

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 153 3274₁₉₈

District	FY02	FY03	FY04	FY05	FY06	FY07	Projected FY08
Alaska Gateway	-	-	-	-	-	-	-
Aleutian Region	-	-	-	-	-	-	-
Aleutians East Borough	4.0	4.0	4.0	3.9	4.0	4.0	3.9
Anchorage	3.9	3.8	3.9	3.8	3.9	3.8	3.7
Annette Island	-	-	-	-	-	-	-
Bering Strait	-	-	-	-	-	-	-
Bristol Bay Borough	4.0	4.0	4.0	4.0	4.0	4.0	3.7
Chatham	-	-	-	-	-	-	-
Chugach	-	-	-	-	-	-	-
Copper River	-	-	-	-	-	-	-
Cordova	3.9	3.9	4.0	3.9	3.9	4.0	4.0
Craig	4.0	4.0	4.0	4.0	3.9	4.0	4.0
Delta/Greely	-	-	-	-	-	-	-
Denali Borough	4.0	3.6	4.0	3.9	4.0	4.0	3.6
Dillingham	4.0	3.9	4.0	4.0	3.8	4.0	3.5
Fairbanks North Star Borough	3.9	3.9	3.9	3.9	3.8	3.8	3.8
Galena	4.0	4.0	4.0	4.0	4.0	4.0	3.8
Haines Borough	3.9	3.9	4.0	4.0	4.0	3.8	3.8
Hoonah	4.0	3.3	4.0	4.0	4.0	4.0	4.0
Hydaburg	4.0	3.9	4.0	4.0	4.0	4.0	3.9
Iditarod Area	-	-	-	-	-	-	-
Juneau Borough	3.9	3.8	4.0	4.0	3.9	3.8	3.7
Kake	4.0	4.0	4.0	3.9	4.0	4.0	4.0
Kashunamiut	-	-	-	-	-	-	-
Kenai Peninsula Borough	3.9	3.9	3.9	3.8	3.9	3.9	3.9
Ketchikan Gateway Borough	3.9	3.9	4.0	4.0	4.0	3.9	3.9
Klawock	4.0	4.0	4.0	4.0	4.0	4.0	3.8
Kodiak Island Borough	3.9	4.0	3.9	4.0	3.9	3.9	3.9
Kuspuk	-	-	-	-	-	-	-
Lake & Peninsula Borough	4.0	4.0	4.0	4.0	4.0	4.0	3.9
Lower Kuskokwim	-	-	-	-	-	-	-
Lower Yukon	-	-	-	-	-	-	-
Mat-Su Borough	3.8	3.9	3.9	3.8	3.7	3.6	3.6
Nenana	4.0	3.9	4.0	3.9	4.0	3.7	3.9
Nome	3.8	4.0	4.0	4.0	4.0	3.9	3.8
North Slope Borough	-	-	-	-	-	-	-
Northwest Arctic Borough	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Pelican	3.9	4.0	4.0	3.7	4.0	4.0	4.0
Petersburg	3.9	4.0	4.0	3.9	3.8	3.8	4.0
Pribilof	-	-	-	-	-	-	-
Saint Marys	4.0	3.9	4.0	3.8	4.0	4.0	3.9
Sitka Borough	3.9	3.9	3.9	3.9	3.9	3.9	3.7
Skagway	-	-	-	-	-	-	-
Southeast Island	-	-	-	-	-	-	-
Southwest Region	-	-	-	-	-	-	-
Tanana	4.0	4.0	4.0	4.0	4.0	4.0	3.9
Unalaska	-	-	4.0	4.0	3.9	3.9	3.8
Valdez	-	-	-	-	-	-	-
Wrangell	4.0	3.8	4.0	4.0	4.0	4.0	4.0
Yakutat	4.0	3.9	3.7	4.0	4.0	4.0	4.0
Yukon Flats	-	-	-	-	-	-	-
Yukon/Koyukuk	-	-	-	-	-	-	-
Yupit	-	-	-	-	-	-	-
Mt. Edgecumbe High School	-	-	-	-	-	-	-

The Department of Education & Early Development
July 30, 2007
Transmittal of Task Force Data Request

The following documents are in PDF format and attached:

- INTENSIVE COUNT COST

This spreadsheet presents the current FY2008 projected intensive student count per district and the current state cost through the foundation program at 5X Base Student Allocation (BSA). The spreadsheet projects state cost at increments of 7X, 9X, 11X, 13X and 15X.

- FY98 – FY07 Pupil Transportation Annual Costs

The Chart on the first page presents FY98 – FY2007 statewide costs for pupil transportation. These costs are funded through a separate pupil transportation appropriation. The data on page two presents the FY2006 state cost by school district and the FY2006 actual expenditures as reported in audited financial statements. The year ended June 30, 2006 is the most recent audited data available. FY2007 audited data will be available upon compilation after the November 15 submittal deadline.

Department of Education and Early Development
July 2007

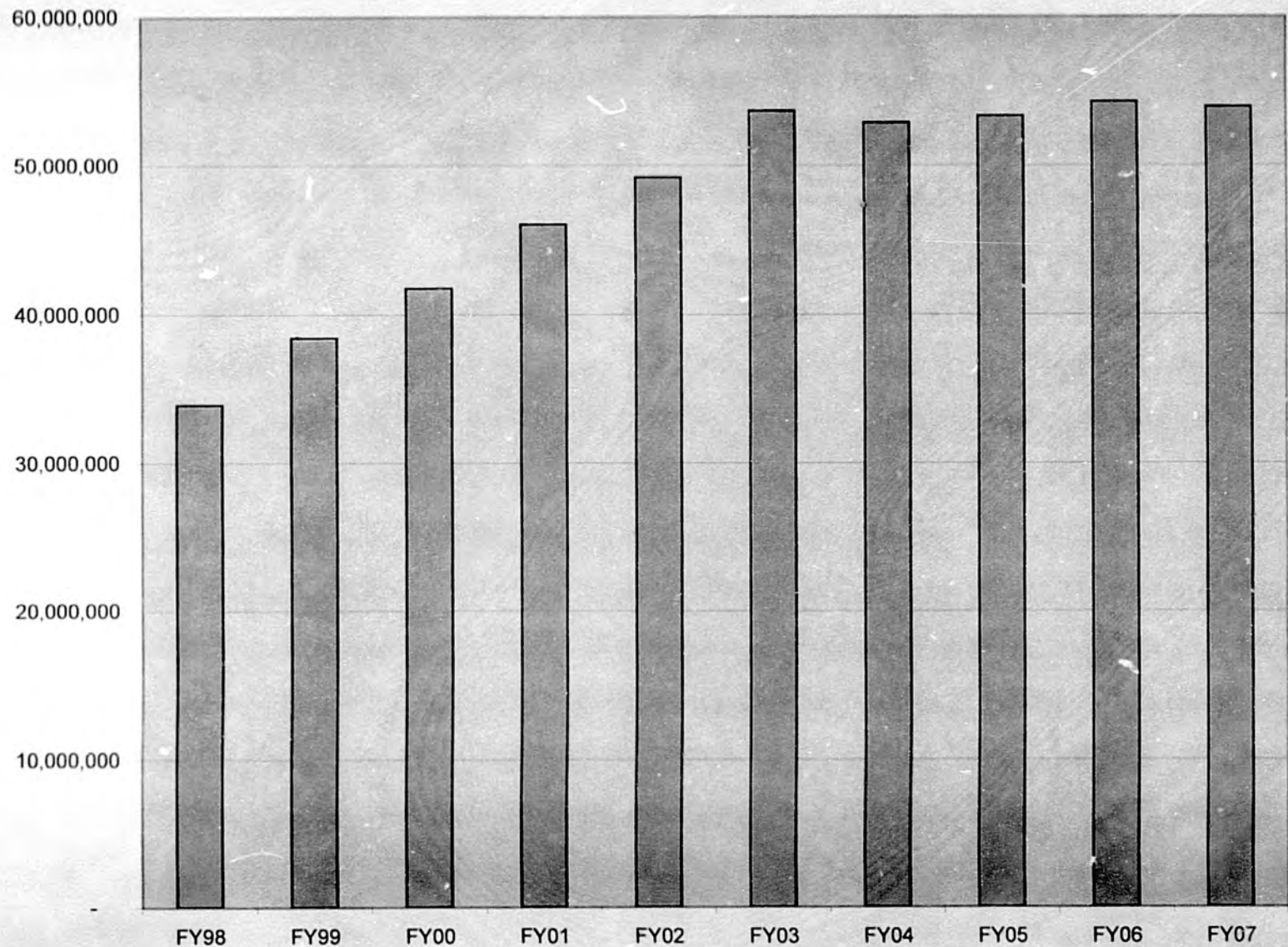
INTENSIVE COUNT COST

School District	FY08 Projected Intensive Count	Current Intensive Count x5	Intensive Count x7	Intensive Count x9	Intensive Count x11	Intensive Count x13	Intensive Count x14	Intensive Count x15
Alaska Gateway	6	\$ 161,400	\$ 225,960	\$ 290,520	\$ 355,080	\$ 419,640	\$ 451,920	\$ 484,200
Aleutian Region	0	-	-	-	-	-	-	-
Aleutians East Borough	0	-	-	-	-	-	-	-
Anchorage	680	18,292,000	25,608,800	32,925,600	40,242,400	47,559,200	51,217,600	54,876,000
Annette Island	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
Bering Strait	17	457,300	640,220	823,140	1,006,060	1,188,980	1,280,440	1,371,900
Bristol Bay Borough	3	80,700	112,980	145,260	177,540	209,820	225,960	242,100
Chatham	3	80,700	112,980	145,260	177,540	209,820	225,960	242,100
Chugach	0	-	-	-	-	-	-	-
Copper River	10	269,000	376,600	484,200	591,800	699,400	753,200	807,000
Cordova	6	161,400	225,960	290,520	355,080	419,640	451,920	484,200
Craig	10	269,000	376,600	484,200	591,800	699,400	753,200	807,000
Delta/Greely	8	215,200	301,280	387,360	473,440	559,520	602,560	645,600
Denali Borough	3	80,700	112,980	145,260	177,540	209,820	225,960	242,100
Dillingham	8	215,200	301,280	387,360	473,440	559,520	602,560	645,600
Fairbanks N. Star Borough	262	7,047,800	9,866,920	12,686,040	15,505,160	18,324,280	19,733,840	21,143,400
Galena	1	26,900	37,660	48,420	59,180	69,940	75,320	80,700
Haines Borough	5	134,500	188,300	242,100	295,900	349,700	376,600	403,500
Hoonah	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
Hydaburg	1	26,900	37,660	48,420	59,180	69,940	75,320	80,700
Iditarod Area	0	-	-	-	-	-	-	-
Juneau Borough	145	3,900,500	5,460,700	7,020,900	8,581,100	10,141,300	10,921,400	11,701,500
Kake	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
Kashunamiut	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
Kenai Peninsula Borough	83	2,232,700	3,125,780	4,018,860	4,911,940	5,805,020	6,251,560	6,698,100
Ketchikan Gateway Borough	25	672,500	941,500	1,210,500	1,479,500	1,748,500	1,883,000	2,017,500
Klawock	3	80,700	112,980	145,260	177,540	209,820	225,960	242,100
Kodiak Island Borough	25	672,500	941,500	1,210,500	1,479,500	1,748,500	1,883,000	2,017,500
Kuspuk	0	-	-	-	-	-	-	-
Lake & Peninsula Borough	2	53,800	75,320	96,840	118,360	139,880	150,640	161,400
Lower Kuskokwim	61	1,640,900	2,297,260	2,953,620	3,609,980	4,266,340	4,594,520	4,922,700
Lower Yukon	13	349,700	489,580	629,460	769,340	909,220	979,160	1,049,100
Mat-Su Borough	125	3,362,500	4,707,500	6,052,500	7,397,500	8,742,500	9,415,000	10,087,500
Nenana	3	80,700	112,980	145,260	177,540	209,820	225,960	242,100
Nome	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
North Slope Borough	9	242,100	338,940	435,780	532,620	629,460	677,880	726,300
Northwest Arctic Borough	18	484,200	677,880	871,560	1,065,240	1,258,920	1,355,760	1,452,600
Pelican	0	-	-	-	-	-	-	-
Petersburg	11	295,900	414,260	532,620	650,980	769,340	828,520	887,700
Pribilof	0	-	-	-	-	-	-	-
Saint Mary's	1	26,900	37,660	48,420	59,180	69,940	75,320	80,700
Sitka Borough	36	968,400	1,355,760	1,743,120	2,130,480	2,517,840	2,711,520	2,905,200
Skagway	1	26,900	37,660	48,420	59,180	69,940	75,320	80,700
Southeast Island	5	134,500	188,300	242,100	295,900	349,700	376,600	403,500
Southwest Region	6	161,400	225,960	290,520	355,080	419,640	451,920	484,200
Tanana	0	-	-	-	-	-	-	-
Unalaska	2	53,800	75,320	96,840	118,360	139,880	150,640	161,400
Valdez	11	295,900	414,260	532,620	650,980	769,340	828,520	887,700
Wrangell	1	26,900	37,660	48,420	59,180	69,940	75,320	80,700
Yakutat	0	-	-	-	-	-	-	-
Yukon Flats	5	134,500	188,300	242,100	295,900	349,700	376,600	403,500
Yukon/Koyukuk	6	161,400	225,960	290,520	355,080	419,640	451,920	484,200
Yupit	4	107,600	150,640	193,680	236,720	279,760	301,280	322,800
Mt. Edgecumbe High School	0	-	-	-	-	-	-	-
TOTAL		\$ 44,223,600	\$ 61,913,040	\$ 79,602,480	\$ 97,291,920	\$ 114,981,360	\$ 123,826,080	\$ 132,670,800

NOTE: Based on FY08 projected ADM and BSA at \$5,380.

**Department of Education & Early Development
FY98 - FY07 Pupil Transportation Annual Costs**

Year	Total
FY98	33,921,953
FY99	38,405,317
FY00	41,725,827
FY01	46,026,270
FY02	49,202,356
FY03	53,727,800
FY04	52,884,414
FY05	53,355,753
FY06	54,319,877
FY07	53,993,519



Note:

FY98 - FY03 - Costs based on full reimbursed district pupil transportation costs.

FY04 - FY07 - Costs based on set-rate grant to districts.

Department of Education & Early Development
Pupil Transportation Program FY2006
Comparison of Grant to Actuals

DISTRICT	ACTUAL FY06 ADM	FY06 PER-CHILD COST	ACTUAL FY06 GRANT	ACTUAL FY06 COSTS	Difference Grant less Costs
ALASKA GATEWAY	359.70	1,227	441,352	552,271	(110,919)
ALEUTIAN REGION	44.00	0	0	0	0
ALEUTIANS EAST	246.40	223	54,947	54,360	587
ANCHORAGE	48,507.56	357	17,317,199	16,303,868	1,013,331
ANNETTE ISLAND	291.29	94	27,381	18,416	8,965
BERING STRAIT	1,668.30	44	73,405	73,405	0
BRISTOL BAY	179.00	1,227	219,633	318,150	(98,517)
CHATHAM	200.00	71	14,200	39,714	(25,514)
CHUGACH	85.40	0	0	0	0
COPPER RIVER	532.40	1,227	653,255	680,864	(27,609)
CORDOVA	446.95	174	77,769	110,170	(32,401)
CRAIG	369.50	367	135,607	72,606	63,001
DELTA/GREELY	833.50	1,227	1,022,705	1,149,085	(126,380)
DENALI	280.00	1,203	336,840	369,475	(32,635)
DILLINGHAM	550.90	845	465,511	478,113	(12,602)
FAIRBANKS	14,269.67	621	8,861,465	9,135,639	(274,174)
GALENA	195.50	226	44,183	44,183	0
HAINES	270.40	554	149,802	157,311	(7,509)
HOONAH	166.50	190	31,635	31,635	0
HYDABURG	72.50	0	0	0	0
IDITAROD	241.01	144	34,705	32,128	2,577
JUNEAU	5,155.20	391	2,015,683	2,289,183	(273,500)
KAKE	116.00	187	21,692	19,678	2,014
KASHUNAMIUT	330.55	10	3,306	1,590	1,716
KENAI PENINSULA	8,681.33	529	4,592,424	4,674,831	(82,407)
KETCHIKAN	2,260.37	562	1,270,328	1,357,795	(87,467)
KLAWOCK	135.60	197	26,713	26,713	0
KODIAK	2,647.27	454	1,201,861	1,328,397	(126,536)
KUSPUK	415.00	550	228,250	165,893	62,357
LAKE & PENINSULA	386.42	272	105,106	153,532	(48,426)
LOWER KUSKOKWIM	3,930.25	151	593,468	669,107	(75,639)
LOWER YUKON	2,036.75	2	4,074	3,584	490
MAT-SU	14,212.58	760	10,801,561	9,916,451	885,110
NENANA	224.55	588	132,035	107,558	24,477
NOME	763.85	374	285,680	292,683	(7,003)
NORTH SLOPE	1,726.15	451	778,494	1,324,054	(545,560)
NORTHWEST ARCTIC	2,018.85	23	46,434	35,994	10,440
PELICAN	13.60	64	870	870	0
PETERSBURG	591.45	239	141,357	144,500	(3,143)
PRIBILOF	114.75	0	0	0	0
ST. MARY'S	164.80	4	659	8,236	(7,577)
SITKA	1,449.98	414	600,292	562,219	38,073
SKAGWAY	109.25	31	3,387	2,979	408
SOUTHEAST ISLAND	200.90	1,227	246,504	191,605	54,899
SOUTHWEST REGION	668.70	325	217,328	346,312	(128,984)
TANANA	57.55	400	23,020	16,264	6,756
UNALASKA	397.50	545	216,638	220,514	(3,876)
VALDEZ	797.13	482	384,217	452,812	(68,595)
WRANGELL	369.85	439	162,364	182,039	(19,675)
YAKUTAT	132.50	448	59,360	73,229	(13,869)
YUKON FLATS	270.33	262	70,826	67,867	2,959
YUKON/KOYUKUK	370.75	333	123,460	90,324	33,136
YUPIIT	446.15	2	892	0	892
TOTALS	121,006		54,319,877	54,348,206	(28,329)

SCOMM

153:6



25th Alaska State Legislature Joint Legislative Education Funding Task Force

Chair:

Rep. Mike Hawker
District 32, Anchorage

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Vice-Chair:

Senator Bert Stedman

Members:

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Mike Kelly

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Bob Roses

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School Boards

Representative
Paul Seaton

Senator
Gary Stevens

Senator
Gary Wilken

Committee Aides:

Juli Lucky
Charisse Millett
jletf@akleg.org

AGENDA

August 16, 2007

9:00 am – 4:00 pm

Lunch break: 12:00 pm - 1:00 pm

9 am – 12 pm Public testimony on recommendations/draft report

1 pm – 4 pm Review and edit recommendations/draft report

Joint Legislative Education Funding Task Force
Report to the Governor and Legislature

September 1, 2007

*** * * Work Draft * * ***

**Joint Legislative Education Funding Task Force
Report to the Governor and Legislature**

Index

Members

Report to the Governor and Legislature

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- School Funding Foundation Formula recommendations
- Alaska Youth Academy funding

Draft Resolutions

- Standing Committees on Education
- District Cost Factor Commission
- University of Alaska Teacher Preparation

Fiscal Notes

Member Comments

**Joint Legislative Education Funding Task Force
Report to the Governor and Legislature**

Members

Representative Mike Hawker – Chairman

Senator Bert Stedman – Vice-Chairman

Senator Johnny Ellis

Senator Lyman Hoffman

Representative Reggie Joule

Representative Mike Kelly

Representative Bob Roses

Representative Paul Seaton

Senator Gary Stevens

Senator Gary Wilken

Public Member Carl Rose, Association of Alaska School Boards

Committee Aides: Juli Lucky, Paulyn Swanson, Charisse Millett

Report to the Governor and Legislature

Authority and charge

The Joint Legislative Education Funding Task Force (JLETF) was established by Senate Concurrent Resolution 11 (SCR 11), passed by the first session of the Twenty-fifth Alaska State Legislature. The JLETF was established for the purpose of examining school district cost differentials and the existing formula for distributing state aid for education. The JLETF was charged with:

- Evaluating proposals that are based on available facts and conclusions pertaining to school district cost factors and the foundation formula.
- Recommending improvements or additions to the laws providing for education funding
- Taking public comments on education funding and school district cost factors

The JLETF was directed to submit a report of its findings and proposed legislative changes to the governor and the legislature by September 1, 2007 and was authorized to make any additional reports it considered advisable.

This report constitutes the findings and proposed legislative changes of the JLETF.

The JLETF terminated on October 15, 2007 after completing its assigned responsibilities.

Methodology

The JLETF met during the months of June, July and August, 2007. The initial meetings included a detailed analysis of the school funding formula and related statutes and regulations. The JLETF also considered the implications of the Decision and Order rendered June 21, 2007 in the case of Kristine Moore, et al vs. State of Alaska regarding the adequacy of school funding in Alaska.

The Task Force identified specific issues for further analysis and consideration. The JLETF then conducted public hearings where all school districts in the state were invited to provide testimony without a time limit. Invited testimony was followed by open public testimony. The JLETF then convened in a public work session and developed initial recommendations. The initial recommendations were subjected to a second session of open public comment then finalized into this report.

Alaska school funding formula

The school funding formula is a statutorily defined calculation that results in determining the amount of state aid to be paid annually to each individual school district. The formula is intended to achieve an equitable distribution of aid for education throughout the state. The current formula was adopted in 1998 and has undergone several amendments. The formula incorporates factors intended to recognize and adjust individual district funding for the financial consequences of variables in school size, geographic cost differences, intensive needs student populations, correspondence programs, federal aid and the ability of communities to provide local contributions.

State aid to each school district is calculated annually based on student enrollment. The formula uses the term 'average daily membership' for the enrollment census. Average daily membership (ADM) is first adjusted for school size to recognize economies of scale for larger schools. School size adjusted ADM is then multiplied by factors for district cost differentials, special needs funding and intensive services funding. Correspondence program membership is factored and added to the attending membership to achieve a final adjusted ADM. This total is multiplied by the base student allocation (BSA) to determine each district's basic need. The BSA is a dollar value established in statute.

Basic need is reduced by the amount of required local contribution for districts in organized boroughs and 90% of federal Title VIII Impact Aid received. It is also increased by a statutory Quality School Grants entitlement and, in some cases, by a funding 'floor' factor to result in the final state aid entitlement.

Committee determinations

The JLETF determined at the beginning of deliberations to limit the scope of work to examining components of the existing formula rather than undertaking a reconsideration of the formula itself.

The JLETF determined that the school funding formula should be structured in such a manner that schools are fairly and adequately funded without other special grant programs such as Learning Opportunity Grants (LOGs) or School Improvement Grants (SIGs). These grants have been used in the past to provide additional funding without addressing the underlying problems with the formula.

The JLETF determined that the recommendations contained in this report are prefaced by the assumption that Senate Bill 125 (SB 125), PERS/TRS Cost Sharing, passes the legislature and becomes law substantially in the form SB125 existed at the adjournment of the first regular session of the Twenty-fifth Alaska State Legislature. SB125 provides a mechanism allocating the annual payment for the cost of Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) contributions for school district employees between the state and the local employers. SB125 effectively relieves school districts from financial responsibility for unfunded past service costs in excess of levels specified in that statute. School districts are provided with a stable, predictable and limited cost environment for these obligations.

Immediate recommendations and further consideration of education issues:

The JLETF recognizes that school funding policy is an ongoing constitutionally mandated responsibility of the legislature. To better meet that responsibility, the Task Force recommends immediate action, as described in this report, augmented by a long-term commitment to continue the process undertaken by the JLETF. This report

identifies a number of specific policies for implementation by the second regular session of the Twenty-fifth Alaska State Legislature and identifies other issues with provisions of the school funding formula that merit further legislative consideration.

The JLETF recommends that the legislature's further consideration of education and education funding issues merit the regular and continuing attention of dedicated committees separate and apart from the Standing Committees for Health and Human Services. Standing Committees for Education should be established during the second regular session of the Twenty-fifth Alaska State Legislature. These education committees should be formally charged with recurring review of foundation formula, regularly revising district cost differentials and general education policy.

Recommendations for policies to be implemented during the second regular session of the Twenty-fifth Alaska State Legislature:

District cost factors

The school funding formula recognizes that school districts across the state face differing costs for similar goods and services including energy, supplies and labor. These geographic cost-of-living differences are accommodated in the formula by a factor that is applied to the school size adjusted daily membership. Anchorage is presumed to be the base for this calculation and receives a factor of one (1.0). Other districts are individually assigned factors in excess of one to recognize their individual cost differential in relation to Anchorage.

The numerical value of the cost differential factors has been a policy issue with the formula since it was adopted in 1998. The legislature has undertaken various efforts utilizing professional economic consultants to accurately and fairly determine these factors. A controversial economic analysis was completed in 2004 by the American Institute of Research (AIR). This work was reviewed and modified in 2006 by the University of Alaska's Institute of Social and Economic Research (ISER). Certain aspects of the ISER differential calculation also raise questions and controversy within the legislature. However, the ISER study is

generally accepted as the most recent and reliable differential analysis available at this time.

The JLETF recognizes that legitimate concerns exist with the ISER study. SCR 11 charged the Task Force with evaluating proposals that are based on available facts and conclusions pertaining to school district cost factors and the foundation formula. Accordingly the Task Force determined it was appropriate to utilize the ISER conclusions in making the recommendations in this report.

The JLETF recommends that the district cost factor statutes be changed to phase in the ISER proposal. 50% of the ISER factors should be implemented in fiscal year 2009, with the remaining 50% implemented over the four subsequent fiscal years. This implementation will require an adjustment to the base student allocation so that the amount received by Anchorage will not be diluted by the increased factors for other school districts.

The JLETF recommends that a "Blue Ribbon Commission" be established to further review the cost factors in detail. The Commission should include members representing the public, school districts and the legislature. It should be provided with adequate financial support to engage the professional resources necessary to conduct the economic analyses necessary to improve the accuracy of district cost factors.

Intensive needs student funding

Intensive needs students are specifically identified individuals experiencing medical or other circumstances that require dedicated services, equipment or facilities. Currently school districts receive five (5) times the BSA for each intensive needs student. The determination of students classified as intensive needs is subject to Department of Education and Early Development audit and challenge.

School districts have provided consistent testimony that the actual cost to serve these students is more than the current reimbursement. The Task Force accepts

school district testimony that these costs could average as high as fifteen times (15) the BSA.

The JLETF recommends that statute be changed to provide a nine (9) times BSA multiplier for fiscal year 2009, eleven (11) times for 2010 and thirteen (13) times for 2011 and beyond.

Declining enrollment step-down

School districts occasionally experience abrupt declines in enrollment resulting from factors beyond the district's control or ability to predict in advance. The closing or realignment of military bases can have this effect. Under the school funding formula these abrupt enrollment declines result in an immediate and equally abrupt funding reduction.

The JLETF recommends that statute be adopted to provide a 'step-down' mechanism that buffers the effects of declining enrollment.

Base student allocation

The JLETF recognizes that school districts are better able to plan and budget their programs when the amount of their student funding is known and predictable. The timing of the state budget cycle overlaps the budget cycles of the districts and often results in school districts preparing budgets without knowing the amount of their state aid.

The JLETF recommends that the adjustments to the BSA required to implement the other recommendations in this report be made in statute for fiscal 2009, and that the legislature commit in statute to increasing BSA amounts for the three subsequent years. The BSA for 2010 through 2012 should be increased by \$100 per year from adjusted 2009 levels.

Pupil transportation recalibration

The JLETF recognizes that school districts have experienced increased costs of transporting pupils and have largely completed negotiating new transportation contracts that are in excess of current funding levels.

The JLETF recommends that the current system of providing funding for pupil transportation through contracts between the state and the districts be continued. However, the Department of Education and Early Development should recalibrate the amount of those contracts for fiscal year 2009 utilizing the most recent actual audited costs for the school districts.

University of Alaska teacher preparation report

Preparing new teachers to meet the challenges of providing quality education throughout Alaska should be an important objective of the University of Alaska.

The JLETF recommends that the legislature require the University to provide an annual report to the legislature documenting their efforts and degree of success in training teachers and in assisting Alaska school districts to attract and retain qualified instructors.

Military Youth Academy funding

The Military Youth Academy receives funding that is statutorily derived from the BSA. The recent significant increases in the BSA may have resulted in a windfall of unanticipated funding in excess of the Academy's immediate needs.

The JLETF recommends that the legislature review and adjust statutes to provide adequate and appropriate, but not excessive funding, for the Military Youth Academy.

Other recommendations:

Expedite school appropriation

The JLETF recommends that the legislature expedite school funding and pass a stand-alone appropriation to fund the statutory BSA by the 60th legislative day. This appropriation confirms the availability of the BSA and will further facilitate school districts' ability to plan and budget their programs.

Utilize Public Education Fund

The Public Education Fund was established by the legislature to provide a means to set aside money in excess of the requirements of a current year's budget to fund the BSA in subsequent years.

The JLETF recommends the legislature continue to use the Public Education Fund and that the maximum possible amount of money be set aside in the fiscal year 2009 budget process for this purpose.

Special Session call is not necessary

The JLETF believes it has proposed a solution for school funding, including the treatment of school district cost factors, which provides stable, predictable and adequate funding for the next three fiscal years. Accordingly, the Task Force concludes it is not necessary or appropriate for the governor to call the legislature into special session in order to address school funding prior to the Twenty-fifth Alaska State Legislature convening its second regular session.

Issues referred to the proposed Standing Committees for Education for further legislative consideration:

Charter and correspondence schools

Charter and correspondence schools are an important part of providing a broad spectrum of school alternatives in Alaska. The manner in which these alternatives are recognized in the school funding formula should be evaluated by the Standing Committees for Education to make certain they are fairly and adequately supported

Special needs block grants

The special needs block grant is a 20% increase in each district's ADM to recognize the cost of providing a range of specialized services including special education, vocational technology, bi-lingual and bi-cultural programs and gifted and talented programs. When the current school funding formula was adopted, it was determined that these programs were to be funded with these block grants, rather than attempting to fund each activity category individually. The JLETF did not recommend a change in the special needs block grant factor.

However, the JLETF recommends the structure of these grants be further considered by the Standing Committees for Education to evaluate whether the block grant approach continues to be the most appropriate mechanism to address these specialized programs.

Vocational technology programs

Vocational technology programs are becoming a more prominent component of public school education. Various school districts have developed differing approaches to providing these programs.

The Standing Committees for Education should undertake a comprehensive examination of vocational technology programs across the state and determine if additional statutory consideration is appropriate to meet the demand for these programs and to maximize their effectiveness.

Required local effort and federal Title VIII Impact Aid

School districts in organized boroughs are required to provide local funding in the amount equivalent to a 4-mil tax levy on the full and true value of the taxable real and personal property in the district not to exceed 45% of the district's basic need for the preceding fiscal year. However, beginning in fiscal 2002, only 50% of the increase in real and personal property over the 1999 full and true value is used for the 4-mil equivalent calculation.

The JLETF considered and made no recommendations to change the required local effort provisions at this time. The Special Committees on Education should undertake an examination of these provisions, considering both the long-term consequences of the current structure and the exemption for school districts in the unorganized boroughs from local effort requirements.

Federal Impact Aid provides funds, ostensibly in-lieu of local taxes, to school districts for children of parents living and/or working on federal property or property exempted from taxation by federal mandate.

The JLETF considered and made no recommendations to change the Federal Impact Aid provisions. The Special Committees on Education should include consideration of these provisions in their evaluation of local effort issues.

Moore et. al. v. State of Alaska Decision and Order

On June 21, 2007, the Superior Court issued a Decision and Order in the Moore et al v. State of Alaska lawsuit. The Decision and Order placed certain requirements on the legislature with regard to schools that are not performing adequately.

The JLETF recognizes the legislature's continued reliance upon authority delegated to the executive branch and the Department of Education and Early Development to continue and conclude the legal process with regard to these issues. The JLETF recommends that the legislature evaluate and determine the appropriate action, if any, to take in the second regular session of the Twenty-

fifth Alaska State Legislature based on the facts available when that session convenes in January 2008.

Over-lapping timing for state and school district budget cycles

The JLETF considered early or pre-funding alternatives for the annual education appropriation. In addition to the specific proposals in the report, the Task Force recommends the Standing Committees on Education further consider alternatives that can provide relief from the practical problems that arise from the over-lapping state and school district budget cycles.

Innovative or best practices grants

The JLETF determined that the School Funding Formula should be structured in such a manner that schools are fairly and adequately funded without other special grant programs. The JLETF also recognizes that "innovative" and "best practices" programs outside or increasing the scope of regular public school instructional programs should be encouraged.

The JLETF recommends that the Standing Committees for Education work with the Department of Education and Early Development to evaluate the viability of a system of specialized supplemental grants that would be available to school districts which apply and meet high eligibility standards of both need and merit.

Voluntary pre-K programs

The JLETF considered voluntary pre-kindergarten programs and desired this report remain neutral with regard to this issue. The JLETF recommends that the merits and costs of these programs be objectively evaluated by the Standing Committees on Education.

Achieving and sustaining the commitments proposed in this report

The JLETF recognizes that achieving and sustaining the education funding commitments proposed in this report presents significant challenges in light of the economic reality of the state's declining oil production. No matter how high the market price of oil reaches, nor how great the level of state imposed taxation, the indisputable decline in North Slope oil production inevitably results in the state having less fiscal resources available to allocate among all the competing needs for public services, including providing a system of public schools.

The determination of taxation policy and the appropriation of state revenue will always require reconciliation of differing economic and social philosophies among individual policy makers. Regardless of the dynamics inherent in the political process, the Alaska Constitution requires the legislature to establish and maintain a system of public schools and the legislature must be committed to meeting that responsibility.

The JLETF recommends the legislature adopt the proposals in this report and prioritize developing the long-range fiscal policy necessary to sustain these commitments.

Draft Legislation

Draft Resolutions

Fiscal Notes

Individual Member Editorial Comments

These comments reflect the individual views and opinions of their authors. They are included in this report exactly as submitted by the individual members. These comments do not necessarily reflect the consensus of the Joint Legislative Education Funding Task Force which is contained in the body of this report.

25-LS1048\E
Mischel
8/10/07

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to school funding, the base student allocation, district cost factors, and
2 the adjustments for intensive services and average daily membership calculations; and
3 providing for an effective date."

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

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

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

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

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

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

multiplied by the district cost factor described in AS 14.17.460;

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

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

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

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

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

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

1 size between the base fiscal year and the third fiscal year after the
2 base fiscal year;

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

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

13 (2) the required local contribution of a city or borough school district is
14 the equivalent of a four mill tax levy on the full and true value of the taxable real and
15 personal property in the district as of January 1 of the second preceding fiscal year, as
16 determined by the Department of Commerce, Community, and Economic
17 Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a
18 district's basic need for the preceding fiscal year as determined under (1) of this
19 subsection.

20 * Sec. 2. AS 14.17.420(a) is amended to read:

21 (a) As a component of public school funding, a district is eligible for special
22 needs funding and may be eligible for intensive services funding as follows:

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

27 (2) in addition to the special needs funding for which a district is
28 eligible under (1) of this subsection, a district is eligible for intensive services funding
29 for each special education student who needs and receives intensive services and is
30 enrolled on the last day of the count period; for each such student, intensive services
31 funding is equal to the intensive student count multiplied by nine [FIVE].

1 * **Sec. 3.** AS 14.17.420(a), as amended by sec. 2 of this Act, is amended to read:

2 (a) As a component of public school funding, a district is eligible for special
3 needs funding and may be eligible for intensive services funding as follows:

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

8 (2) in addition to the special needs funding for which a district is
9 eligible under (1) of this subsection, a district is eligible for intensive services funding
10 for each special education student who needs and receives intensive services and is
11 enrolled on the last day of the count period; for each such student, intensive services
12 funding is equal to the intensive student count multiplied by 11 [NINE].

13 * **Sec. 4.** AS 14.17.420(a), as amended by secs. 2 and 3 of this Act, is amended to read:

14 (a) As a component of public school funding, a district is eligible for special
15 needs funding and may be eligible for intensive services funding as follows:

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

20 (2) in addition to the special needs funding for which a district is
21 eligible under (1) of this subsection, a district is eligible for intensive services funding
22 for each special education student who needs and receives intensive services and is
23 enrolled on the last day of the count period; for each such student, intensive services
24 funding is equal to the intensive student count multiplied by 13 [11].

25 * **Sec. 5.** AS 14.17.460(a) is repealed and reenacted to read:

26 (a) For purposes of calculating a district's adjusted ADM under
27 AS 14.17.410(b)(1), the district cost factor for a school district is (1) for the fiscal year
28 ending June 30, 2009, the factor set out under column (A) of this subsection, (2) for
29 the fiscal year ending June 30, 2010, the factor set out under column (B) of this
30 subsection, (3) for the fiscal year ending June 30, 2011, the factor set out under
31 column (C) of this subsection, (4) for the fiscal year ending June 30, 2012, the factor

set out under column (D) of this subsection, and (5) for fiscal years ending on or after June 30, 2013, the factor set out under column (E) of this subsection:

DISTRICT COST FACTOR

DISTRICT	(A)	(B)	(C)	(D)	(E)
Alaska Gateway	1.443	1.481	1.519	1.557	1.594
Aleutians East	1.707	1.778	1.849	1.920	1.991
Aleutians Region	1.838	1.864	1.890	1.916	1.939
Anchorage	1.000	1.000	1.000	1.000	1.000
Annette Island	1.175	1.216	1.257	1.298	1.338
Bering Strait	1.762	1.821	1.880	1.939	1.998
Bristol Bay	1.370	1.397	1.424	1.451	1.478
Chatham	1.348	1.405	1.462	1.519	1.576
Chugach	1.395	1.420	1.445	1.470	1.496
Copper River	1.246	1.264	1.282	1.300	1.316
Cordova	1.165	1.182	1.199	1.216	1.234
Craig	1.108	1.133	1.158	1.183	1.206
Delta/Greely	1.174	1.191	1.208	1.225	1.241
Denali	1.323	1.326	1.329	1.332	1.332
Dillingham	1.300	1.312	1.324	1.336	1.346
Fairbanks	1.055	1.059	1.063	1.067	1.070
Galena	1.370	1.376	1.382	1.388	1.391
Haines	1.104	1.128	1.152	1.176	1.200
Hoonah	1.227	1.270	1.313	1.356	1.399
Hydaburg	1.295	1.348	1.401	1.454	1.504
Iditarod	1.658	1.705	1.752	1.799	1.846
Juneau	1.075	1.093	1.111	1.129	1.145
Kake	1.242	1.296	1.350	1.404	1.459
Kashunamiut	1.504	1.533	1.562	1.591	1.619
Kenai Peninsula	1.088	1.109	1.130	1.151	1.171
Ketchikan	1.085	1.106	1.127	1.148	1.170
Klawock	1.160	1.196	1.232	1.268	1.302

1	Kodiak Island	1.191	1.216	1.241	1.266	1.289
2	Kuspuk	1.584	1.622	1.660	1.698	1.734
3	Lake and Peninsula	1.776	1.831	1.886	1.941	1.994
4	Lower Kuskokwim	1.577	1.599	1.621	1.643	1.663
5	Lower Yukon	1.650	1.703	1.756	1.809	1.861
6	Matanuska-Susitna	1.040	1.048	1.056	1.064	1.070
7	Mt. Edgecumbe	1.098	1.123	1.148	1.173	1.195
8	Nenana	1.304	1.313	1.322	1.331	1.338
9	Nome	1.385	1.402	1.419	1.436	1.450
10	North Slope	1.648	1.684	1.720	1.756	1.791
11	Northwest Arctic	1.686	1.720	1.754	1.788	1.823
12	Pelican	1.384	1.408	1.432	1.456	1.477
13	Petersburg	1.122	1.153	1.184	1.215	1.244
14	Pribilof	1.555	1.589	1.623	1.657	1.691
15	Sitka	1.098	1.123	1.148	1.173	1.195
16	Skagway	1.159	1.163	1.167	1.171	1.174
17	Southeast Island	1.264	1.299	1.334	1.369	1.403
18	Southwest Region	1.554	1.587	1.620	1.653	1.685
19	St. Mary's	1.488	1.522	1.556	1.590	1.624
20	Tanana	1.641	1.677	1.713	1.749	1.786
21	Unalaska	1.343	1.368	1.393	1.418	1.441
22	Valdez	1.133	1.143	1.153	1.163	1.170
23	Wrangell	1.080	1.100	1.120	1.140	1.159
24	Yakutat	1.229	1.275	1.321	1.367	1.412
25	Yukon Flats	1.892	1.948	2.004	2.060	2.116
26	Yukon/Koyukuk	1.669	1.711	1.753	1.795	1.835
27	Yupiit	1.596	1.628	1.660	1.692	1.723.

* **Sec. 6.** AS 14.17.470 is amended to read:

Sec. 14.17.470. Base student allocation. The base student allocation is \$5,480 [\$5,380].

* **Sec. 7.** AS 14.17.470, as amended by sec. 6 of this Act, is amended to read:

1 **Sec. 14.17.470. Base student allocation.** The base student allocation is \$5,580
2 [\$5,480].

3 * **Sec. 8.** AS 14.17.470, as amended by secs. 6 and 7 of this Act, is amended to read:

4 **Sec. 14.17.470. Base student allocation.** The base student allocation is \$5,680
5 [\$5,580].

6 * **Sec. 9.** Sections 1, 2, 5, and 6 of this Act take effect July 1, 2008.

7 * **Sec. 10.** Sections 3 and 7 of this Act take effect July 1, 2009.

8 * **Sec. 11.** Sections 4 and 8 of this Act take effect July 1, 2010.

25-LS1041\A
Cook
8/15/07

HOUSE CONCURRENT RESOLUTION NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE ROSES

Introduced:
Referred:

A RESOLUTION

1 **Proposing an amendment to the Uniform Rules of the Alaska State Legislature relating**
2 **to standing committees.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** Rule 20(a), Uniform Rules of the Alaska State Legislature, is amended to read:

5 (a) Each house has the following standing committees with the jurisdiction
6 indicated:

7 **Education (the programs and activities of the Department of Education**
8 **and Early Development and of the University of Alaska)**

9 Finance (all appropriation, revenue, capital improvement, and bonding
10 measures, the executive budget, and the programs and activities of the Department of
11 Revenue)

12 Health [, EDUCATION] and Social Services (the programs and activities of
13 the Department of Health and Social Services [, THE DEPARTMENT OF
14 EDUCATION AND EARLY DEVELOPMENT, AND THE UNIVERSITY OF
15 ALASKA])

16 Judiciary (the programs and activities of the Alaska Court System and the

1 Department of Law, and the legal and substantive review of bills referred to it for that
2 purpose)

3 Labor and Commerce (the programs and activities of the Department of Labor
4 and Workforce Development relating to labor-management relations, industrial safety,
5 unemployment compensation, and workers' compensation and the programs and
6 activities of the Department of Commerce, Community, and Economic Development
7 that do not primarily relate to local government or to government services or functions
8 in the unorganized borough)

9 Community and Regional Affairs (the programs and activities of the
10 Department of Commerce, Community, and Economic Development that primarily
11 relate to local government and government services or functions in the unorganized
12 borough, and other matters relating to political subdivisions)

13 Resources (the programs and activities of the Departments of Fish and Game,
14 Natural Resources, and Environmental Conservation)

15 Rules (interpretation of the Uniform Rules, calendar, the internal
16 administration of the house and matters pertaining to the management of the
17 legislature as a whole)

18 State Affairs (programs and activities of the Office of the Governor and the
19 Departments of Administration, Military and Veterans' Affairs, Corrections, and
20 Public Safety, and programs and activities of the Department of Transportation and
21 Public Facilities relating to public facilities)

22 Transportation (programs and activities of the Department of Transportation
23 and Public Facilities relating to transportation and other legislative matters relating to
24 transportation).

25 * **Sec. 2.** The amendment proposed by this resolution takes effect immediately.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: _____
 () Publish Date: _____

Revision Date/Time (Note if correction): _____
 Title An Act relating to school funding, the base student
allocation, district cost factors, and the adjustments for
 Sponsor _____
 Requester _____

Dept. Affected: Education & Early Development
 RDU K-12 Support
 Component Foundation Program
 Component No. 141

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	84,688.0	52,876.9	54,320.6	34,431.1	12,207.4	
Miscellaneous						
TOTAL OPERATING	84,688.0	52,876.9	54,320.6	34,431.1	12,207.4	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	84,688.0	52,876.9	54,320.6	34,431.1	12,207.4	
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	84,688.0	52,876.9	54,320.6	34,431.1	12,207.4	0.0

Estimate of any current year (FY2008) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2009 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would set the district cost factors in FY09 at 50% of the ISER increase over the original cost factors and implement the remaining 50% over the next 4 years; offers 9x the Base Student Allocation (BSA) for intensives plus it will increase it to 11x the BSA in FY10 and 13x the BSA in FY11; provide a hold harmless provision for those districts whose School Size adjusted ADM has decreased by more than 5% over the prior year; and increase the BSA by \$100 for FY10 to \$5,480, FY11 to \$5,580, & FY12 to \$5,680.

The Legislature funded 50% of ISER in FY08 outside the formula for approximately \$50million and the School Improvement Grant for approximately \$20million. If the \$70million provided in FY08 is taken into consideration, then the actual increase in FY09 over FY08 is approximately \$15million.

The GF capitalizes on the Public Education Fund (PEF).

Prepared by: Eddy Jeans, Director
 Division: School Finance
 Approved by: _____
 Agency: Education & Early Development

Phone 465-8679
 Date/Time 8/14/07 12:00 AM
 Date 8/14/2007

School Districts	50% ISER Implemented	Intensive Multiplier from x5 to x9	5% reduction in School Size Adjustment Hold Harmless	YEAR 1 FY2009 funding
ALASKA GATEWAY	617,518	129,120		746,638
ALEUTIAN REGION	78,404	-		78,404
ALEUTIANS EAST BOROUGH	834,869	-		834,869
ANCHORAGE	0	14,633,600		14,633,600
ANNETTE ISLAND	489,902	86,080		575,982
BERING STRAIT	4,212,440	365,840		4,578,280
BRISTOL BAY BOROUGH	196,738	64,560		261,298
CHATHAM	512,836	64,560		577,396
CHUGACH	98,694	-		98,694
COPPER RIVER	376,208	215,200		591,408
CORDOVA CITY	247,730	129,120		376,850
CRAIG CITY	309,354	215,200		524,554
DELTA/GREELY	495,029	172,160		667,189
DENALI BOROUGH	24,767	64,560		89,327
DILLINGHAM CITY	206,234	172,160		378,394
FAIRBANKS NORTH STAR BOROUGH	1,655,169	5,638,240		7,293,409
GALENA CITY	48,564	21,520		70,084
HAINES BOROUGH	278,433	107,600		386,033
HOONAH CITY	259,656	86,080		345,736
HYDABURG CITY	167,061	21,520		188,581
IDITAROD AREA	603,165	-		603,165
JUNEAU BOROUGH	2,472,339	3,120,400		5,592,739
KAKE CITY	213,682	86,080	121,627	421,389
KASHUNAMIUT	364,985	86,080		451,065
KENAI PENINSULA BOROUGH	5,801,942	1,786,160		7,588,102
KETCHIKAN GATEWAY BOROUGH	1,508,776	538,000		2,046,776
KLAWOCK CITY	206,830	64,560		271,390
KODIAK ISLAND BOROUGH	1,977,742	538,000		2,515,742
KUSPUK	706,120	-		706,120
LAKE AND PENINSULA BOROUGH	1,090,155	43,040		1,133,195
LOWER KUSKOKWIM	3,257,403	1,312,720		4,570,123
LOWER YUKON	4,248,108	279,760		4,527,868
MATANUSKA-SUSITNA BOROUGH	3,202,095	2,690,000		5,892,095
NENANA CITY	71,767	64,560		136,327
NOME CITY	412,471	86,080		498,551
NORTH SLOPE BOROUGH	2,100,339	193,680		2,294,019
NORTHWEST ARCTIC BOROUGH	2,545,617	387,360		2,932,977
PELICAN CITY	24,120	-		24,120
PETERSBURG CITY	622,914	236,720		859,634
PRIBILOF	196,521	-		196,521
SAINT MARY'S	241,256	21,520	122,004	384,780
SITKA BOROUGH	1,091,017	774,720		1,865,737
SKAGWAY CITY	15,325	21,520		36,845
SOUTHEAST ISLAND	373,296	107,600		480,896
SOUTHWEST REGION	953,257	129,120		1,082,377
TANANA	76,192	-	75,274	151,466
UNALASKA CITY	359,049	43,040		402,089
VALDEZ CITY	235,805	236,720		472,525
WRANGELL PUBLIC	259,548	21,520		281,068
YAKUTAT	209,957	-	104,089	314,046
YUKON FLATS	716,859	107,600		824,459
YUKON/KOYUKUK	698,782	129,120		827,902
YUPIIT	608,183	86,080		694,263
Mt. Edgecumbe	310,918	-		310,918
TOTAL	48,886,141	35,378,880	422,994	84,688,015

School Districts	1/4 increase of remaining 50% ISER	BSA increase by \$100 to \$5,480	Intensive Multiplier from x9 to x11	YEAR 2 FY2010 funding
ALASKA GATEWAY	154,434	121,156	64,560	340,150
ALEUTIAN REGION	20,019	26,573	-	46,592
ALEUTIANS EAST BOROUGH	208,772	96,862	-	305,634
ANCHORAGE	0	7,085,643	7,316,800	14,402,443
ANNETTE ISLAND	122,435	71,714	43,040	237,189
BERING STRAIT	1,048,660	618,522	182,920	1,850,102
BRISTOL BAY BOROUGH	49,104	50,610	32,280	131,994
CHATHAM	128,209	62,025	32,280	222,514
CHUGACH	24,443	36,520	-	60,963
COPPER RIVER	96,697	140,731	107,600	345,028
CORDOVA CITY	60,975	85,244	64,560	210,779
CRAIG CITY	78,943	110,330	107,600	296,873
DELTA/GREELY	123,729	205,959	86,080	415,768
DENALI BOROUGH	7,446	88,303	32,280	128,029
DILLINGHAM CITY	53,853	117,806	86,080	257,739
FAIRBANKS NORTH STAR BOROUGH	413,873	2,340,958	2,819,120	5,573,951
GALENA CITY	13,274	329,434	10,760	353,468
HAINES BOROUGH	69,609	67,323	53,800	190,732
HOONAH CITY	64,860	39,927	43,040	147,827
HYDABURG CITY	42,143	20,972	10,760	73,875
IDITAROD AREA	150,818	109,377	-	260,195
JUNEAU BOROUGH	635,757	882,276	1,560,200	3,078,233
KAKE CITY	53,151	28,048	43,040	124,239
KASHUNAMIUT	92,109	94,578	43,040	229,727
KENAI PENINSULA BOROUGH	1,450,498	1,579,418	893,080	3,922,996
KETCHIKAN GATEWAY BOROUGH	372,755	395,170	269,000	1,036,925
KLAWOCK CITY	52,071	35,356	32,280	119,707
KODIAK ISLAND BOROUGH	504,580	489,499	269,000	1,263,079
KUSPUK	178,877	141,503	-	320,380
LAKE AND PENINSULA BOROUGH	275,087	171,890	21,520	468,497
LOWER KUSKOKWIM	833,305	1,189,506	656,360	2,679,171
LOWER YUKON	1,062,096	646,717	139,880	1,848,693
MATANUSKA-SUSITNA BOROUGH	853,863	2,307,860	1,345,000	4,506,723
NENANA CITY	18,995	85,872	32,280	137,147
NOME CITY	106,193	167,245	43,040	316,478
NORTH SLOPE BOROUGH	525,138	465,108	96,840	1,087,086
NORTHWEST ARCTIC BOROUGH	631,710	612,077	193,680	1,437,467
PELICAN CITY	6,152	6,691	-	12,843
PETERSBURG CITY	158,265	121,196	118,360	397,821
PRIBILOF	49,051	42,542	-	91,593
SAINT MARY'S	59,895	50,776	10,760	121,431
SITKA BOROUGH	278,325	274,169	387,360	939,854
SKAGWAY CITY	3,831	21,789	10,760	36,380
SOUTHEAST ISLAND	93,351	69,856	53,800	217,007
SOUTHWEST REGION	240,176	220,619	64,560	525,355
TANANA	18,940	16,327	-	35,267
UNALASKA CITY	91,571	95,081	21,520	208,172
VALDEZ CITY	62,054	143,550	118,360	323,964
WRANGELL PUBLIC	64,860	67,232	10,760	142,852
YAKUTAT	52,774	27,106	-	79,880
YUKON FLATS	179,147	121,026	53,800	353,973
YUKON/KOYUKUK	175,747	231,278	64,560	471,585
YUPIIT	153,301	148,885	43,040	345,226
Mt. Edgecumbe	79,321	66,032	-	145,353
TOTAL	12,345,242	22,842,267	17,689,440	52,876,949

School Districts	1/4 increase of remaining 50% ISER	BSA increase by \$100 to \$5,580	Intensive Multiplier from x11 to x13	YEAR 3 FY2011 funding
ALASKA GATEWAY	157,241	125,217	66,960	349,418
ALEUTIAN REGION	20,390	26,944	-	47,334
ALEUTIANS EAST BOROUGH	212,530	100,729	-	313,259
ANCHORAGE	0	7,221,643	7,588,800	14,810,443
ANNETTE ISLAND	124,759	74,784	44,640	244,183
BERING STRAIT	1,068,092	641,356	189,720	1,899,168
BRISTOL BAY BOROUGH	50,068	52,121	33,480	135,669
CHATHAM	130,585	65,001	33,480	229,066
CHUGACH	24,897	36,973	-	61,870
COPPER RIVER	98,543	144,524	111,600	354,667
CORDOVA CITY	62,215	87,576	66,960	216,751
CRAIG CITY	80,406	113,793	111,600	305,799
DELTA/GREELY	126,078	209,853	89,280	425,211
DENALI BOROUGH	7,586	89,041	33,480	130,107
DILLINGHAM CITY	54,740	120,402	89,280	264,422
FAIRBANKS NORTH STAR BOROUGH	421,434	2,401,026	2,923,920	5,746,380
GALENA CITY	13,521	329,880	11,160	354,561
HAINES BOROUGH	70,844	69,612	55,800	196,256
HOONAH CITY	66,172	41,931	44,640	152,743
HYDABURG CITY	42,922	21,953	11,160	76,035
IDITAROD AREA	153,614	112,172	-	265,786
JUNEAU BOROUGH	647,538	923,058	1,618,200	3,188,796
KAKE CITY	54,190	29,834	44,640	128,664
KASHUNAMIUT	93,707	97,083	44,640	235,430
KENAI PENINSULA BOROUGH	1,477,325	1,622,898	926,280	4,026,503
KETCHIKAN GATEWAY BOROUGH	379,719	407,079	279,000	1,065,798
KILAWOCK CITY	52,981	36,920	33,480	123,381
KODIAK ISLAND BOROUGH	513,876	503,849	279,000	1,296,725
KUSPUK	182,193	144,818	-	327,011
LAKE AND PENINSULA BOROUGH	280,132	177,387	22,320	479,839
LOWER KUSKOKWIM	848,692	1,217,148	680,760	2,746,600
LOWER YUKON	1,081,667	668,998	145,080	1,895,745
MATANUSKA-SUSITNA BOROUGH	869,686	2,348,684	1,395,000	4,613,370
NENANA CITY	19,400	86,825	33,480	139,705
NOME CITY	108,216	170,014	44,640	322,870
NORTH SLOPE BOROUGH	534,816	476,639	100,440	1,111,895
NORTHWEST ARCTIC BOROUGH	643,472	627,385	200,880	1,471,737
PELICAN CITY	6,265	6,805	-	13,070
PETERSBURG CITY	161,142	126,328	122,760	410,230
PRIBILOF	50,067	43,453	-	93,520
SAINT MARY'S	61,006	52,086	11,160	124,252
SITKA BOROUGH	283,429	286,526	401,760	971,715
SKAGWAY CITY	3,958	22,061	11,160	37,179
SOUTHEAST ISLAND	95,081	72,586	55,800	223,467
SOUTHWEST REGION	244,517	226,268	66,960	537,745
TANANA	19,290	16,678	-	35,968
UNALASKA CITY	93,322	97,179	22,320	212,821
VALDEZ CITY	63,204	146,900	122,760	332,864
WRANGELL PUBLIC	66,061	68,634	11,160	145,855
YAKUTAT	53,750	28,084	-	81,834
YUKON FLATS	182,577	125,348	55,800	363,725
YUKON/KOYUKUK	179,006	235,735	66,960	481,701
YUPIIT	156,031	152,524	44,640	353,195
Mt. Edgecumbe	80,791	67,502	-	148,293
TOTAL	12,573,744	23,399,847	18,347,040	54,320,631

School Districts	YEAR 4 - FY2012		
	1/4 increase of remaining 50% ISER	BSA increase by \$100 to \$5,680	YEAR 4 FY2012 funding
ALASKA GATEWAY	160,157	128,079	288,236
ALEUTIAN REGION	20,705	27,314	48,019
ALEUTIANS EAST BOROUGH	216,454	104,597	321,051
ANCHORAGE	0	7,221,643	7,221,643
ANNETTE ISLAND	127,030	77,054	204,084
BERING STRAIT	1,087,526	660,790	1,748,316
BRISTOL BAY BOROUGH	51,035	53,033	104,068
CHATHAM	132,961	67,377	200,338
CHUGACH	25,350	37,426	62,776
COPPER RIVER	100,281	146,316	246,597
CORDOVA CITY	63,235	88,706	151,941
CRAIG CITY	81,870	115,256	197,126
DELTA/GREELY	128,317	212,146	340,463
DENALI BOROUGH	7,722	89,179	96,901
DILLINGHAM CITY	55,792	121,399	177,191
FAIRBANKS NORTH STAR BOROUGH	429,157	2,408,695	2,837,852
GALENA CITY	13,710	330,125	343,835
HAINES BOROUGH	72,188	70,902	143,090
HOONAH CITY	67,263	43,133	110,396
HYDABURG CITY	43,705	22,734	66,439
IDITAROD AREA	156,408	114,967	271,375
JUNEAU BOROUGH	659,265	934,839	1,594,104
KAKE CITY	55,121	30,819	85,940
KASHUNAMIUT	95,468	98,789	194,257
KENAI PENINSULA BOROUGH	1,504,261	1,649,779	3,154,040
KETCHIKAN GATEWAY BOROUGH	386,572	413,987	800,559
KLAWOCK CITY	54,002	37,885	91,887
KODIAK ISLAND BOROUGH	523,282	513,200	1,036,482
KUSPUK	185,563	148,134	333,697
LAKE AND PENINSULA BOROUGH	285,227	182,484	467,711
LOWER KUSKOKWIM	864,191	1,232,591	2,096,782
LOWER YUKON	1,101,405	688,680	1,790,085
MATANUSKA-SUSITNA BOROUGH	885,567	2,364,509	3,250,076
NENANA CITY	19,642	87,176	106,818
NOME CITY	110,130	171,982	282,112
NORTH SLOPE BOROUGH	544,547	486,370	1,030,917
NORTHWEST ARCTIC BOROUGH	655,124	639,092	1,294,216
PELICAN CITY	6,379	6,919	13,298
PETERSBURG CITY	164,188	129,262	293,450
PRIBILOF	50,924	44,363	95,287
SAINT MARY'S	62,059	53,195	115,254
SITKA BOROUGH	288,641	291,684	580,325
SKAGWAY CITY	3,973	22,132	26,105
SOUTHEAST ISLAND	96,811	74,316	171,127
SOUTHWEST REGION	249,078	230,719	479,797
TANANA	19,586	17,028	36,614
UNALASKA CITY	94,964	98,876	193,840
VALDEZ CITY	64,354	148,050	212,404
WRANGELL PUBLIC	67,321	69,837	137,158
YAKUTAT	54,730	29,062	83,792
YUKON FLATS	185,787	128,668	314,455
YUKON/KOYUKUK	182,262	238,992	421,254
YUPIIT	158,926	155,364	314,290
Mt. Edgecumbe	82,262	68,972	151,234
TOTAL	12,802,478	23,628,626	36,431,104

YEAR 5 - FY2013
1/4 increase of
remaining 50% ISER

School Districts	
ALASKA GATEWAY	158,633
ALEUTIAN REGION	18,684
ALEUTIANS EAST BOROUGH	220,263
ANCHORAGE	0
ANNETTE ISLAND	126,109
BERING STRAIT	1,106,961
BRISTOL BAY BOROUGH	51,891
CHATHAM	135,336
CHUGACH	26,829
COPPER RIVER	90,794
CORDOVA CITY	68,238
CRAIG CITY	76,668
DELTA/GREELY	122,977
DENALI BOROUGH	0
DILLINGHAM CITY	47,334
FAIRBANKS NORTH STAR BOROUGH	327,577
GALENA CITY	7,006
HAINES BOROUGH	73,479
HOONAH CITY	68,524
HYDABURG CITY	42,038
IDITAROD AREA	159,089
JUNEAU BOROUGH	596,596
KAKE CITY	57,188
KASHUNAMIUT	93,814
KENAI PENINSULA BOROUGH	1,458,233
KETCHIKAN GATEWAY BOROUGH	412,219
KLAWOCK CITY	51,890
KODIAK ISLAND BOROUGH	489,970
KUSPUK	178,855
LAKE AND PENINSULA BOROUGH	279,788
LOWER KUSKOKWIM	799,661
LOWER YUKON	1,099,955
MATANUSKA-SUSITNA BOROUGH	676,002
NENANA CITY	15,607
NOME CITY	92,389
NORTH SLOPE BOROUGH	538,842
NORTHWEST ARCTIC BOROUGH	686,538
PELICAN CITY	5,696
PETERSBURG CITY	156,298
PRIBILOF	51,891
SAINT MARY'S	63,226
SITKA BOROUGH	258,599
SKAGWAY CITY	3,076
SOUTHEAST ISLAND	95,692
SOUTHWEST REGION	245,782
TANANA	20,506
UNALASKA CITY	88,971
VALDEZ CITY	45,853
WRANGELL PUBLIC	65,048
YAKUTAT	54,453
YUKON FLATS	189,221
YUKON/KOYUKUK	176,689
YUPIIT	156,755
Mt. Edgecumbe	73,706
TOTAL	12,207,442

Joint Legislative Education Task Force

Dissenting Member Opinion – Rep. Mike Kelly – 8/14/07

Unfortunately I cannot support the recommendations of the task force relating to our primary assignments: **District Cost Factors & Intensive Needs Funding.**

District Cost Factors

In my opinion, testimony from the Education Department and some of the School Districts, combined with a presentation concerning the Moore vs. State lawsuit, sheds more favorable light on the State's ongoing attempts to ensure reasonable adequacy and equity in education funding that some non-urban legislators would have us believe. Add ISER's inconsistent conclusions that surfaced during questioning by task force members and it is clear to me that implementation of more than 50% of the flawed ISER study is not supportable. Especially since the price tag is \$100 million compounding annually and Alaska is entering a decade of deficits with oil production declining. Keep in mind we are already paying over 3 times the average cost per student in Anchorage for a student in some of the smaller schools. The ISER increase would be added to a K-12 budget that has ballooned over 35% in the past 5 years, without even considering the multi-billion dollar PERS/TRS unfunded liability mortgage payments.

I could reluctantly support statutory implementation of 50% of the ISER study for District Cost Factors with the understanding that 50% would be the final percentage implemented by the Legislature. Some rural lawmakers have said they have some of the same concerns over the ISER study that I have and would be satisfied with 50%. I was hopeful when the task force tentatively landed on implementing 50% of ISER (with a blue ribbon committee appointed to study the matter further), but the deal changed overnight to a phased-in implementation of 100% of ISER. The blue ribbon committee proposal was retained to study the issue even though the task force had decided to recommend 100% implementation. Might make sense if you're from Bethel. None if Anchorage is home. I was told I should be satisfied because urban districts retained the current "local contribution formula." I'm not. Districts that make a local contribution to education are funding over 95% of the cost increases in education, while many of the others pay nothing. In a time of scarcer resources, implementing 100% of ISER will simply amount to another transfer payment away from local districts that tax their residents to support education at a time when they can demonstrate significant needs and are underperforming in important accountability areas. If we are going to create a blue ribbon committee we should look at a lot more than District Cost Factors.

Intensive Needs Funding

Funding for intensive needs students is currently 500% of average student funding. The task force recommended a phased-in increase to 1300%. I can't support more than a 200% increase to 700%. There are significant problems with the way intensive needs students are being assimilated into our schools (including reports of classroom disruption, less learning-time-on-task for other students, lower teacher morale, questions about the

appropriateness of the classroom venue for some levels of need, questions about the appropriateness of our schools assuming parental and family roles/responsibilities/costs, etc.). Throwing money at these problems must be accompanied by creative solutions. Some folks would add even more responsibility for intensive needs students onto the teachers in our schools. As much as our hearts go out to the parents and families involved, we cannot sustain the cost growth. The wisdom of some elements of the current system (much of which is unfortunately federally mandated) is questionable.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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August 16, 2007

The Honorable Bob Roses
Alaska House of Representatives
716 West 4th Avenue
Anchorage, Alaska 99501

Re: Educational Land Trust

Dear Representative Roses:

Your letter dated August 8, 2007, posed several questions regarding an educational land trust, *i.e.*, the public school trust. The basic response to your questions is that the public school land trust was changed into a monetary trust on July 1, 1978, so there currently is no educational or public school trust with land as its corpus. Certain issues related to the public school trust are being addressed by the Department of Law due to related litigation; any additional or more detailed inquiries regarding this should be directed to them.

The monetary trust is the Public School Trust Fund (AS 37.14.110 – AS 37.14.170), which is administered, invested and accounted for by the Department of Revenue. Starting in Fiscal Year 1979, pursuant to AS 37.14.150, the state has paid to the public school trust one-half of one percent of all revenue generated from state lands, including Prudhoe Bay oil and gas revenues, instead of 100% of revenues generated by what previously were public school trust lands.

The public school trust has grown dramatically after being changed from a land trust into a monetary trust. As a land trust, from 1915 to June 30, 1978, the land trust's public school permanent fund grew to approximately \$8.5 million. As a monetary trust, from July 1, 1978 through the end of Fiscal Year 2006, the monetary trust's public school trust fund grew to approximately \$331 million. This growth results from the fund receiving a percentage of the revenue from all state lands, rather than revenue from only School Grant lands. Expenditures from trust fund income (primarily paid to partially fund the school foundation formula) exceeded \$11.9 million for Fiscal Year 2006, compared to approximately \$560,000 for Fiscal Year 1978. A copy of the FY 1978 and FY 2006 balance sheets for the public school trust are attached.

Working with the Department of Law regarding public school trust issues, DNR has taken several actions to identify and manage lands that would have been public school trust lands but for the change to the monetary trust.

The state originally received title to approximately 179,563 acres of school designated land under five different federal grant entitlements. The largest block were defined as sections 16 and 36 (involving approximately 160 full sections), located in townships that had been surveyed before

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

The Honorable Bob Roses

8/16/07

Page 2 of 2

statehood. This grouping totaled approximately 100,000 acres. An additional 75,000 acres were received with the passage of the Alaska National Interest Lands Conservation Act (ANILCA). The remaining acres were received under partial section 16 or 36 conveyances (approximately 2,800 acres) or small Territorial Grants (approximately 800 acres). Lands were generally located on the Kenai Peninsula, Anchorage, Matanuska-Susitna Valley, in areas surrounding Fairbanks and Healy, and with parcels along the railroad line between Anchorage and Fairbanks.

DNR manages these public school trust lands under Department Order 143, which management includes coordination with the Department of Law. At the direction of the Department of Law, from December 21, 1998, to the present, 100 % of revenues generated from these lands have been accounted for within a separate DNR account. As of August 14, 2007, this account contains \$1,715,355.

Certain issues related to the public school trust are currently being addressed by the Department of Law due to litigation on school funding; any additional or more detailed inquiries should be directed to them.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Irwin', with a long horizontal line extending to the right.

Tom Irwin,
Commissioner

cc: Talis Colberg, Attorney General
Dick Mylius, Director, DNR Division of Mining, Land and Water

STATE OF ALASKA
PUBLIC SCHOOL PERMANENT FUND
COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>June 30, 1978</u>	<u>June 30, 1977</u>
Current Assets:		
Cash in Treasury (St. #4)	\$ 140,854	\$ 209,045
Investments	<u>8,391,085</u>	<u>7,591,182</u>
Total Assets	<u>\$ 8,531,939</u>	<u>\$ 7,800,227</u>
 <u>RESERVES</u>		
Permanent Fund Trust Reserve	\$ 7,155,716	\$ 6,610,652
Merrill Field Trust Reserve	<u>1,376,222</u>	<u>1,189,575</u>
Total Reserves	<u>\$ 8,531,939</u>	<u>\$ 7,800,227</u>

PUBLIC SCHOOL PERMANENT FUND
COMPARATIVE ANALYSIS OF CHANGES IN RESERVES

	<u>Fiscal Year Ended</u> <u>June 30, 1978</u>	<u>June 30, 1977</u>
Beginning Balance Permanent Trust Reserve	<u>\$ 6,610,652</u>	<u>\$ 5,930,337</u>
Add: Revenues		
Dedicated - Unrestricted		
Coal Leases	3,290	1,010
Sale of Gravel	1,542	12,081
Land Leases	491,860	618,911
Mineral Leases	6,521	15,562
Sale of Land	1,176	2,058
Sale of Timber	4,913	3,446
Royalties Gas Property	35,759	27,203
Royalties Oil Production	<u>40</u>	<u>40</u>
Total Revenues	<u>\$ 545,064</u>	<u>\$ 680,315</u>
Ending Balance Permanent Trust Reserve	<u>\$ 7,155,716</u>	<u>\$ 6,610,652</u>
Beginning Balance Merrill Field Trust Reserve	\$ 1,189,575	\$ 1,005,754
Add: Receipts	186,647	183,861
Deduct: Expenses	<u>40</u>	<u>40</u>
Ending Balance Merrill Field Trust Reserve	<u>\$ 1,376,222</u>	<u>\$ 1,189,575</u>

NOTE: Interest received on investment in the amount of \$560,489.97 for the fiscal year ended June 30, 1978 was posted directly to the General Fund and used exclusively for school purposes.

LEGAL REFERENCES: Act of Congress, March 4, 1915 and Chapter 55, SLA 1931.

Combining Fund Statements



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 3.01

	Permanent Fund Public School Trust Fund	Special Revenue Funds
ASSETS		
Cash and Investments	\$ 329,725	\$ 99,064
Accounts Receivable - Net	1,178	3,095
Interest and Dividends Receivable	758	
Due from Other Funds	596	241
Due from Component Units		
Due from Other Governments		4,964
Loans, Notes, and Bonds Receivable	74	
Securities Lending Collateral	11,690	5,480
Other Assets		33
Total Assets	<u>\$ 344,021</u>	<u>\$ 112,877</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8	\$ 9,817
Obligations Under Securities Lending	11,690	5,480
Due to Other Funds		3,228
Due to Component Units		12
Unearned and Deferred Revenue	721	
Other Liabilities	2	326
Total Liabilities	<u>12,421</u>	<u>18,863</u>
Fund Balances:		
Reserved:		
Encumbrances		40,545
Debt Service		
Other Purposes	321,514	1,807
Unreserved:		
Designated for Continuing Appropriations	583	9,862
Designated for Other		56
Undesignated	9,503	41,744
Total Fund Balances	<u>331,600</u>	<u>94,014</u>
Total Liabilities and Fund Balances	<u>\$ 344,021</u>	<u>\$ 112,877</u>

STATE OF ALASKA

STATEMENT 3.02

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

	Permanent Fund Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$	\$ 27,394
Licenses and Permits		27,510
Charges for Services		1,206
Fines and Forfeitures	1	72
Rents and Royalties	12,051	4,473
Premiums and Contributions		6,339
Interest and Investment Income	13,548	1,107
Federal Grants in Aid		27,128
Other Revenues		765
Total Revenues	25,600	95,994
EXPENDITURES		
Current:		
General Government	160	1,769
Education	520	27,390
University		
Health and Human Services		4,598
Law and Justice	3	469
Public Protection		936
Natural Resources		55,926
Development		17,160
Transportation		34
Debt Service:		
Principal		
Interest and Other Charges		
Total Expenditures	683	108,282
Excess (Deficiency) of Revenues Over Expenditures	24,917	(12,288)
OTHER FINANCING SOURCES (USES)		
Bonds Issued		
Bonds Issued Premium		
Transfers In from Other Funds	35	3,135
Transfers (Out to) Other Funds	(11,947)	(1,757)
Total Other Financing Sources and Uses	(11,912)	1,378
Net Change in Fund Balances	13,005	(10,910)
Fund Balances - Beginning of Year	318,595	104,924
Fund Balances - End of Year	\$ 331,600	\$ 94,014

PUBLIC SCHOOL TRUST FUND

	Balance End FY	Income Expended	Statutory Allocations of State Land Revenues
6/30/1959	\$257,003.82	??	
6/30/1960	\$355,725.43	??	
6/30/1961	\$444,411.56	??	
6/30/1962	\$614,932.56	??	
6/30/1963	\$834,534.66	??	
6/30/1964	\$1,043,281.00	\$35,488.07	
6/30/1965	\$1,287,138.66	\$40,246.78	
6/30/1966	\$1,572,120.06	\$53,057.64	
6/30/1967	\$1,820,490.45	\$65,731.65	
6/30/1968	\$2,003,275.36	\$74,683.22	
6/30/1969	\$2,500,471.79	\$85,953.92	
6/30/1970	\$2,731,727.00	\$134,099.48	
6/30/1971	\$3,018,032.00	\$141,052.38	
6/30/1972	\$3,410,853.00	\$216,663.71	
6/30/1973	\$3,906,247.00	\$213,938.55	
6/30/1974	\$4,960,393.00	\$316,729.00	
6/30/1975 **	\$6,176,850.00	\$370,210.42	**Note - Merrill Field Trust (TG #1) Added as of July 1, 1974 amount included in Balance
6/30/1976	\$6,936,091.00	\$426,662.50	
6/30/1977	\$7,800,227.00	\$487,938.02	
**6/30/1978	\$8,531,939.00	\$560,489.97	**Note - Land Redesignated Following Day
6/30/1979	\$9,840,198.00	\$695,000.00	\$1,308,000.00
6/30/1980	\$16,982,098.00	\$629,000.00	\$7,142,000.00
6/30/1981	\$24,423,000.00	\$1,752,000.00	\$7,441,000.00
6/30/1982	\$31,629,000.00	\$3,153,000.00	\$7,994,000.00
6/30/1983	\$41,079,000.00		\$9,450,000.00
6/30/1984 **	\$65,922,000.00		\$9,217,000.00
6/30/1985	\$79,812,000.00		\$7,121,000.00
6/30/1986	\$77,583,000.00	** \$16,836,000.00	\$6,578,000.00
6/30/1987	\$80,835,000.00	** \$10,122,000.00	\$3,262,000.00
6/30/1988	\$86,136,000.00	\$7,431,000.00	\$6,470,000.00
6/30/1989	\$99,569,000.00	\$8,991,000.00	\$4,350,000.00

**Note - Balance includes \$10,175,000 prior years' adjustment
for investment income

**Note - Expenditure is capital appropriation

**Note - Expenditure includes \$2,010,000 capital appropriation

6/30/1990	\$96,282,000.00	\$7,189,000.00	\$5,208,000.00
6/30/1991	\$106,047,000.00	\$7,102,000.00	\$8,331,000.00
6/30/1992	\$120,924,000.00	\$7,758,000.00	\$6,637,000.00
6/30/1993	\$126,249,000.00	\$8,349,000.00	\$5,748,000.00
6/30/1994	\$128,904,000.00	\$8,533,000.00	\$3,866,000.00
6/30/1995	\$142,219,000.00	\$6,897,000.00	\$6,177,000.00
6/30/1996	\$151,997,000.00	\$5,480,000.00	\$4,634,000.00
6/30/1997 **	\$211,536,000.00	\$11,911,000.00	\$5,476,000.00
6/30/1998	\$249,373,000.00	\$9,297,000.00	\$4,047,000.00
6/30/1999	\$273,000,000.00	\$7,278,000.00	\$2,608,000.00
6/30/2000	\$288,391,000.00	\$7,681,000.00	\$5,291,000.00
6/30/2001	\$286,086,000.00	\$8,519,000.00	\$5,788,000.00
6/30/2002	\$269,374,000.00	\$11,911,000.00	\$4,328,000.00
6/30/2003	\$280,505,000.00	\$12,613,000.00	\$6,216,000.00
6/30/2004	\$299,152,000.00	\$12,671,000.00	\$7,136,000.00
6/30/2005	\$318,595,000.00	\$12,380,000.00	\$9,590,000.00
6/30/2006	\$331,600,000.00	\$11,947,000.00	\$12,051,000.00
6/30/2007			

**Note - Change in GASB and other accounting adjustments -
e.g., recognize unrealized gains

** \$161,414,000.00

**Total Statutory Allocations into Public School Trust Fund

** \$3,222,945.29

** Pre-1978 Public School Trust Expenditures (1964 - 1978)

** \$207,125,000.00

**Post-1978 Public School Trust Expenditures (1979 - 2006)

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REPRESENTATIVE Paul Seaton

District 35

August 14, 2007

Education Task Force Comments

I am proud of the work this task force has done and the compromises members have made in order to forward recommendations that will help give all of Alaska's children the opportunity for a quality education. However, I would like to comment on two items in particular and hope that my concerns can be included in some manner in the final report.

1. **Intensive Needs:** I would like to see the phase-in of intensive needs reflect the same time frame that we recommend for phasing in the 50% of the ISER cost differential. This could be 9x BSA in 2009 and increase by 1x until a multiplier of 13 is reached in 2013, the same year as the last 1/4th of the cost differential. My rationale for mirroring the cost differential phase-in schedule is so that for the next four years all districts will see an increase in their funding and have reason to support the proposal. Another method would be to shorten the phase-in of ISER to 1/3 in 2009, 1/3 in 2010 and the final 1/3 in 2011 so it is parallel to the proposed phase-in for intensive needs.
2. **Required Local Effort:** I propose that the department calculate the required local effort for each district and then apply the lowest calculated mil rate to all districts. This will address the problem of potentially failing a federal disparity test in only three years under the current system. It would also alleviate the concern some districts have that establishing a new floor for the tax mil rate could result in the future loss of a subsidy. An additional benefit to this approach is that as we reach the point in the future when we may need to address the amount of the subsidy, all districts will be coming to the table in an equal position. I have requested the department calculate a schedule reflecting the potential future cost to the State based on this scenario.

I am looking forward to an Education committee in the House that can address these issues and more in all the detail they deserve.

National Forest Receipts Program Overview

There are two National Forests located in Alaska: the Tongass in Southeast and the Chugach located in Southcentral.

National Forest Receipts are federal revenues generated from use of the national forests, to include commercial timber harvesting, mineral lease permits, campground fees and other recreational uses. These federal receipts are shared with local governments, cities, boroughs, school districts and Regional Educational Attendance Areas (REAA's) located in these national forests.

The National Forest Receipts Program was originally authorized under a 1908 federal law which required that 25% of the annual income earned from activities within a national forest be shared with the State and distributed to governments located within the national forest.

The law requires that National Forest Receipts payments be spent only on schools, roads and certain other "special projects" (16 U.S.C. 500; AS 41.15.180; 3 AAC 132.100; 3 AAC 132.110). See below for a description of special projects.

With the decline of commercial timber harvests in the National Forests, "stumpage fees" dropped and Congress recognized a need to augment the federal revenue loss to local governments. Consequently, Congress passed the "Secure Rural Schools and Community Self-Determination Act" (P.L. 106-393) in 2000, which stipulated that National Forest Receipts payments wouldn't be calculated on the actual fees collected for the year, but on an average of the three highest annual payments made to the State between 1987 and 2000. This had the effect of "locking in" payments for the next six years - 2002 through 2007 - at historically high timber harvest levels.

This legislation has been instrumental in filling the fiscal gaps created by the decline in timber sales for many Alaskan forest communities. Although the law sunset in 2007, President Bush signed an emergency supplemental appropriations bill this year that grants a one-year extension at the current funding level. As a result, communities in our state will receive nearly \$9.8 million in federal assistance for schools and roads this year. Without a new piece of federal legislation, funding will end next year. Our Congressional Delegation is working on a proposal to gradually step down timber receipt payments over the next several years - but the likelihood of success is questionable.

How are National Forest Receipt Payments currently distributed?

Alaska's annual payment is based on the average of the 3 highest year payments the state received from 1987-2000. In FFY 2007, that amount was \$9.783 million

National Forest Receipts payments are made in late fall of each fiscal year. Alaska's payment is allocated to each National Forest based on the average payments each forest received during the base measurement years (1987-2000). Forest income was historically much higher in the Tongass than the Chugach because the Tongass generated "stumpage" fees from commercial logging while income in the Chugach was earned mostly from campground fees, recreation fees and mineral lease permits. In FY 07, the Tongass received \$9.630 (98.43%) and the Chugach received \$0.154 (1.57%) of the Federal payment

Payments are then allocated proportionally to each Borough based on the percentage of forest acreage located within that Borough.

Tongass Forest				Chugach Forest			
Borough	Acres	%	Payment	Borough	Acres	%	Payment
Unorg	10,187,768	61.5%	\$5,918,534	Unorg	3,980,725	73.8%	\$113,316
Sitka	1,796,494	10.8%	\$1,043,664	Kenai	1,094,193	20.3%	\$31,148
Juneau	1,710,625	10.3%	\$993,779	Anchorage	274,923	5.1%	\$7,826
Yakutat	1,226,410	7.4%	\$712,477	Mat-Su	43,386	0.8%	\$1,235
Haines	916,189	5.5%	\$532,255	Kodiak	2,492	0.0%	\$71
Ketchikan	739,514	4.5%	\$429,617	Yakutat	420	0.0%	\$12
	16,577,000	100%	\$9,630,327		5,396,139	100%	\$153,608

Federal Law requires that at least 15% of each Borough's payment be spent on "special projects" with the balance being spent on schools and roads. Entities that receive less than \$100k are exempt from spending any money in the "special projects" category. The special projects category includes road maintenance and decommissioning; stream and watershed restoration; maintaining infrastructure, including trails; forest ecosystem stewardship; land health and water quality; control of noxious or exotic weeds; and other projects consistent with the Forest Plan including fish and wildlife habitat and restoring native species. There are also a limited list of activities performed by the local government that may qualify under this category including reimbursement for costs of emergency services on public lands; costs for supervising mandatory community service on public lands; easements for access or conservation; forest-related education; fire prevention and planning; and community forestry.

Organized boroughs are free to decide how to divide their remaining payment between schools and roads. Here is how the boroughs reported allocating the money in FY 07

Tongass Organized Boroughs – FY07 NFR Payments

Borough	Total	15% Proj \$	Schools \$	Roads \$
Sitka	\$1,043,664	\$156,550	\$525,767	\$361,348
Juneau	\$993,779	\$149,067	\$0	\$844,712
Yakutat	\$712,477	\$106,872	\$605,605	\$0
Haines	\$532,255	\$79,838	\$452,417	\$0
Ketchikan	\$429,617	\$64,443	\$365,174	\$0

Chugach Organized Boroughs – FY07 NFR Payments

Borough	Total	15% Proj \$	Schools \$	Roads \$
Kenai	\$31,148	\$0	\$31,148	\$0
Anchorage	\$7,826	\$0	\$7,826	\$0
Mat-Su	\$1,235	\$0	\$1,235	\$0
Kodiak	\$71	\$0	\$71	\$0
Yakutat	\$12	\$2	\$10	\$0

The Unorganized Borough's, payment however must by statue be split 75% for schools and 25% for roads.

- School payments are allocated proportionally to each home rule or first class city, and REAA based on Average Daily Meals (ADM).
- Road payments are allocated proportionally to each home rule, first class or second class city, and federally organized Native villages based on road miles within their municipal boundaries.

STATE OF ALASKA
FY 07 NATIONAL FOREST RECEIPTS PAYMENTS

TONGASS NATIONAL FOREST

Borough	Acres	Total Payment	15% Projects \$	Schools \$	Roads \$
Sitka	1,796,494	\$1,043,664	\$156,550	\$525,767	\$361,348
Juneau	1,710,625	\$993,779	\$149,067	\$0	\$844,712
Yakutat	1,226,410	\$712,477	\$106,872	\$605,605	\$0
Haines	916,189	\$532,255	\$79,838	\$452,417	\$0
Ketchikan	739,514	\$429,617	\$64,443	\$365,174	\$0
Unorganized Borough	10,187,768				
Petersburg (HR)		\$1,173,664	\$190,027	\$914,381	\$69,256
Craig (1C)		\$743,876	\$120,440	\$594,437	\$28,999
Wrangell (HR)		\$725,437	\$117,455	\$571,788	\$36,194
Annette Island - REAA		\$537,333	\$86,999	\$450,334	\$0
Southeast Island - REAA		\$373,545	\$60,480	\$313,065	\$0
Chatham - REAA		\$368,934	\$59,734	\$309,200	\$0
Hoonah (1C)		\$340,813	\$55,181	\$257,409	\$28,224
Klawock (1C)		\$288,254	\$46,671	\$209,638	\$31,945
Kake (1C)		\$265,865	\$43,046	\$179,336	\$43,483
Skagway (1C)		\$246,123	\$39,850	\$168,900	\$37,373
Hydaburg (1C)		\$156,683	\$25,368	\$112,085	\$19,229
Pelican (1C)		\$29,158	\$0	\$25,087	\$4,071
Metlakatla (Fed)		\$128,413	\$20,791	\$0	\$107,622
Thorne Bay (2C)		\$128,191	\$20,755	\$0	\$107,436
Gustavus (2C)		\$111,057	\$17,981	\$0	\$93,076
Coffman Cove (2C)		\$57,508	\$0	\$0	\$57,508
Kasaan (2C)		\$31,345	\$0	\$0	\$31,345
Angoon (2C)		\$28,458	\$0	\$0	\$28,458
Tenakee Springs (2C)		\$9,252	\$0	\$0	\$9,252
Port Alexander (2C)		\$4,626	\$0	\$0	\$4,626
State		\$170,000	\$0	\$0	\$170,000
Total Unorganized Borough		\$5,918,534	\$904,778	\$4,105,660	\$908,096
TOTAL TONGASS	16,577,000	\$9,630,327	\$1,461,546	\$6,054,624	\$2,114,156

CHUGACH NATIONAL FOREST

Borough	Acres	Total Payment	15% Projects \$	Schools \$	Roads \$
Kenai	1,094,193	\$31,148	\$0	\$31,148	\$0
Anchorage	274,923	\$7,826	\$0	\$7,826	\$0
Mat-Su	43,386	\$1,235	\$0	\$1,235	\$0
Kodiak	2,492	\$71	\$0	\$71	\$0
Yakutat	420	\$12	\$2	\$10	\$0
Unorganized Borough	3,980,725				
Valdez (HR)		\$67,094	\$0	\$61,317	\$5,777
Cordova (HR)		\$37,529	\$0	\$34,380	\$3,149
Chugach - REAA		\$6,838	\$0	\$6,838	\$0
Whittier (2C)		\$1,855	\$0	\$0	\$1,855
Total Unorganized Borough		\$113,316	\$0	\$102,536	\$10,780
TOTAL CHUGACH	5,396,139	\$153,608	\$2	\$142,826	\$10,780
TOTAL STATEWIDE	21,973,139	\$9,783,934	\$1,461,548	\$6,197,450	\$2,124,936

Joint Legislative Education Funding Task Force

Recommendation Proposed by Gary Wilken

August 16, 2007

District Cost Factor – Teacher Compensation Component

Issue Summary: The teacher compensation component of the *Alaska School District Cost Study Update*, prepared by the Institute of Social and Economic Research (ISER), January 31, 2005 reflects "how much each school district would need to pay to recruit and keep teachers and administrators with equivalent qualifications." (ISER Research Summary, March 2005) In other words, the teacher component of the proposed district cost factor is to provide sufficient funds so that districts could increase teacher salaries, if needed to attract and retain quality teachers.

ISER has acknowledged that the upward adjustment of the proposed district cost factor is based largely on the teacher cost component.

Recommendation: The Joint Legislative Education Funding Task Force recognizes that the district cost factor proposed by ISER includes a teacher compensation component that provides school districts with additional dollars to increase teacher salaries to help attract and retain highly qualified teachers.

The Task Force proposes a statutory change that requires the Department of Education and Early Development to account separately, by each individual school district, the dollars generated as a result of the "teacher compensation component" of the district cost factor as identified by Ms. Lexi Hill, Institute of Social and Economic Research. The statutory change would further state that the funds in this separate account shall only be awarded as grants to the corresponding school district for the purpose of attracting and retaining qualified school teachers and administrators.

Discussion: At the request of the Task Force, Ms. Lexi Hill re-calculated the district cost factor proposed by ISER without the teacher compensation component. The difference between the original proposed district cost factor and the re-calculated factor highlights the dramatic impact the teacher compensation component has on ISER's district cost factor. The effect of the salary component

Teacher Cost Compensation Recommendation
Proposed by Gary Wilken
Page 2

on each cost factor varies remarkably among the 53 school districts. This component compromises between 29 percent to 84 percent of ISER's district cost factors.

The teacher compensation component is one of eleven components of the cost factor and is intended to provide the necessary funds to attract and retain highly qualified teachers. The dollars generated by this component should be spent only for its intended purpose. By requiring the Department of Education and Early Development to account for these funds separately and award the dollars as grants to attract and retain qualified teachers and administrators will provide a mechanism to ensure that the funds are appropriated for its designated use.

ISER's DCF Teacher Compensation Component

Additional Dollars per Student

(Based on DEED FY08 Projected Data)



Governor's Select Panel

Alaska Schools' District Cost Factors

(Proposed by Gary Wilken)

Preface Statement: In the Moore, et. al. v. State of Alaska decision of June 21, 2007, Judge Sharon Gleason, Superior Court Judge, determined that the funding for Alaska's K-12 public education was adequate and that "the current formula was carefully considered and represents a rational approach to educational funding." (page 182, paragraph 26)

However, one aspect of the funding formula has been a constant source of aggravation, discourse, and contention within the legislature and the educational community: how to measure the relative geographic cost differences between school districts. If the proposed *Governor's Select Panel on Alaska Schools' District Cost Factors* can develop a cost factor model acceptable to the governor, legislature and the general public, the panel's finished work product will remove a perennial source of frustration for many. This Select Panel will remove the district cost factors (DCFs) from manipulation, negotiation, and aggravation for the next generation, a goal worthy of attainment.

The following proposal outlines a committee structure in which this important, yet divisive aspect of our funding formula, can be addressed and resolved:

Who: Governor's Select Panel on Alaska Schools' District Cost Factors

- Governor appoints panel members, based on recommendations submitted to the governor
- Governor selects the chair of the panel
- Governor informs the legislature by the 45th day of the 2008 session that the Select Panel has been appointed and has held its initial meeting
- Governor controls the panel's budget (dollars appropriated specifically for the panel's work)
- Make-up of the Select Panel shall be composed of the following:
 - One representative of Alaska Association of School Business Officials (ALASBO)
 - One representative of the Anchorage School District
 - One representative from the Governor's administration
 - One representative from the Alaska State Senate