.12 \text{ mills (levy to satisfy operating budget)}$$

$$13.39 + 5.12 = 18.51 \text{ mills (actual overall rate)}$$

1/Note: for FY 99, this calculation will be:

$$\$76,907 \times 2.25 \times 12,938 = \$2,238,801,223$$

Note: The population used here is different from the population used in other areas of this publication due to the fact that the North Slope Borough is allowed to use a larger portion of the workforce in Prudhoe Bay to count in the tax cap formula. The revenue sharing calculation uses a smaller population count.

North Slope Borough

EXPLANATION OF MILLAGE RATES:

AS 29.45.090(a) restricts the millage rate for the municipal operating budget to a maximum of 3% or 30 mills. (There is no limit on taxes to pay bonds.)

The 30 mill limit on operating revenues is levied against an assessed value no to exceed that produced by the following formula:

Average Per Capita Full Value X 225% X municipal population, or, for FY 98:

$$74,474 \times 2.25 \times 12,938 = \$ 2,167,975,377^1 \text{ (Assessed Value Limit for operating budget)}$$

$$\$ 2,167,975,377 \times 30 \text{ mills} = \$ 65,039,261 \text{ (FY 98 statutory limit for operating budget)}$$

FY 98 projected operating budget: ~~\$64,492,492~~ **\$ 60,009,558**

$$\frac{\$65,039,261}{\$2,167,975,377} = 30.00 \text{ mills (operating budget rate)}$$

City of Valdez

EXPLANATION OF MILLAGE RATES

AS 29.45.090(a) restricts the millage rate for the municipal operating budget to a maximum of 3% or 30 mills. (There is no limit on taxes to pay bonds.)

The 30 mill limit on operating revenues is levied against an assessed value not to exceed that produced by the following formula:

Average Per Capita Full Value X 225% X municipal population, or , for FY 98:

$\$74,474 \times 2.25 \times 4,254 = \$712,827,891$ (Assessed Value Limit for operating budget)

$\$712,827,891 \times 30 \text{ mills} = \$21,384,837$ (FY 98 statutory limit for operating budget)

FY 98 operating budget: \$15,679,396 (property tax portion)

$\frac{\$ 15,679,396}{\$ 712,827,891} = 22.00 \text{ mills}$ (effective operating rate)

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

North Slope Borough

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FY 98 projected operating budget: ~~\$54,432,492~~ **\$60,009,558**

$$\frac{\$65,039,261}{\$2,167,975,377} = 30.00 \text{ mills (operating budget rate)}$$

City of Valdez

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