ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1455 SHESS SB 21 -SB 23

1455

SB

21

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANC. DIVISION
POUCH W -STATE CAPITOL
JUNEAU, ASKA 99811
PHONE: (90 465-3795

M E M O R A N D U M

DATE: January 29, 1981

TO: Honorable Jim Duncan
House of Representatives
Alaska State Legislature

FROM: Milt Barker, Fiscal Analyst MB
Legislative Finance Division

SUBJ: Governor's FY 81 and FY 82 Revenue Estimates

The Governor's revenue estimates for petroleum corporate income tax and interest income stated in "Revenue Sources" appear to be low.

Petroleum Corporate Income Tax

For the petroleum corporate income tax, there are the following estimates ($ millions):

FY	Revenue Sources	AG	Legislative Finance
81	$770	$ 935	$ 795
82	883	1314	1238
Total	$1653	$2249	$2033

Unlike the other two estimates, the Legislative Finance figures do not include income tax on TAPS operations. The difference between the two administration figures is $596 million for the two year total. The AG's figures were developed to analyze possible changes in the tax law.

Interest Income

The FY 82 "Revenue Sources" investment earnings figure is $195 million, the same as FY 81. Based on an average FY 82 permanent fund balance of $2,080 million (this estimate uses Department of Revenue figures and assumes no new appropriations above required contributions) and $350 million in the "Rainy Day" fund, a minimum of $243 million in income would be earned with interest rates at 10%. With the Governor's proposed appropriation of $1.8 billion to the permanent fund, $30 million to an escrow fund, and $350 million to the "Rainy Day" fund, the earnings at 10% on the average FY 82 balances in all these funds would come to $365.5 million.

31-01LH MB:bf

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF–STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

M E M O R A N D U M

DATE: February 5, 1981

TO: Honorable Sam Cotten
Chairman
House Finance Committee

FROM: Milt Barker, MB Fiscal Analyst
Legislative Finance Division

SUBJ: Funds Available for Appropriation

The attached Table I is a simplification of page 7 in the FY 82 Executive Budget which shows the amount of general funds available for appropriation as presented by the Governor.

However, based on the two attached legislative finance memos, the amounts in Table I could be increased as follows:

	Available for Appropriation	Cash
Table I	$6,014.1 million	$5,665.2 million
Decontrol	185.2	185.2
	$6,199.3	$5,850.4
Underestimates		
Petroleum Corporate Income Tax	596.0	596.0
Interest Income	170.5	170.5
	$6,965.8 million	$6,616.9 million

Total petroleum corporate income tax receipts through FY 82 are estimated at:

"Revenue Sources"	$2,433.0 million
Decontrol	51.1
	$2,484.1
Underestimate	596.0
	$3,080.1 million

These amounts are subject to litigation.

attachment

MB:bf

31-01LH

TABLE I
GENERAL FUND BALANCES
($ MILLIONS)

	Available for Appropriation	Cash
General Fund Balance 6/30/80	$2,221.6	$1,438.7
FY 81		
Unrestricted Revenue (Net of Permanent Funds)	3,631.0	3,631.0
Appropriations	(4,793.6)[1]	(4,341.6)
Illiquid Investment		(18.0)
General Fund Balance 6/30/81	$1,059.0	$ 710.1
FY 82		
Unrestricted Revenue (Net of Permanent Funds)	$4,955.1	$4,955.1
General Fund Balance (Before 1981 Session Appropriations)	$6,014.1	$5,665.2

Footnote:
1. Certain appropriations to AHFC, AIDA, and for fish processing loan guarantees were made from illiquid assets.

PREPARED BY:
Legislative Finance Division
February 5, 1981

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF–STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

M E M O R A N D U M

DATE: January 29, 1981

TO: Honorable Jim Duncan
House of Representatives
Alaska State Legislature

FROM: Milt Barker MB
Fiscal Analyst
Legislative Finance Division

SUBJ: Decontrol

According to the Division of Petroleum Revenue, the additional amounts to be received in FY 81 and FY 82 as a result of decontrol are $87.5 million in royalty and $68.5 million in severance, a total of $156.0 million. These figures are corrected from those given in the attached Fairbanks Daily News Miner article. The additional amounts to the general fund and permanent fund would be $134.1 million and $21.9 million respectively.

In addition, petroleum corporate income tax receipts should rise by $51.1 million for a total addition to the general fund of $185.2 million.

The $51.1 million was determined by multiplying royalties by 8 to get a total increased value of production of $700 million. From this is deducted $156.0 million in royalties and severance before applying the 9.4% state income tax rate.

attachment

MB:bf

FAIRBANKS
Daily News-Miner
"America's Farthest North Daily Newspaper"

FAIRBANKS, ALASKA, FRIDAY, JANUARY 23, 1981 30¢ Per Copy In F

Decontrol could bring $188.3 million to state

If President Ronald Reagan were to lift federal oil price controls immediately, it would mean an additional $188.3 million in state of Alaska oil royalties and severance taxes this year.

Commissioner of Revenue Thomas Williams told the Daily News-Miner this morning that the action hinted by Reagan administration officials would mean about $30 million more paid into the Permanent Fund and $158 million more into the state general fund this year.

The Carter administration had been lifting federal oil price controls gradually on a schedule aimed at full decontrol in September. Reagan campaigned against oil price limits last year and his aids have said that he might lift all controls immediately by executive order. In recent days, however, Reagan has not stressed that possibility.

Lifting price controls right away also might help Reagan's plans to balance the federal budget since it would generate millions from the federal oil windfall profits tax.

Williams said a computer analysis completed today showed lifting controls Feb. 1 would mean $80.6 million more in royalties and $53.2 million more in production taxes for the state during this fiscal year. The current fiscal year ends June 30.

Lifting controls would affect only the first few months of fiscal year 1982, Williams said, but this would give the state $38.4 million more in royalties and $16.1 million more in production taxes.

Since one quarter of the royalties goes to the Permanent Fund, Williams said, that would leave $158 million dollars in additional revenue the state could spend this year.

On Jan. 15 Martin Anderson, chief domestic policy adviser to Ronald Reagan, told The New York Times that Reagan will carry out a campaign pledge and issue an executive order to speed up the lifting oil domestic crude oil price controls "early" in his administration.

In a story from Washington, the Times quoted Martin Anderson as saying Wednesday that Reagan stood by his oft-declared plan to "deregulate the energy market" and that he would begin moving in that direction early in his term.

Since then congressional sources have speculated that such an order might totally lift oil price controls Feb. 1.

AMERICAN IN THE MIDDLE—Forme hostage Bruce German of Kensington, Md. (parka with fur) is the focus of attentio from journalists and photographers thi

STATE OF ALASKA

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BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH W-STATE CAPITOL
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M E M O R A N D U M

DATE: January 29, 1981

TO: Honorable Jim Duncan
House of Representatives
Alaska State Legislature

FROM: Milt Barker, Fiscal Analyst MB
Legislative Finance Division

SUBJ: Governor's FY 81 and FY 82 Revenue Estimates

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Petroleum Corporate Income Tax

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81	$770	$ 935	$ 795
82	883	1[illegible]	1238
Total	$1653	$22[illegible]9	$2033

Unlike the other two estimates, the Legislative Finance figures do not include income tax on TAPS operations. The difference between the two administration figures is $596 million for the two year total. The AG's figures were developed to analyze possible changes in the tax law.

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01-01LH MB:bf

[redacted]

2/23/81

Vic

Thanks for your most professionally handled program Saturday - and for the privilege of participating in it.

A letter is going to GPC members today - following your comment Saturday.

Note re my written testimony: error, last para, p2; please change "price" to "cost".

If we want to be virtually taxless, get cheap money for homes & business purposes, subdisize hydro to get cheap power and buy non-competitive development in various ways - we will suffer financial disaster soon after Pr Bay. Looked at dispassionately this cant be called anything but plundering Alaska!

I dont care how much we spend if, in the near term, we control our appetites so as to sock massive sums in the PF. ~~in the near term~~.

NB

UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

Senator Vic Fischer

DATE: 2/25/81

Attached is my testimony before the Senate State Affairs Committee public hearing on 2/21/81. Appreciate the opportunity to appear and record testimony

Scott Goldsmith

1.

2.

Testimony Before Senate State Affairs Committee

of

Scott Goldsmith
Institute of Social and Economic Research

February 21, 1981

Senate Bill 13 - An act to appropriate cash from the general fund to pay for capital improvements approved by G.O. bonds in 1980.

The logic of borrowing to pay for capital projects when the state has the money to pay cash rests upon the idea of "arbitrage." That is the ability to earn money by borrowing at a low rate of return and investing the borrowed funds at a higher rate of return. When arbitrage is possible, income is maximized by borrowing to pay for capital and, in fact, any expenditure. Thus, when the state can effectively invest money at a higher return than it must pay to borrow, paying cash does not maximize state revenue.

There are, however, two considerations which could alter this conclusion in the unique situation which faces the state of Alaska.

1. The arbitrage model assumes rational behavior on the part of government. Although government is composed of rational individuals, their collective decisions on the spending of money are not always rational. In other words, money gets spent on projects which do not yield a positive return, and this is more likely to occur when the state has more money to spend.

   Thus, in analyzing whether paying cash for capital projects makes sense, you should try to determine what spending would be eliminated by such a policy. (Or if the capital project were paid for with borrowed funds, what would actually happen to the funds made available for other purchases.) If unproductive investments are curtailed, then the opportunity cost of paying cash would be zero and no income would be lost. If productive investments are curtailed, then the opportunity cost of paying cash is the lost income from arbitrage.

2. At some time, ten-to-twenty years hence, state revenues, because they are so dependent upon Prudhoe Bay oil and gas production, will be considerably smaller than today. It is unlikely that public needs will be less, however. This suggests the public spending opportunities available to the next generation will be limited relative to our own. Further restricting their options with the requirement of retiring a substantial debt may be an unfair burden. In the extreme, state revenues could fall to such a level that they would all be required for debt service, leaving nothing for schools, highway maintenance, etc. Simply put, an <u>ability to pay</u> criterion suggests paying cash for capital projects.

One rationale for debt finance is to pay for the facility over its lifetime, such that those people pay who are actually getting the benefits as the good is consumed. In the Alaskan context, this rationale may break down because of the transient nature of the population associated with the boom-bust character of the economy, combined with the nature of the project "benefits." For example, a benefit advanced for many capital projects is the employment generated in the construction phase. This directly benefits the present population but not the population which may be here in ten-to-twenty years. The people benefiting today may leave Alaska when the boom construction jobs are all gone because state revenues cannot support them. Should they leave behind an unpaid bill in the form of annual debt service payments for those who remain in the state after the bust?

<u>Senate Bills 21 and 68</u> - An act to appropriate general fund money to the permanent fund.

State revenues from Prudhoe Bay should be viewed as a one-time inheritance. From this perspective, rules about the proportion of revenues which should be saved in the permanent fund emerge.

The unique good fortune of Alaska in its ownership of Prudhoe Bay reserves is evident from the attached Table A which compares the initial reserves in the Prudhoe Bay Field with the largest oil fields in North America and the world. At 10 billion barrels, Prudhoe Bay contains the largest reserves in North America, and only two other fields in the United States had over 2 billion barrels. A field of 100 million barrels, which would be one-hundredth as large as Prudhoe, is considered a giant and hailed as a major discovery in the United States. Consequently, the probability of the discovery of additional reserves, <u>on state land</u>, to compensate the state treasury for the eventual decline in Prudhoe Bay oil production is virtually nil.

Thus, Prudhoe Bay state resources are an inheritance, primarily in the form of oil in the ground but partly in the form of money into which some of the oil is annually transformed. This is commonly called revenues but is more properly viewed as a portion of the principal of the inheritance in monetary, rather than physical (oil in place), form.

Using current (FY 1982) estimates of the per barrel revenues from Prudhoe Bay oil as well as current estimates of recoverable oil, the present value (in 1981 dollars) of the state's inheritance is very roughly $80 billion (royalties and various taxes associated with oil production and transportation).

We can easily calculate that if that $80 billion were all invested to earn a 2 percent real rate of return, the state could withdraw $1.6 billion annually from the invested fund without reducing its value. This $1.6 billion (in 1981 dollars) would be the annual annuity which could be withdrawn every year to finance government. Such an annuity could completely finance the 1980 state budget.

This suggests that saving $1.5-to-$1.8 billion out of total revenues of $6.6 billion and spending $4.7-to-$5 billion is cutting into principal to the tune of over $2 billion. Thus, if one objective of financial planning is a sound long-term, revenue-generating base, a policy of saving $1.5-to-$1.8 billion this fiscal year in the permanent fund is inadequate.

It will, of course, be argued that the best way to ensure a stable long-term tax base is through investment in state resources. The truth is that the revenue-generating capacity of other resources does not have any possibility of providing revenues equal to the $1.6 billion annuity available through a savings and investment program of the permanent fund.

For example, consider coal. Demonstrated resources in Alaska are about 4.8 billion tons, primarily centered at the Nenana and Susitna Coal Fields (McGee and O'Connor, Mineral Resources of Alaska and the Impact of Federal Land Policies on their Availability: Coal, Open File Report 051, DNR, USGS, 1975, p. 2).

If the state could get a 30 cent royalty on each ton of coal mined, how many tons would need to be mined annually to generate $1.6 billion from royalties? (The minimum royalty rate on state land is 5¢/ton with recent leases carrying a 30¢-35¢ royalty rate.) The answer is 5.3 billion tons. So each year, more coal would need to be mined than is currently available as reserves in order to match the $1.6 billion annuity. (The mining license tax and corporate income tax would generate some additional revenue but would not substantially alter the conclusion.) It is interesting to note that actual production of coal is presently about one million tons, or about 1/5300 the amount necessary for a tax base dependent upon coal.

TABLE A

I. LARGEST OIL FIELDS IN NORTH AMERICA

			Billion Barrels
1.	Prudhoe Bay	USA	10.014
2.	Chiapas	Mexico	6.513
3.	East Texas	USA	5.999
4.	Wilmington	USA	2.418
5.	Poza Rica	Mexico	2.028
6.	Pembina	Canada	1.742
7.	Midway Sunset	USA	1.603
8.	Yates	USA	1.600
9.	Wasson	USA	1.508
10.	Kern River	USA	1.453
11.	Panhandle	USA	1.415
12.	Swan Hills	Canada	1.315
13.	Ebano-Panuco	Mexico	1.304
14.	Sho-Vel-Tum	USA	1.300
15.	Elk Hills	USA	1.296
16.	Naranjos Cerro Azul	Mexico	1.177
17.	Huntington Beach	USA	1.076
18.	Santa Ynez	USA	1.000

II. LARGEST OIL FIELDS IN THE WORLD

1.	Burgan	Kuwait	68.900
2.	Ghawar	Saudi Arabia	60.273
3.	Safania	Saudi Arabia	17.051
4.	Kirkuk	Iraq	16.320
5.	Samotlorskoye	USSR	14.600
6.	Romashkino	USSR	14.040
7.	Rumaila	Iraq	13.635
8.	Gachsaran	Iran	11.435
9.	Marun	Iran	10.887
10.	Lagunillas	Venezuela	10.732
11.	Agha Jari	Iran	10.034
12.	Prudhoe Bay	USA	10.014

Oil and Gas Journal, August 1977, Vol. 75, No. 35, p. 102.

SENATE STATE AFFAIRS COMMITTEE HEARING

ON

1. DEPOSITS IN THE PERMANENT FUND: 2. PAYING CASH FOR CAPITAL IMPROVEMENTS

February 21, 1981

Testimony by Harold E. Pomeroy

Our future is bright if we don't spend billions and billions of dollars unproductively trying to create an artificial destiny for Alaska.

Right now we are misreading the signals.

There is popular belief that if we just do the right things we can achieve a prosperous, diversified and renewable resources economy, including renewable resource production and processing-manufacture. This means, of course, producing goods for export.

We are negligible producers of processed-manufactured goods - with few exceptions, relative to our resource production and services economy, due to far higher costs here than elsewhere - costs that cannot be cured by spending money. Where the potential for competitive position in the market is lacking, direct and indirect aid is only creating artificial viability that can last only until the money runs out.

The wrong signal is that somehow, if we just put enough money into artificial viability in the direction of diversification and renewable resource processing we can turn a liability into an asset. The result is the false assumption that taxes generated out of these areas of activity will be able to make up for less oil income in the future.

The hard fact is that there is no basis whatever for believing the aggregate of all tax revenue from all sources, other than oil production will increase the approximate 1/10 of our expenditures such revenues now pay, by an appreciable amount, if at all - unless taxes are raised drastically.

Testimony, 2/21/81
Harold E. Pomeroy

Take the molybdenum mine soon to be established near Ketchikan. Though one of the largest deposits anywhere, molybdenum won't be made there; the concentrate will go Outside for processing for reasons of economy. Would we increase taxes on the plant two or three or more times in the future to make both ends meet due to less oil income?

Our future economic stability rests heavily on the reason the question has to be asked.

There will be a few individual exceptions to the revenue potential overall - plants with profits coming from huge investments and very few workers.

We can be encouraged about the future if we take the right signal from the dramatic increase in the amount of oil income from even two years ago. A Permanent Fund that generates a substantial part of future needed revenue is practical - with room also for such benefits as no personal income tax and some desirable capital improvements that are cost effective.

Our tremendous good fortune in quantity of oil money is that we can make massive early years deposits in the Permanent Fund, accumulate the interest and arrive at a total of as much as $125 billion to produce $13 billion or $14 billion in annual revenue from then on.

We should place the highest priority on action to secure as strong a financial future as possible, rather than to grab more toward a taxless society and what amounts, indirectly, to colossal price support for economic enterprise that simply isn't economically viable in the open market.

	PERMANENT FUND		BUDGET GROWTH	
	I.	II.	III.	IV.
	$2 Billion at 11% compounded	$4 Billion	$2 Billion - at 11% rate of increase	$2 Billion - at 15% rate of increase
Yrs				
5	$3.37	$6.74	$3.37	$4.02
10	$5.68	$11.36	$5.68	$8.09
15	$9.57	$19.14	$9.57	$16.27
20	$16.12	$32.29	$16.12	$32.73

I. At the end of 20 years the $16.12 would produce $1.67 billion yearly - from then on.

III. The $1.67 billion would not go very r toward funding the $16.12 billion budget. The 11% rate of increase may not be enough for inflation and population growth and would allow zero for real growth.

IV. At 15% growth, $120 billion in the Permanent Fund would produce about $13 billion in earnings revenue toward the $32.73 billion budget

February 21, 1981
Harold E. Pomeroy

SB
22

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH S
JUNEAU, ALASKA 99811

January 30, 1981

The Honorable Charles H. Parr
Chairman
Senate Health, Education and
Social Services Committee
Room 210 - Behrends Building
Juneau, Alaska

Re: Senate Bill No. 22

Dear Senator Parr:

Senate Bill No. 22, an Act authorizing supplemental state aid for retirement of school construction debt, was introduced in the Senate on January 13, 1981 and was referred to the Senate Health, Education and Social Services and Finance Committees.

For the consideration of the Senate Health, Education and Social Services Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Thomas K. Williams, Commissioner of Revenue concerning the proposed legislation.

Sincerely,

R. D. Stevenson

R. D. Stevenson
Special Assistant

cc: The Honorab[illegible] Bennett
The Hon[illegible] Dankworth
Co-Chai[illegible]
Senate F[illegible]nance Committee

Thomas K. Williams
Commissioner
Department of Revenue

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

04-D2LH

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB 22
Title Supplemental state aid to retire school construction debt
Requested by Senate HESS Committee Date 1/29/81

II. FISCAL DETAIL
Agency Affected Revenue
Program Category Affected Revenue Collection and Management
BRU, Program, or Subprogram(s) Affected Treasury
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		0				
200 TRAVEL		0				
300 CONTRACTUAL		0				
400 COMMODITIES		0				
500 EQUIPMENT		0				
600 LAND & STRUCTURES		0				
700 GRANTS, CLAIMS, ETC		355,793				
TOTAL	0	355,793	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	355,793	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

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

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The outstanding principal balance for school construction bonds appears to have been $355,793,000 for some 17 school districts as of June 30, 1980. Between that time and the effective date of this Bill, some additional bonds may be issued and some repayments of principal on existing bonds may occur.

OVER $100,000,000 COULD BE SAVED WITH THE FOLLOWING TECHNICAL CHANGES TO THE BILL:

p. 1, lines 6-7: change "retirement" to "defeasance"
p. 1, line 10: change "RETIREMENT" to "DEFEASANCE"
p. 1, line 11: after "school district" insert "from money appropriated for this purpose"
p. 1, line 11: after "the amount" insert "necessary to defease the principal balance as of July 1, 1981,"

(Analysis continued on page two)

IV. DATE 1/29/81 PREPARED BY [signature]
AGENCY Revenue
PHONE 465-2300

Distribution: Legislative Finance
Budget and Management
Prime Sponsor (First Legislator Named)

FN 001 (R)

FISCAL NOTE FOR SB 22: Analysis (cont.)

P. 1, line 12: delete "outstanding"
p. 1, line 15: change "retire" to "defease"

With these changes only $250,000,000 would be needed and the practical effect would still be to pay off all existing school construction bonds.

SB
23

COMMITTEE REPORT

SENATE

1/13/81

FURTHER: Finance

Date: _____

Mr. President:

The Committee on HEALTH, EDUCATION & SOCIAL SERVICES has had SB 23 -

increasing state aid to school districts under the public school foundation program

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

[ ] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[✓] replace with CS for _____ [ ] same title [ ] new title

and recommends _____

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the _____ Committee

MEMBERS SIGNING DO PASS

MEMBERS HAVING OTHER RECOMMENDATIONS:

CHAIRMAN

S 60 (Rev. 12/78)

Master File SB 23

ASSOCIATION OF ALASKA SCHOOL BOARDS
SUITE 3, 204 NORTH FRANKLIN STREET • JUNEAU, ALASKA 99801 • PHONE 586-1083

March 26, 1981

Honorable Jalmar M. Kerttula
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Kerttula:

The Association of Alaska School Boards would like to comment on Senate Bill 23 and recommend some modifications to it for your consideration.

First of all, the bill, as written, would effectively increase state foundation support for schools in FY 82 from $34,935 to $43,670, an increase in excess of twenty-two percent. State law now automatically raises FY 82 foundation support levels from $34,935 to $38,090 which is approximately 10.4% increase for that year.

In short, Senator, the Association of Alaska School Boards finds itself in the unusual position of opposing a Bill designed to give us more money. Our reason is that we have a commitment to honor wherein if we are granted a funding level one year in advance, we will not support any effort to raise that level in the next year.

We would, however, encourage you to consider changing the wording of the Bill to establish the Fiscal Year 83 funding level for schools in accordance with what has been accepted as the forward funding concept.

Related to state support for schools is a variety of measures being considered in the Legislature dealing with state financial assistance to municipalities with the intent to reduce local tax levels. Few people realize that any tax reduction program will unwittingly impact state supplemental equalization support to local school districts with minimal local contribution ability. This program was initiated in last year's SB 199. I am attaching a suggestion as to how the conflict in that area could be resolved for consideration with the suggestion that it be included in a revision of SB 23 if that should be your desire.

From Bob Gillette
AASB

SUGGESTED AMENDMENT DEALING WITH
SUPPLEMENTAL EQUALIZATION AID FOR SCHOOL DISTRICTS

14.17.023 (c). The amount per ADM or supplemental equalization aid is calculated as the amount equal to the average municipal appropriation (tax contribution) per pupil in average daily membership for school operating costs in the City & Borough school districts in the prior fiscal year.

CONSUMER PRICE INDEX

The Consumer Price Index (CPI) is compiled by the Bureau of Labor Statistics, U. S. Department of Labor. Although it is often referred to as the "cost-of-living" or "inflation rate," this is not technically accurate. The CPI is a measure of the change in prices for a fixed "market basket" of goods. The composition of the market basket is based on the consumption characteristics of two populations; wage and clerical workers, and all urban consumers. The all urban consumers CPI was begun in 1978, and provides a CPI which includes the buying habits of about 80 percent of the total population. The wage and clerical workers CPI is the traditional CPI begun during World War I. It is based on a market basket typical of wage and clerical workers, and includes the buying habits of 45 percent of the population nationwide.

The wage and clerical and all urban consumers CPI's are compiled for both Anchorage and Fairbanks. There is no statewide CPI. The CPIs measure price changes from a designated reference date. For Anchorage, the reference date is October 1967, and for Fairbanks it is February 1979.

The CPI measures the change in prices relative only to prices previously paid by a specific population. This means that the CPI for Anchorage wage and clerical workers, for instance, cannot be directly compared to any other CPI. The CPI can be used to calculate a percentage change, and these can be compared. The percentage change comparison does not provide an indication of where the cost of the market basket of goods is highest or lowest, but does show where the cost is changing most rapidly.

The percentage change of any CPI series may be calculated by the following method:

Index Point Change

CPI	123.8
Less previous index	123.1
Equals index point change	0.6

Percentage Change

Index point difference	0.6
Divided by previous index	123.2
Equals	0.005
Multiplied by 100	0.005 x 100
Equals percentage change	0.5%

YEARLY CPI AND PERCENTAGE CHANGE
WAGE AND CLERICAL WORKERS ONLY

	United States		Seattle		Anchorage		Fairbanks	
	CPI	% Change	CPI	% Change	CPI	% Change	CPI	% Change
Oct. 1967	100		100		100			
68	105.7	5.7	106.0 1/	6.0	102.6	2.6		
69	111.6	5.3	110.6 1/	4.2	107.3	4.4		
70	118.1	5.5	114.9 1/	3.7	111.5	3.8		
71	122.6	3.7	117.6 1/	2.3	114.4	2.5		
72	126.6	3.2	121.2 1/	3.0	116.9	2.1		
73	136.6	7.3	131.4 1/	7.8	123.8	5.6		
74	153.0	10.7	147.9 1/	11.2	140.0	11.6		
75	164.6	7.0	159.7 1/	7.4	157.4	11.1		
76	173.3	5.0	167.9 1/	4.9	167.6	6.1		
77	184.5	6.0	182.5 1/	8.0	177.3	5.5		
Nov. 1978	201.8	8.6	202.1	9.7	194.8	9.0		
79	227.6	11.3	221.5	8.8	211.8	8.0	107.9 2/	
80	256.4	11.2	259.4	14.6	232.0	8.7	119.6 2/	9.8

1/ CPI is for November rather than October of years listed.
2/ CPI is for December rather than November of years listed.

CPI FOR ANCHORAGE AND FAIRBANKS
JANUARY 1969 TO PRESENT

ANCHORAGE CPI

		Wage and Clerical
1969	Jan.	103.7
	Apr.	105.3
	Jul.	105.6
	Oct.	107.3
1970	Jan.	107.9
	Apr.	108.2
	Jul.	109.6
	Oct.	111.5
1971	Jan	111.6
	Apr.	111.7
	Jul.	113.0
	Oct.	114.4
1972	Jan.	114.2
	Apr.	115.8
	Jul.	115.9
	Oct.	116.9
1973	Jan.	116.4
	Apr.	119.4
	Jul.	120.4
	Oct.	123.8
1974	Jan.	125.6
	Apr.	129.8
	Jul.	134.0
	Oct.	140.0
1975	Jan.	142.9
	Apr.	150.0
	Jul.	153.8
	Oct.	157.4
1976	Jan.	158.8
	Apr.	161.7
	Jul.	164.9
	Oct.	167.6
1977	Jan.	172.6
	Apr.	177.4
	Jul.	177.3
	Oct.	179.2

		Wage and Clerical	All Urban Consumers
1978	Jan.	179.2	
	Mar.	180.8	180.7
	May	184.0	184.2
	Jul.	188.6	188.5
	Sep.	192.8	193.2
	Nov.	194.8	194.7
1979	Jan.	197.3	198.1
	Mar.	200.5	201.0
	May	202.5	203.5
	Jul.	206.4	207.4
	Sep.	201.9	213.2
	Nov.	211.8	213.7
1980	Jan.	215.9	218.2
	Mar.	220.7	223.5
	May	223.1	226.5
	Jul.	224.8	228.4
	Sep.	226.7	230.9
	Nov.	232.0	236.5
1981	Jan.	235.0	240.1
	MAR	236.2	241.1

FAIRBANKS CPI

		Wage and Clerical	All Urban Consumers
1979	Feb.	100	100
	Apr.	101.6	101.4
	Jun.	103.7	103.9
	Aug.	105.5	105.2
	Oct.	108.1	108.2
	Dec.	107.9	107.9
1980	Feb.	110.4	110.2
	Apr.	112.8	112.7
	Jun.	113.5	113.4
	Aug.	115.1	115.0
	Oct.	117.6	117.4
	Dec.	119.6	119.3
1981	Feb.	121.8	121.5

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. SB - 23
Title An Act increasing state aid to school districts under the ...
Requested by Senate HESS Date May 4, 1981

II. FISCAL DETAIL
Agency Affected Education
Program Category Affected Elementary & Secondary Education
BRU, Program, or Subprogram(s) Affected Foundation Support
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		43,278.6	47,606.5	52,367.2	57,603.9	63,364.3
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		43,278.6	47,606.5	52,367.2	57,603.9	63,364.3
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		N/A				
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumes 10% annual inflation

FY'82 Basic Need:	328,865.1
Bill increase of 13.16%	372,143.7
- FY'82 Basic Need	328,865.1
FY'82 increase	$43,278.6

IV. DATE May 4, 1981 PREPARED BY Steve Hole
AGENCY Education
PHONE 465-2800

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 1/13/81
Referred: Health, Education & Social Services and Finance

BY KERTTULA, FERGUSON, KELLY, STIMSON AND RODEY

IN THE SENATE

SENATE BILL NO. 23

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act increasing state aid to school districts under the public school foundation program; and providing for an effective date."

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

* Section 1. AS 14.17.056 is amended to read:

Sec. 14.17.056. BASE INSTRUCTIONAL UNIT VALUE. The base instructional unit value for fiscal years beginning on or after July 1, ~~1981~~, is ~~$43,670~~ [$38,590].

* Sec. 2. This Act takes effect July 1, 1981.

May 5, 81

Dear Senator Barr:

The enclosed CPI is forwarded in following up to my testimony yesterday on SB 23.

During the hearing I referred to a 10% change for the Anc area but was afraid I had errored when you read 8.8 from figures before you at the time.

In any event I appreciate the courteousy with which you handled the situation at the time and look forward to further opportunity to work with you and your committee.

Sincerely,
Bob Cooksey
NEA-Alaska

copy: Sen Colletta
Sen Fischer
Sen Kelly
Sen Stimson

CONSUMER PRICE INDEX
PACIFIC CITIES AND U. S. CITY AVERAGE

ALL ITEMS INDEXES
(1967=100 unless otherwise noted)

FEBRUARY 1981

CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS

	INDEXES			PERCENT CHANGE			
				YEAR ENDING		TWO MONTHS ENDING	
	FEB 1980	JAN 1981	FEB 1981	JAN 1981	FEB 1981	JAN 1981	FEB 1981
U. S. City Average	236.4	260.5	263.2	11.7	11.3	1.7	1.9
Los Angeles-Long Beach-Anaheim	237.6	259.4	261.6	11.5	10.1	1.5	1.1
San Francisco - Oakland	240.7	-	260.5	-	8.2	-	2.2
Honolulu, Hawaii	220.9	-	243.3	-	10.1	-	3.0
San Diego, California	-	287.7	-	13.3	-	3.1	-
Portland, Oregon	-	266.4	-	8.9	-	1.7	-
Seattle - Everett, Washington.	-	264.9	-	12.2	-	0.9	-
Anchorage, Ak. (Oct. 1967=100)	-	240.1	-	10.0	-	1.5	-

CONSUMER PRICE INDEX FOR URBAN WAGE EARNERS AND CLERICAL WORKERS
(1967=100 unless otherwise noted)

	INDEXES			PERCENT CHANGE			
				YEAR ENDING		TWO MONTHS ENDING	
	FEB 1980	JAN 1981	FEB 1981	JAN 1981	FEB 1981	JAN 1981	FEB 1981
U. S. City Average	236.5	260.7	263.5	11.7	11.4	1.7	1.9
Los Angeles-Long Beach-Anaheim	240.0	262.7	265.0	11.8	10.4	1.7	1.1
San Francisco - Oakland	240.0	-	261.6	-	9.0	-	2.3
Honolulu, Hawaii	221.3	-	243.5	-	10.0	-	2.7
San Diego, California	-	282.9	-	12.7	-	2.8	-
Portland, Oregon	-	265.0	-	8.8	-	1.6	-
Seattle - Everett, Washington.	-	262.3	-	12.2	-	1.1	-
Anchorage, Ak. (Oct. 1967=100)	-	235.0	-	8.8	-	1.3	-

Bureau of Labor Statistics - San Francisco, CA 94102 March 24, 1981

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. CS SB-23
Title An Act increasing state aid to school districts under the . . ."
Requested by Senate HESS Date 5/6/81

II. FISCAL DETAIL
Agency Affected Education
Program Category Affected Elementary & Secondary Education
BRU, Program, or Subprogram(s) Affected Foundation Support Programs
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			33,056.3	36,361.9	39,998.1	43,997.9
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND			33,056.3	36,361.9*	39,998.1	43,997.9
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME			N/A			
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

*Assumes 10% annual inflation.

Section 1.
FY-82 Foundation: 330,563.0
Bill increase of 10% for FY-83: 33,056.3

Section 2. No fiscal impact.

IV. DATE 5/6/81 PREPARED BY Steve Hole
AGENCY Department of Education
PHONE 465-2800

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Senate HESS Committee Substitute

Introduced: 1/13/81
Referred: Health, Education & Social Services and Finance

BY KERTTULA, FERGUSON, KELLY, STIMSON AND RODEY

IN THE SENATE

SENATE BILL NO. 23

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

New title?

For an Act entitled: "An Act increasing state aid to school districts under the public school foundation program; and providing for an effective date."

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

* Section 1. AS 14.17.056 is amended to read:

Sec. 14.17.056. BASE INSTRUCTIONAL UNIT VALUE. The base instructional unit value for fiscal years beginning on or after July 1, ~~1981~~ 1982, is ~~$43,270~~ $42,450 [$38,590].

* Sec. 2. This Act takes effect July 1, 1981.

* Sec. 3. AS 14.17.023.(c) is amended to read:

(c) The amount per ADM of supplemental equalization aid is calculated as the amount equal to the average local appropriation (TAX CONTRIBUTIONS) per pupil in average daily membership for school operating costs in the city and borough school districts in the prior fiscal year.

Master File SB 23

ASSOCIATION OF ALASKA SCHOOL BOARDS
SUITE 3, 204 NORTH FRANKLIN STREET • JUNEAU, ALASKA 99801 • PHONE 586-1083

March 26, 1981

Honorable Jalmar M. Kerttula
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Kerttula:

The Association of Alaska School Boards would like to comment on Senate Bill 23 and recommend some modifications to it for your consideration.

First of all, the bill, as written, would effectively increase state foundation support for schools in FY 82 from $34,935 to $43,670, an increase in excess of twenty-two percent. State law now automatically raises FY 82 foundation support levels from $34,935 to $38,090 which is approximately 10.4% increase for that year.

In short, Senator, the Association of Alaska School Boards finds itself in the unusual position of opposing a Bill designed to give us more money. Our reason is that we have a commitment to honor wherein if we are granted a funding level one year in advance, we will not support any effort to raise that level in the next year.

We would, however, encourage you to consider changing the wording of the Bill to establish the Fiscal Year 83 funding level for schools in accordance with what has been accepted as the forward funding concept.

Related to state support for schools is a variety of measures being considered in the Legislature dealing with state financial assistance to municipalities with the intent to reduce local tax levels. Few people realize that any tax reduction program will unwittingly impact state supplemental equalization support to local school districts with minimal local contribution ability. This program was initiated in last year's SB 199. I am attaching a suggestion as to how the conflict in that area could be resolved for consideration with the suggestion that it be included in a revision of SB 23 if that should be your desire.

From Bob Gillette AASB

SUGGESTED AMENDMENT DEALING WITH
SUPPLEMENTAL EQUALIZATION AID FOR SCHOOL DISTRICTS

14.17.023 (c). The amount per ADM or supplemental equalization aid is calculated as the amount equal to the average ~~municipal~~ local appropriation (tax contribution) per pupil in average daily membership for school operating costs in the City & Borough school districts in the prior fiscal year.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. CS Senate Bill - 23 (HESS)
Title An Act Increasing State Aid to School Districts . . . foundation program
Requested by Senate Hess Date 5/12/81

II. FISCAL DETAIL
Agency Affected Department of Education
Program Category Affected Elementary and Secondary Education
BRU, Program, or Subprogram(s) Affected Foundation Support Programs/Financial Support Districts
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.			35,591.9	39,151.1*	43,066.2	47,372.8
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND			35,591.9	39,151.1*	43,066.2	47,372.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME			N/A			
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Section 3.

FY 82 Foundation: 330.563.0
FY 82 Contract Schools: 25,355.5 (Base schools, special schools)
FY 82 Total 355,918.5
Bill Increase of 10%
for FY 83 35,591.9

Sections 1 and 2. No Fiscal Impact

*Assumes 10% annual inflation

IV. DATE May 12, 1981 PREPARED BY Steve Hole
AGENCY Department of Education
PHONE 465-2800

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/80)

PUBLIC SCHOOL FOUNDATION PROGRAM
FY-82 BUDGET PROJECTIONS

2/6/81

School District	Inst. Unit Value	Elem. ADM	Elem. I.U.	Elem. Basic Need	Sec. ADM	Sec. I.U.	Sec. Basic Need	Conb. Dist. ADM	Comb. Dist. I.U.	Comb. Dist. Basic Need	Voc. Ed ADM Non-add	Voc. Ed I.U.	Voc. Ed Basic Need	Spec. ADM Non-a
Anchorage	38,590	16,555	1,006	38,821,540	16,063	973	37,548,070	25	5	192,950	1,663	96	3,704,640	2,221
Bristol Bay	59,815	100	10	598,150	103	11	657,965	-0-	-0-	-0-	28	3	179,445	15
Cordova	44,379	230	15	665,685	206	21	931,959	-0-	-0-	-0-	61	5	221,895	31
Craig	41,677	64	6	250,062	77	8	333,416	-0-	-0-	-0-	20	2	83,354	16
Dillingham	59,815	176	12	717,780	202	21	1,256,115	-0-	-0-	-0-	44	4	239,260	27
Fairbanks	43,221	4,483	278	12,015,438	3,979	258	11,151,018	-0-	-0-	-0-	632	39	1,685,619	551
Galena	59,815	63	6	358,890	74	12	717,780	-0-	-0-	-0-	15	2	119,630	7
Haines	44,379	187	16	710,064	210	21	931,959	-0-	-0-	-0-	36	3	133,137	40
Hoonah	43,221	114	8	345,768	93	11	475,431	-0-	-0-	-0-	23	2	86,442	24
Hydaburg	41,677	43	4	166,708	39	6	250,062	-0-	-0-	-0-	14	2	83,354	5
Juneau	38,590	2,008	124	4,785,160	1,923	136	5,248,240	-0-	-0-	-0-	335	20	771,800	310
Kake	41,677	90	7	291,739	100	11	458,447	-0-	-0-	-0-	25	2	83,354	20
Kenai	41,677	3,313	222	9,252,294	2,715	201	8,377,077	27	5	208,385	316	28	1,166,956	363
Ketchikan	38,590	1,101	72	2,778,480	1,148	78	3,010,020	-0-	-0-	-0-	165	10	385,900	186
King Cove	57,885	71	6	347,310	49	6	347,310	-0-	-0-	-0-	12	2	115,770	7
Klawock	41,677	73	6	250,062	24	4	166,708	-0-	-0-	-0-	-0-	-0-	-0-	9
Kodiak	44,764	1,206	85	3,804,940	857	76	3,402,064	18	4	179,056	154	11	492,404	215
Mat-Su	40,134	2,136	143	5,739,162	2,061	147	5,899,698	10	3	120,402	362	22	882,948	272
Nenana	46,308	109	8	370,464	96	14	648,312	-0-	-0-	-0-	20	2	92,616	18
Nome	59,815	396	24	1,435,560	313	28	1,674,820	-0-	-0-	-0-	84	6	358,890	81
North Slope	59,815	563	46	2,751,490	568	59	3,529,085	-0-	-0-	-0-	196	22	1,315,930	120
Pelican	43,221	28	3	129,663	9	4	172,884	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Petersburg	40,134	409	25	1,003,350	163	15	602,010	-0-	-0-	-0-	34	3	120,402	49
Sand Point	57,885	53	5	289,425	72	8	463,080	-0-	-0-	-0-	14	2	115,770	7
Sitka	40,134	1,174	77	3,090,318	540	36	1,444,824	-0-	-0-	-0-	135	8	321,072	120
Skagway	41,677	95	7	291,739	80	8	333,416	-0-	-0-	-0-	19	2	83,354	10
St. Mary's	59,815	71	6	358,890	22	4	239,260	-0-	-0-	-0-	30	3	179,445	21
Unalaska	57,885	120	9	520,965	100	11	636,735	-0-	-0-	-0-	12	2	115,770	16
Valdez	44,379	598	41	1,819,539	526	43	1,908,297	-0-	-0-	-0-	114	8	355,032	156
Wrangell	40,134	279	18	722,412	218	21	842,814	-0-	-0-	-0-	40	3	120,402	32
Yakutat	46,308	86	7	32[illegible],156	60	10	463,080	-0-	-0-	-0-	12	2	92,616	14
Totals		35,994	2,302	95,007,203	32,690	2,262	94,121,956	80	17	700,793	4,615	316	13,707,207	4,963
Correspondence	38,590	525	42	16,207,80	200	-0-	-0-	-0-	-0-	-0-	25	2	77,180	-0-

School District	Spec. Ed. I.U.	Spec. Ed. Basic Need	Bil-Bic ADM Non-add	Bil-Bic I.U.	Bil-Bic Basic Need	Corres. ADM	Corres. I.U.	Corres. Basic Need	Total ADM	Total Inst. Units	Total Basic Need	983.14 Supp Eq. Aid	Basic Need + Eq. aid
Anchorage	203	7,833,770	488	22	848,980	-0-	-0-	-0-	32,643	2,305	88,949,950	5,504,940	94,454,890
Bristol Bay	2	119,630	-0-	-0-	-0-	-0-	-0-	-0-	203	26	1,555,190	165,012	1,720,202
Cordova	4	177,516	-0-	-0-	-0-	-0-	-0-	-0-	436	45	1,997,055	137,188	2,134,243
Craig	3	125,031	-0-	-0-	-0-	15	3	125,031	156	22	916,894	177,596	1,094,490
Dillingham	4	239,260	5	1	59,815	-0-	-0-	-0-	378	42	2,512,230	537,140	3,049,370
Fairbanks	51	2,204,271	66	4	172,884	100	8	345,768	8,562	638	27,574,998	-0-	27,542,998
Galena	1	59,815	7	1	59,815	-0-	-0-	-0-	137	22	1,315,930	206,108	1,522,038
Haines	5	221,895	-0-	-0-	-0-	-0-	-0-	-0-	397	45	1,997,055	-0-	1,997,055
Hoonah	3	129,663	-0-	-0-	-0-	-0-	-0-	-0-	207	24	1,037,304	217,832	1,255,136
Hydaburg	1	41,677	8	1	41,677	-0-	-0-	-0-	82	14	583,478	84,367	667,845
Juneau	29	1,119,110	27	3	115,770	40	4	154,360	3,971	316	12,194,440	252,390	12,446,830
Kake	3	125,031	-0-	-0-	-0-	-0-	-0-	-0-	190	23	958,571	185,720	1,144,291
Kenai	34	1,417,018	167	9	375,093	120	9	375,093	6,175	508	21,171,916	-0-	21,171,916
Ketchikan	18	694,620	9	1	38,590	75	6	231,540	2,324	185	7,139,150	-0-	7,139,150
King Cove	1	57,885	-0-	-0-	-0-	-0-	-0-	-0-	120	15	868,275	130,851	999,126
Klawock	2	83,354	-0-	-0-	-0-	-0-	-0-	-0-	97	12	500,124	104,128	604,252
Kodiak	21	940,044	35	3	134,292	30	3	134,292	2,111	203	9,087,092	982,704	10,069,796
Mat-Su	26	1,043,484	8	1	40,134	250	16	642,144	4,457	358	14,367,972	322,483	14,690,455
Nenana	3	138,924	2	1	46,308	-0-	-0-	-0-	205	28	1,296,624	203,494	1,500,118
Nome	9	538,335	48	4	239,260	-0-	-0-	-0-	709	71	4,246,865	882,104	5,128,969
North Slope	12	717,780	518	23	1,375,745	9	3	179,445	1,140	165	9,869,475	-0-	9,869,475
Pelican	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	37	7	302,547	31,674	334,221
Petersburg	6	240,804	-0-	-0-	-0-	-0-	-0-	-0-	572	49	1,966,566	166,945	2,133,511
Sand Point	1	57,885	-0-	-0-	-0-	-0-	-0-	-0-	125	16	926,160	163,592	1,089,752
Sitka	12	481,608	18	2	80,268	-0-	-0-	-0-	1,714	135	5,418,090	-0-	5,418,090
Skagway	2	83,354	-0-	-0-	-0-	-0-	-0-	-0-	175	19	791,863	136,833	928,696
St. Mary's	3	179,445	6	1	59,815	-0-	-0-	-0-	93	17	1,016,855	144,767	1,161,622
Unalaska	3	173,655	-0-	-0-	-0-	-0-	-0-	-0-	220	25	1,447,125	-0-	1,447,125
Valdez	15	665,685	-0-	-0-	-0-	-0-	-0-	-0-	1,124	107	4,748,553	-0-	4,748,553
Wrangell	4	160,536	-0-	-0-	-0-	-0-	-0-	-0-	497	46	1,846,164	222,813	2,068,977
Yakutat	2	92,616	-0-	-0-	-0-	-0-	-0-	-0-	146	21	972,468	135,608	1,108,076
Totals	483	20,163,701	1,412	77	3,688,446	639	52	2,187,673	69,403	5,509	229,576,979	11,096,289	240,673,268
Correspondence	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	725	44	1,697,960		

REAA	Inst. Unit Value	Elem. ADM	Elem. I.U.	Elem. Basic Need	Sec. ADM	Sec. I.U.	Sec. Basic Need	Comb. Dist. ADM	Comb. Dist. I.U.	Comb. Dist. Basic Need	Voc Ed ADM Non-add	Voc Ed I.U.	Voc Ed Basic Need	Spec. Ed ADM Non-add	Spec. Ed I.U.
Adak	54,026	397	24	1,296,624	175	19	1,026,494	-0-	-0-	-0-	32	3	162,078	27	4
Alaska Gateway	46,308	225	22	1,018,776	189	26	1,204,008	27	5	231,540	40	5	231,540	45	5
Aleutian Chain	57,885	21	3	173,655	15	4	231,540	83	21	1,215,585	7	1	57,885	11	2
Annette Island	40,134	172	12	481,608	164	18	722,412	-0-	-0-	-0-	28	3	120,402	22	3
Bering Strait	59,815	93	11	657,965	281	46	2,751,490	59	10	598,150	86	13	777,595	37	5
Chatham	41,677	107	15	625,155	66	10	416,770	12	4	166,708	9	1	41,677	9	2
Chugach	46,308	26	3	138,924	10	4	185,232	23	5	231,540	-0-	-0-	-0-	-0-	-0-
Copper River	44,379	298	26	1,153,854	250	30	1,331,370	12	6	266,274	35	3	133,137	40	5
Delta Greely	46,308	511	32	1,481,856	327	30	1,389,240	-0-	-0-	-0-	42	4	185,232	110	11
Iditarod	59,815	109	13	777,595	90	18	1,076,670	96	19	1,136,485	20	3	179,445	9	2
Kuspuk	59,815	150	18	1,076,670	112	26	1,555,190	83	15	897,225	45	6	358,890	11	2
Lake & Peninsula	59,815	166	31	1,854,265	96	24	1,435,560	68	16	957,040	30	3	179,445	20	3
Lower Kuskokwim	59,815	702	53	3,170,195	1,193	157	9,390,955	16	4	239,260	264	32	1,914,080	179	18
Lower Yukon	59,815	552	49	2,930,935	630	77	4,605,755	-0-	-0-	-0-	205	11	657,965	80	9
Northwest Arctic	59,815	744	62	3,708,530	790	95	5,682,425	-0-	-0-	-0-	207	19	1,136,485	78	8
Pribilof	57,885	122	11	636,735	50	6	347,310	-0-	-0-	-0-	12	2	115,770	20	3
Railbelt	46,308	142	15	694,620	157	24	1,111,392	31	5	231,540	24	4	185,232	17	3
Southeast Is.	41,677	203	29	1,208,633	59	18	750,186	105	25	1,041,925	12	2	83,354	24	3
Southwest Reg.	59,815	215	29	1,734,635	194	32	1,914,080	46	12	717,780	45	6	358,890	36	5
Yukon Flats	59,815	86	9	538,335	72	14	837,410	115	26	1,555,190	55	4	239,260	25	4
Yukon Koyukuk	59,815	254	30	1,794,450	181	32	1,914,080	77	15	897,225	47	7	418,705	40	5
		5,295	497	27,154,015	5,101	710	39,879,569	853	188	10,383,467	1,245	132	7,537,067	840	102

REAA	Spec Ed Basic Need	Bil-Bic ADM Non-add	Bil-Bic I.U.	Bil-Bic Basic Need	Corres ADM	Corres I.U.	Corres Basic Need	Total ADM	Total Dist.	Total Basic Need	Equal 983.14	Basic Need + Eq.	PL 874	Basic Need + Equal - PL 874
Adak	216,104	-0-	-0-	-0-	-0-	-0-	-0-	572	50	2,701,300	787,298	3,488,598	685,719	2,802,879
Alaska Gateway	231,540	24	3	138,924	33	4	185,232	474	70	3,241,560	552,131	3,793,691	252,093	3,541,598
Aleutian Chain	115,770	8	1	57,885	-0-	-0-	-0-	119	32	1,852,320	163,693	2,016,013	155,600	1,860,413
Annette Island	120,402	-0-	-0-	-0-	-0-	-0-	-0-	336	36	1,444,824	370,132	1,814,956	498,599	1,316,357
Bering Strait	299,075	119	7	418,705	24	3	179,445	457	95	5,682,425	670,501	6,352,926	684,035	5,704,891
Chatham	83,354	-0-	-0-	-0-	8	3	125,031	193	35	1,458,695	202,802	1,661,497	285,953	1,375,544
Chugach	-0-	-0-	-0-	-0-	-0-	-0-	-0-	59	12	555,696	62,528	618,224	22,743	595,481
Copper River	221,895	4	1	44,379	50	5	221,895	610	76	3,372,804	688,542	4,061,346	246,066	3,815,280
Delta Greely	509,388	-0-	-0-	-0-	55	5	231,540	893	82	3,797,256	1,000,443	4,797,699	500,714	4,296,985
Iditarod	119,630	16	2	119,630	22	3	179,445	317	60	3,588,900	473,923	4,062,823	345,691	3,717,132
Kuspuk	119,630	40	3	179,445	13	3	179,445	358	73	4,366,495	545,544	4,912,039	374,929	4,537,110
Lake & Peninsula	179,445	25	3	179,445	8	3	179,445	338	83	4,964,645	531,830	5,496,475	497,000	4,999,475
Lower Kuskokwim	1,076,670	951	41	2,452,415	-0-	-0-	-0-	1,911	305	18,243,575	2,735,341	20,978,916	1,755,119	19,223,797
Lower Yukon	538,335	245	12	717,780	-0-	-0-	-0-	1,182	158	9,450,770	1,729,589	11,180,359	1,528,624	9,651,735
Northwest Arctic	478,520	210	10	598,150	5	3	179,445	1,539	197	11,783,555	2,214,179	13,997,734	1,588,922	12,408,812
Pribilof	173,655	2	1	57,885	-0-	-0-	-0-	172	23	1,331,355	235,954	1,567,309	248,789	1,318,520
Railbelt	138,924	-0-	-0-	-0-	5	3	138,924	335	54	2,500,632	389,323	2,889,955	107,048	2,782,907
Southeast Isl.	125,031	-0-	-0-	-0-	65	6	250,062	432	83	3,459,191	466,126	3,925,317	305,763	3,619,554
Southwest Reg.	299,075	260	13	777,595	-0-	-0-	-0-	455	97	5,802,055	684,216	6,486,271	806,290	5,679,981
Yukon Flats	239,260	44	4	239,260	20	3	179,445	293	64	3,828,160	452,588	4,280,748	323,907	3,956,841
Yukon Koyukuk	299,075	38	3	179,445	69	6	358,890	581	98	5,861,870	871,652	6,733,522	777,253	5,956,269
	5,584,778	1,986	104	6,160,943	377	50	2,588,244	11,626	1,783	99,288,083	15,828,335	115,116,418	11,954,875	103,161,561

3-4-82

WITNESSES FOR
SENATE H.E.S.S. MEETINGS

SB 130
SB 26
SB 344
SB 365
SB 23

Name	Address/Phone	Representing
Bob Cooksey SB 23	586-3090	NEA
Kerry Romesburg / SB 130	—	Postsec. Educ — SB-23 365
Steve Hole		DOE
Betsey W. McGuire - intended	465-3250	DHSS/DAAS/DV

CS FOR

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to education for exceptional children and providing for an effective date."

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

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

(h) Special education instructional units in districts with ADM of under 3,000 are calculated by dividing the ADM of the district's special education program by 15.

(i) Special education instructional units in districts with ADM of 3,000 or over are calculated by dividing the ADM of the district's special education program by 16.

* Section 2. AS 14.17.031(a)(3) is amended to read:

(3) the number of instructional units from special education determined from Section 41 <u>(h)</u> <u>or</u> <u>(i)</u> [(f)] of this chapter as approved by the department; and

* Section 3. AS 14.17.041(f) is repealed.

* Section 4. Notwithstanding Section 1 of this Act, the number of instructional units to which a school district is entitled for special education shall not be less than it otherwise would have been entitled to under AS 14.17.041(f).

* Section 5. This Act is effective July 1, 1981.

A FOLLOW-UP REVIEW OF THE DEPARTMENT OF EDUCATION PUBLIC SCHOOL FOUNDATION PROGRAM

Fiscal Years 1978 and 1979

Commissioner, Department of Education	Dr. Marshall L. Lind
Deputy Commissioner, Department of Education	William D. Thompson

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JUNEAU, ALASKA 99811

February 8, 1980

Members of the
Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review:

A FOLLOW-UP REVIEW OF THE
DEPARTMENT OF EDUCATION
PUBLIC SCHOOL FOUNDATION PROGRAM

Fiscal Years 1978 and 1979

Gerald L. Wilkerson

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a follow-up review of the Department of Education, Public School Foundation Program payments to the Anchorage and City and Borough of Juneau School Districts for Fiscal Year 1979, and to the Fairbanks North Star Borough School District for Fiscal Years 1978 and 1979 was conducted to determine:

1. If school district claims for Foundation Program aid are properly supported and prepared; and

2. If the Department of Education and local school districts are complying with applicable State statutes and regulations governing the activities of the Foundation Program.

ORGANIZATION AND FUNCTION

The Public School Foundation Program was established by AS 14.17 to provide a uniform system of public school aid throughout the State. Appropriations to the Program may be used only in aid of school districts or for centralized correspondence study programs.

Currently, the Foundation Program provides aid for regular elementary and secondary education, special education, vocational education, bilingual education, school district and centralized correspondence study programs.

The amount of State aid to be provided is determined by formulas using such variables as the average daily student membership in the district, the full and true value of taxable real and personal property, the location of the district, and the district's ability to provide the required local effort. During Fiscal Year 1979, $150,435,919 was distributed to school districts and to centralized correspondence. Disbursements to individual school districts ranged from $191,205 (Pelican), to $59,116,495 (Anchorage).

DEFINITIONS

The following are definitions of terms and abbreviations used in the Findings and Recommendations section of this report:

1. ADM (Average Daily Membership). The aggregate days of membership of pupils divided by the actual number of days in session for the schoool term (AS 14.17.250(1)).

2. ADM-FTE (Average Daily Membership - Full-Time Equivalent). The quotient of the aggregate periods of pupil membership per day in specified classes, divided by the number of class periods in the school day (AS 14.17.250(17)).

3. Level of Service. The percentage of a student's educational program devoted to special education service: Level I, 0-25%; Level II, 26-50%; Level III, 51-75%; and Level IV, 76-100%. Full-time equivalencies are determined by levels of services offered exceptional children.

4. Instructional unit. The aggregate of all direct and indirect services necessary to provide a standard level of instruction for a group of pupils (AS 14.17.250(18)).

5. First quarter revised report. Each district shall make a report at the end of the first nine weeks of school, which contains a new estimate of its average daily membership for the fiscal year and other information which will aid the commissioner in making a more accur determination of each district's State aid (AS 14.17.1[illegible]).

6. Final report. Before June 15 each district shall transmit to the commissioner a final computation of the district's State aid. The commissioner shall process each district's computation...however, in no event may the entitlement of a school district to State aid be less than that computed under the first quarter revised report (AS 14.17.180).

FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Department of Education should correct the 78/79 Foundation Program payments to the Anchorage School District.

The Anchorage School District was paid $59,116,495 in Foundation Program payments for the 78/79 school year based on 2080 reported instructional units in the following programs:

Elementary	849
Secondary	964
Special Education	151
Bilingual/Bicultural	16
Vocational Education	100
	2080

The payment floor was established on first quarter reported ADM-FTE with the exception of special education which was established on a 2/28/79 reporting date extension granted by the Department of Education.

Our review of all programs revealed material errors in the elementary, special education and bilingual/bicultural areas as detailed below.

Elementary

In our review of 2135.16 ADM (12%) reported for elementary education we found an overstatement of 5.56 ADM in the "all other district" category resulting in an overpayment of one instructional unit. The overstatement in ADM was the result of errors in the recording of enrollment, withdrawal and transfer dates.

Special Education

The Department of Education acted without specific authority in granting the Anchorage School District an extended reporting period for special education. AS 14.17 sets forth Foundation Program reporting procedures which require districts to report first quarter average daily membership and end-of-the-year average daily membership. Payments are established on the first quarter floor and are increased if the final reported ADM is greater than the first quarter floor. There is no statutory provision which authorized the Department of Education to alter these reporting periods. The improper authorization resulted in an increase of 12 instructional units from the 139 reported for first quarter to 151 for the period ending 2/28/79.

In a review of 85.12 ADM-FTE (5.25%) at seven randomly selected attendance centers we found an additional overstatement of 7.08 ADM-FTE (one instructional unit) for first quarter and 8.22 ADM-FTE (one instructional unit) for the period ending 2/28/79. The types of errors encountered and their effect on reported ADM-FTE are shown below:

Type of error:	1st Qtr. ADM-FTE	2/28/79 ADM-FTE
1. Wrong level of service assigned.	3.07	4.89
2. Student not properly certified.	3.06	3.21
3. Wrong placement and/or exit date.	.95	.12
	7.08	8.22

Bilingual/Bicultural Education

The Anchorage School District was overpaid 2 instructional units for bilingual/bicultural education as a result of the following problem. The Department of Education established the floor for bilingual/bicultural education for the District based on an estimate of 16 instructional units and did not adjust the floor when the District reported the actual allowable instructional units at 14.

As a result of the overstatements in the categories above, the Department of Education overpaid the Anchorage School District $454,742 which represents 16 units at approximately $28,421 per unit. The Department of Education should recover this overpayment.

Recommendation No. 2

The Department of Education should correct the 78/79 Foundation Program payments to the City and Borough of Juneau School District.

The City and Borough of Juneau School District (District), was paid $8,357,069 in Foundation Program payments for the 78/79 school year based on 292 reported instructional units in the following areas:

Elementary	112
Secondary	124
Special Education	33
Bilingual/Bicultural	1
Vocational Education	20
Correspondence	2
	292

The payment floor was established on first quarter reported ADM-FTE with the exception of special education which was established on a 3-1-79 reporting date extension granted by the Department of Education.

Our review disclosed material errors in the special education and billingual/bicultural areas:

Special Education

The Department of Education acted without authority in granting the District an extended reporting period for special education. AS 14.17 provides Foundation Program reporting procedures which require districts to report first quarter ADM-FTE and full-year ADM-FTE. Payments are established based on the first quarter floor and are increased if the full-year ADM-FTE is greater than the first quarter floor. There is no statutory authority for the Department of Education to alter these Foundation payment determination dates.

As a result of this improper determination, the District received payment for an additional seven instructional units to which they would otherwise not have been entitled.

We audited the detailed special education records for 73 students representing approximately 13% of the Districts special education ADM-FTE. The detailed records showed first quarter reported ADM-FTE for these students was overstated by 15.53 ADM-FTE, and the full-year by 16.65 ADM-FTE. The overstatements were caused by either incorrect program entry/exit dates or incorrect levels of service assigned. This results in a two instructional unit reduction for the first quarter as well as the full-year. ADM-FTE at 3-1-79 was also audited and found to be overstated by 24.90 ADM-FTE which results in a three unit reduction.

Bilingual/Bicultural

The District reported one instructional unit for bilingual/bicultural services and our testing showed it was justified. However, since program services did not begin until after the first quarter had ended, the unit can not be included in the Districts first quarter floor.

The following is the District's adjusted instructional units:

First Quarter

	Instructional Units Reported (with special education ADM-FTE as of 11-3-78)	285
Less:	Bilingual/Bicultural Services Not Provided First Quarter	1
	Special Education Overstatement at 11-3-78	2
Adjusted Instructional Units - First Quarter		282

Full-Year

Instructional Units reported	284
Less: Special Education Overstatement for full year	2
Adjusted Instructional Units - Full Year	282

Audit adjusted District entitlement of 282 is ten less than the 292 for which they were paid. The Department of Education should recover ten units at $28,620 per unit, or $286,200.

Recommendation No. 3

The Department of Education should correct the 1977-1978 and 1978-1979 Foundation Program payments to the Fairbanks North Star Borough School District.

The Fairbanks North Star Borough School District was paid $16,707,460 in Foundation Program payments for the 1977-1978 school year and $18,640,447 for the 1978-1979 school year based on the following reported instructional units:

Program	FY 1978	FY 1979
Elementary	239	242
Secondary	234	238
Vocational Education	33	35
Special Education	55	60
Bilingual/Bicultural	-	4
Correspondence	10	11
	571	590

Our review of all programs revealed material errors in the special education and bilingual/bicultural areas as detailed below.

Special Education

Our review which included 52.2% of the 1977-1978 special education ADM-FTE and 50.17% of the 1978-1979 ADM-FTE reported by the District resulted in our questioning 187.39 of the 1977-1978 school year special education ADM-FTE and 122.07 of the 1978-1979 school year special education ADM-FTE.

The questioned ADM-FTE were a result of the School Districts noncompliance with Alaska Statutes and Department of Education guidelines governing the establishment, maintenance and reporting of special education ADM-FTE:

Exception	1977/78 ADM-FTE	1978/79 ADM-FTE
1. Instructor not certified to teach special education.	78.64	55.22
2. Student special education records destroyed.	7.00	8.75
3. Records missing (including records sent out of district).	47.80	4.36
4. Student not enrolled in special education during the year (including students whose placement had not been properly approved).	23.17	12.64
5. Miscellaneous (including wrong entry date; wrong exit date; wrong level of service).	30.78	41.10
Total Questioned ADM	187.39	122.07

Teacher Certification. During the school years 1977-1978 and 1978-1979 a total of five (5) instructors (each year) teaching special education students were neither certified special education nor were they given special dispensation by the Department of Education to teach special education as required by State law and by the Department's guidelines.

Destroyed Records. Our review disclosed that a number of records for students participating in the gifted program at West Valley High School during the 1977-1978 and 1978-1979 school years had been destroyed. We were therefore unable to confirm student participation in the program. The ADM-FTE involved was as follows:

School Year	ADM-FTE
1977-1978	7.00
1978-1979	8.75
Total	15.75

The requirements for record maintenance are set forth in Department of Education guidelines (1975 guidelines, page 7; 1978 guidelines, page 2.21) and Department of Education Memo No. 78-52 dated 4/28/78 and addressed to all school district superintendents and business managers.

Missing Records. During our review, we were unable to locate student special education records comprising 47.8 ADM-FTE for the 1977-1978 school year and 4.36 ADM-FTE for the 1978-1979 school year. During the school year 1977-1978 at least 9.64 of the 47.8 ADM-FTE questioned was attributable to a practice, subsequently corrected, of sending all records for students transferring out of the district to the school of destination without retaining copies of the records within the Fairbanks school district.

In addition the lack of a central filing system for special education records has created serious problems of record maintenance.

Students Not Enrolled in Special Education. ADM-FTE was claimed for school years 1977-1978 and 1978-1979 for students who were 1) not in the program, or 2) lacking proper approval for placement in accordance with Department of Education guidelines.

School year	ADM-FTE
1977-1978	23.17
1978-1979	12.64
Total	35.81

Wrong Entry Date; Wrong Exit Date; Wrong Level of Service. In addition to the above we questioned 30.78 ADM-FTE for the 1977-1978 school year and 41.10 ADM-FTE for the 1978-1979 school year because the specific ADM-FTE questioned contained 1) a wrong entry date into the program or 2) a wrong exit date from the program or 3) the wrong level of service or 4) any combination of the above.

Bilingual/Bicultural

In computing allowable bilingual/bicultural instructional units for school year 1978-1979 the Fairbanks North Star Borough School District employed body count rather than ADM-FTE. The effect of body count is an overstatement of instructional units since each student in the program is counted as having participated for 100% of the school year. Using the ADM-FTE method credit is given for only that period of time the student spends in the bilingual/bicultural program during the school year.

The use of body count resulted in the payment of Foundation funds for four instructional units rather than the three which can be supported through the proper computation of ADM-FTE.

As a result of the overstatements in the categories above, the Department of Education overpaid the Fairbanks North Star Borough School District $876,547.74 for school years 1977-1978 and 1978-1979 as shown below:

Program	Instructional Unit Overstatement	Approximate Value of Unit	Dollar Value of Overpayment
1977-1978 School Year			
Special Education	17	$29,260.00	$497,420.00
1978-1979 School Year			
Special Education	11	$31,593.98	$347,533.76
Bilingual/Bicultural	1	$31,593.98	$ 31,593.98
Total			$876,547.74

Recommendation No. 4

The State Department of Education should require the Fairbanks North Star Borough School District to maintain a centralized filing system for all special education student files.

Under present procedures each school within the District is responsible for the maintenance of its own special education files.

The lack of a centralized record system has led to the problems referred to in Recommendation No. 3, i.e. missing files, destruction of records, records being sent out of district, etc.

Conversations with a number of the special education coordinators have led us to the conclusion that the individual instructors need only a minimal amount of information from the student special education file during the school year. This information could be readily duplicated with the original student file being maintained by the office of the District special education coordinator.

Recommendation No. 5

The Department of Education should establish and implement control procedures to ensure effective compliance by the school districts with State Statutes and the Department's Special Education Guidelines.

As a result of prior audits of the Foundation program, the Division of Legislative Audit recommended that the Department of Education closely monitor all special education activity.

Our current review indicates that while DOE has continued to monitor District special education records, the procedures in use can be improved:

1. The monitor teams have not included in their reviews procedures to verify teacher certification to teach special education.

2. There is no evidence that follow-up procedures have been initiated to determine that the recommendations of our prior reviews had been implemented.

3. Too much reliance has been placed upon [illegible] computer listing of special education students [illegible] found the listing to be inaccurate in entry date [illegible]ngs, level of service assigned and FTE comp[illegible].

4. Where significant discrepancies have been observed in the student records, there has been no follow-up action implemented to correct the situation (i.e., in its March 1978 monitor of the District's special education records, the Department cites a 64.0 percent enrollment discrepancy between records maintained by the District's special education office and those of West Valley High School without any reference as to cause or specific action recommended to rectify the situation). Our own review of the total West Valley special education files for the school years 1977-1978 and 1978-1979 indicates record maintenance at the school was poor, including the destruction of a number of records.

In those instances where the Department finds violations of the Alaska statutes or its own guidelines governing special education, procedures should be initiated to rectify the situation and to recover any funds previously allotted.

Recommendation No. 6

The Department of Education should require all school districts to retain documentation demonstrating the amount of time students are receiving special education services.

The Department of Education in its Special Education Handbook requires each local school district to maintain descriptive information about the quantity and quality of special education programs. The Handbook sets out documentation which must be retained including each student's Individual Education Program (IEP) which (1) delineates special education and related services to be provided, and (2) shows the extent to which the child will be able to participate in the regular education program.

However, the Department has not required the districts to maintain documentation which demonstrates that special education students are receiving the full schedule of services designated on their IEPs.

The documentation necessary for this type of verification would be primarily grade/attendance books maintained by instructors, and secondarily, instructors or therapists weekly schedules of students being served. Grade books usually exist only for students in self-contained classrooms i.e. students whose educational program is provided 100% through special education services. Time schedules for students whose program is provided only partially through special education services are usually destroyed when the schedules are revised or at the end of the school term.

Foundation Program aid to school districts for providing special education services is determined by a formula using ADM-FTE which is determined by average enrollment periods and levels of service. Levels of service reflect the total amount of time the students are receiving special education services. Therefore, documentation should be maintained which shows the actual amount of time students are receiving such services.

PRIOR AUDIT RECOMMENDATIONS

Disposition of recommendations presented to the Commissioner of the Department of Education, in two previous audit reports dated January 10, 1978 and June 9, 1978 for the audit period July 1, 1976 - June 30, 1977. Four of the seven recommendations have been implemented. Disposition of the remaining recommendations follows:

Report Dated January 10, 1978

Prior Audit Recommendation No. 4

The Department of Education should prepare and require school districts to implement detailed standard recordkeeping and pupil enrollment accounting procedures.

Recordkeeping, support documentation, ADM and ADM-FTE computation procedures differed among districts and in some districts, documents supporting Foundation claims were not retained after the close of the fiscal year. As a result, ADM reported by those school districts could not be adequately verified.

Legislative Audit's Current Position

The Department of Education has developed a "Pupil Activity Accounting Manual for Public School Districts" and "A Handbook of Student Accounting for the State of Alaska" which address many of the problems noted in the prior audit. However, as discussed in Recommendation No. 6 of this report, the Department still does not have adequate requirements for support documentation on the amount of time students receive special education services.

Report Dated June 9, 1978

Prior Audit Recommendation No. 1

The Department of Education should recover from the St. Mary's School District excess Foundation aid payments made during FY 77 and closely monitor future calculations and data.

St. Mary's received an overpayment of three instructional units at $34,020 for a total of $102,060 for errors in the reporting of regular, special and vocational education.

Legislative Audit's Current Position

The Department of Education has worked out a three-year payback schedule for the St. Mary's School District. The first payment of $34,000 was collected in June 1979, the balance is scheduled to be collected in June 1980 and June 1981.

Prior Audit Recommendation No. 2

The Department of Education should correct the 76/77 special education Foundation aid payments to the Cordova School District and require the District to comply with special education ADM/FTE computation and reporting procedures.

Errors in entry dates and levels of service resulted in an overstatement of 49.77 ADM/FTE which constituted an overpayment of 4 instructional units or $111,916.

Legislative Audit's Current Position

The Department of Education has not corrected the 76/77 payments because the Cordova School District has initiated a legal challenge of the audit finding and the Department is awaiting the outcome of that action.

JAY S. HAMMOND
GOVERNOR

DEPARTMENT OF EDUCATION

465-2800

OFFICE OF THE COMMISSIONER

POUCH F-ALASKA OFFICE BUILDING
JUNEAU 99811

April 9, 1980

RECEIVED
APR 10 1980
LEGISLATIVE
AUDIT

Mr. Gerald Wilkerson
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

Dear Mr. Wilkerson:

The staff of the Department of Education and I have reviewed the audit report entitled "A Followup Review of the Department of Education Public School Foundation Program, Fiscal Years 1978-79." Our response to the report is as follows:

Recommendation No. 1

The audit report details findings of the review of the Anchorage School District 78/79 Foundation Program payments in the areas of elementary education, special education and bilingual education. The Department concurs in part with these findings and we will take steps to recover four instructional units (1 elementary; 1 special education, and 2 bilingual education) in the amount of $113,684.

However, the Department of Education disputes the finding that it acted without specific authority in granting the Anchorage School District an extended reporting period for special education. AC 14.17.220 states "it is the intention of the legislature, in enacting this public school foundation program, to assure an adequate level of educational opportunities for those in attendance in the public schools of the state."

It is our opinion that the particular assessment and staffing requirements of special education are necessary to "assure an adequate level of educational opportunity" for such children and further, that the legislature intended sufficient support from the Foundation Program to provide necessary services to children identified as needing special education.

Therefore, we have attempted to "assure an adequate level of educational opportunity" for special education students by allowing districts to take into account the time necessary for student assessment and placement and to establish, as its first reporting date for special education FTE, the earliest date at which all special education students can be expected to be receiving full educational services. For this reason, the Department will not seek to recover from Anchorage the 12 additional special education units generated by extending the reporting period.

However, since our authority for such extension is not clearly stated in AS 14.17, we have ceased this practice as of the 1979-80 school year and are attempting to secure legislation which would clearly authorize such extension for subsequent school years. If such legislation is not forthcoming, the Department will not, in the future, extend the first quarter reporting date for special education.

Recommendation No. 2

The audit report details findings of the review of the Juneau School District 78/79 Foundation Program payments in the areas of special education and bilingual education. The Department concurs in part with these findings and we will take steps to recover three instructional units (1 bilingual and 2 special education) in the amount of $85,860.

However, for the same reasons stated above in Recommendation No. 1, the Department will not seek to recover the seven special education units generated by the extension of the reporting period for special education.

Recommendation No. 3

The audit report details findings of the review of the Fairbanks North Star Borough School District 77/78 and 78/79 Foundation Program payments in the areas of special education and bilingual education. The Department concurs with these findings and we will take steps to recover 29 units in the amount of $876,547.

Recommendation No. 4

The audit details problems in the Fairbanks North Star Borough School District student record keeping system and recommends that the Department require the school district to maintain a centralized filing system for all special education student files.

The Department believes that the internal procedures established by the district (see attached memo, 5/31/78, from Joe Bielski and numbered memorandum 78-52 from Marshall Lind) as well as the requirements for the retention of student records found on pages 120-123 of the newly

adopted "Pupil Accounting Manual for Public School Districts" will overcome the problems highlighted by the audit. At this time, the Department does not see the need to mandate a centralized filing system for special education files for the Fairbanks School District but would leave the decision as to student file placement to the discretion of the District. However, the Department will follow-up to assure that Fairbanks School District is complying with its own internal procedures and the requirement of the Pupil Accounting Manual as they relate to the retention of special education student records.

Recommendation No. 5

The Department has taken steps to strengthen its monitoring procedures as suggested in the audit.

Department monitoring reviews now include verification of teacher certification. Follow-up reports, detailing areas of noncompliance together with time lines for completion of corrective action, are sent to each district. A schedule for review of corrective action measures has been established by the Office for Exceptional Children. (Examples of follow-up reports to Anchorage and Fairbanks are attached.)

Finally, the Department has dropped the computerized listing of special education students and has placed responsibility for record keeping and verification back on the districts. This action was taken because of the consistent errors found in the computerized system which decreased its usefulness in determining and verifying district special education FTE count.

Recommendation No. 6

The Department of Education agrees with this recommendation and will amend the Special Education Handbook to require districts to maintain documentation which demonstrates that special education students are receiving the full schedule of services designated in their IEP's. This amendment will be made as part of our current review of the Special Education Handbook and should be in effect by fall of 1980.

This action will also address the final concern outlined in Prior Audit Recommendation No. 4 (January 10, 1978) on page 10 of the present report.

May I commend you and the members of your staff for the fine professional manner in which this audit was conducted.

Sincerely,

Marshall L. Lind
Commissioner

FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT
P.O. BOX 1250
FAIRBANKS, ALASKA 99707

Part of audit

M E M O R A N D U M

May 31, 1978

TO: Building Principals

FROM: Joe Bielski, Director of Special Education

RE: Attendance Records

Attached you will find a numbered memorandum from Dr. Marshall Lind regarding attendance records. As the memo relates to Special Education, the Special Education Staff should retain student certification files and grade books for a period of three years. This does not include keeping copies of files for students transferring to another school in the district. That student's certification file should follow him/her to the receiving school as long as the student remains in our district. The Special Education Staff should make copies of student certification files for those students transferring to another district. Copies of the following data should be kept for the three year period:

1. Referral Form
2. Parent Permission for Testing
3. Copies of tests
4. Assessment Records
5. I.E.P. with appropriate signatures

cc: Special Education Staff

BUSINESS MANAGER

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF EDUCATION

DIVISION OF MANAGEMENT, LAW AND FINANCE

POUCH F
STATE OFFICE BUILDING
JUNEAU, ALASKA 99811

April 28, 1978

MEMORANDUM NO. 78-52

TO All Superintendents and Business Managers

FROM: Marshall L. Lind
Commissioner of Education
Department of Education

SUBJECT: Student Attendance Records

In order to provide consistency throughout the state, and make available supportive data for pupil audits performed by the state or federal government, all districts shall keep pupil attendance records for a minimum period of three years. Records must be available for regular district attendance, special education, vocational education, and correspondence study programs managed by the district. In addition, sufficient supportive materials should be kept to substantiate FTE claims such as grade books, special education student profiles, and vocational education approved programs.

Students attendance files and supportive data not required to be kept for longer periods of time by other agencies may be destroyed after three years. Much of this supportive data may be kept in individual buildings, rather than the central office, but should be available if requested.

The need for keeping records for a minimum of three years has become apparent this past year, after Legislative Audit visited many of the districts and found required supportive data already destroyed. It is not the Department's intent to increase the paper storage in the districts, but rather to protect their claims against the Foundation Program.

PINK COPY

March 12, 1980

Bryce Stallard, Superintendent
Fairbanks North Star Borough S.D.
P.O. Box 1250
Fairbanks, Alaska 99707

Dear Dr. Stallard:

Thank you for sharing the information from the task force you employed to review and evaluate the Slingerland Program at Denali Elementary School. Your task force appears to have completed their assignment in a commendable way.

We agree in principle with the task force findings relative to the diversity of levels within the learning disabilities population, that a learning disabilities program should be funded under state regulations at Denali, that the program as funded under foundation support for exceptional students at Denali should be for students certifiable as learning disabled and not a Slingerland Program, and that "special education teachers cannot reasonably be expected to serve as diagnosticians, IEP developers, implementors and instructors---". Until more data is available we cannot agree that there are in fact learning disabled children at Denali who should be served at levels three (3) and four (4). Further data must also be gathered through a reaudit before we can concede that the learning disabled children at Denali should be receiving more than level one (1) services. It is our position that state regulations detailing eligibility criteria for children with specific learning disability can be followed in a clear and concise manner. However, the Department of Education is in the process of revising the Special Education Handbook, (1978) and will review the eligibility criteria which relates to student placement for the child with a specific learning disability.

The task force's recommendations, when implemented, should lead to a resolution of the problems inherent to the Slingerland Program at Denali Elementary School. The Fairbanks North Star Borough School District administration should work out a mutually acceptable date with the Office for Exceptional Children for their return to do a complete audit of the files at Denali Elementary School of those students that the district deems learning disabled. This date should be no later than May 15, 1980.

The district practice of busing children across district school boundaries for instruction in the Slingerland Program at Denali produced another concern. It is the Department of Education's position, as stated in regulation, that a child be placed in a program at a school as close as possible to the child's home. The practice cited above is obviously contrary to that position. Therefore, the necessity for transportation of a child from the school nearest the child's home to the program for the learning disabled at Denali Elementary School will need to be carefully documented.

Implementation by the Fairbanks North Star Borough School District of the recommendations of your task force, a complete audit by the Office for Exceptional Children of the files of children at Denali Elementary School who are reported by the district for special education foundation support, and careful attention to the previous paragraph on transportation should lead to resolution of the problem the Department has had with the Slingerland Program at Denali. Based on the result of the audit, funds may be continued for those students who clearly meet state regulations for placement of a child in a program for the learning disabled. State and federal funds will be withheld on those students who cannot be certified by the audit as learning disabled.

Thank you for your cooperation in this matter. If we can be of assistance, please do not hesitate to call or write.

Sincerely,

Marshall L. Lind
Commissioner of Education

MLL/OSW/jc

PINK copy

March 12, 1980

Bryce Stallard, Superintendent
Fairbanks North Star Borough S.D.
P.O. Box 1250
Fairbanks, Alaska 99701

Dear Dr. Stallard:

A review of the results of the Special Education audit in your district and correspondence relating to the audit indicate that there are two problem areas, the Slingerland Program and procedural problems in other areas, with which we will deal separately. Therefore, the problem relating to the Slingerland Program at Denali Elementary School has been addressed under separate cover. This letter will address discrepancies found by the audit team in other program areas without regard to the numbers of files found to be non-certifiable.

The problems and procedures which will result in their solution follow:

1. Prior notice before evaluation, reevaluation, individual education program (IEP) development, or IEP review was not evident in all files reviewed. Special Education Handbook (1978) page 2.4.

   *Provide prior notice for Individualized Education Program (IEP) meeting or IEP annual review such as may be found on pages 30 or 34 and explanation of procedural safeguards and due process on page 24 of the Alaska Procedure Manual: Volume 1.

2. Parent permission for testing was not properly documented in all files.

   *The district must secure parent permission for testing such as the sample on page 27, Alaska Procedures Manual: Volume 1. Special Education Handbook (1978), page 2.13.

   *Tacit approval is not legal and thus is not sufficient for compliance.

   *Permission to test must be item and area specific.

3. Medical records were not complete in every file.

   *Physical status as required under AS 14.30.191 (a) and the medical history as required on page 6.3 of the Special Education Handbook

(1978) may be satisfied by placing a copy of the child's current medical record in the file before an audit.

*The document cited above should be clearly identifiable as being that of the student whose file is monitored.

4. Evidence of vision and hearing assessment was not in place in related files.

*Vision and/or hearing assessment is required for the partially sighted, blind, hearing impaired and deaf. Special Education Handbook, 1978 pages 7.2, 7.3.

5. Evidence of speech/language assessment was not always present in appropriate files.

*Speech/language assessment is required for the hearing impaired and the deaf. Pages 7.2, 7.3, of the Special Education Handbook (1978).

6. Assessment summaries were not complete in all files reviewed.

*The assessment summary must be complete and detailed. Pages 2.8 2.10, 2.11, of the Special Education Handbook (1978).

*Test profiles must be complete to be valid.

7. The annual review process must take into account the evaluation results from implementation activities related to the goals and objectives in the previous IEP. Development of the new IEP should show a continuation of the previous goals and objectives if they have not been met, changes if the goals and objectives are inappropriate, or changes based upon further assessment. Special Education Handbook, (1978) Page 2.22.

8. Placement of children in programs for the learning disabled was not always consistent with State Regulations.

*Placement of a child in a program for the learning disabled must be consistent with the Special Education Handbook (1978). Pages 7.4, 7.5, 7.6, 7.7.

*The criteria used by the district to determine the presence of a severe discrepancy is not in compliance.

*The written report must be consistent with the eligibility criteria as detailed in the Special Education Handbook and must be signed by all the CST members and a minority report given by CST members who dissent.

*Assessment for L.D. must be improved. Specifically, domain-referenced and criterion-referenced measures should be used to document the source of a severe discrepancy between expected and actual performance.

*It must be shown that attendance has been considered in the case of the learning disabled child.

*Each child labeled learning disabled should have objective evidence in his/her file that cultural difference, academic achievement and economic background have been considered. This is required in the Special Education Handbook on page 7.6.

9. Child Study Team composition and procedures were not always consistent with State Regulations.

*All parties in the Child Study Team should sign the IEP in the place provided such as on page 32 of the Alaska Procedures Manual: Volume 1. Special Education Handbook (1978) Pages 1.6, 2.8, 2.22.

*Regular classroom teachers should be involved in the IEP meetings when students are in resource placements.

*Student written IEPs must be carefully monitored and must meet all components required by law. In general, allowing students to write the IEP is very questionable. Students might well be involved in the IEP process, but the CST is responsible for the development of the IEP.

*A Child Study Team meeting in developing the IEP must involve the parent. This is a group process and no parent should sign off prior to the IEP meeting. Signing after the IEP meeting should not occur, except in unusual circumstances. Such circumstances must be documented.

10. Students were placed in the program for gifted/talented through the use of screening instruments rather than individual tests, such as the WISC or Stanford-Binet.

*Multiple performance indicators must be used for assessment before placement of the gifted/talented. See the eligibility criteria on page 7.8 of the Special Education Handbook (1978).

*The IEP must delineate special education and related services to be received by the child. Page 2.22, 6.2, 6.3, of the Special Education Handbook (1978).

Compliance with the above requirements and other regulations will nullify the necessity for withholding state and/or federal funds for other than ADM/FTE as computed for students in the Slingerland Program.

Your progress will need to be monitored by the Office for Exceptional Children with the first monitoring to be done the week of April 28, 1980. Should your program be found to be in substantial non-compliance at that time, federal funds must be withheld. A second monitoring will follow the week of October 6, 1980. Should the district still be found to be in substantial non-compliance, federal and state funds must be withheld until full compliance is assured.

Since we are concerned that handicapped and gifted/talented students be served, we are pursing closure of the Fairbanks audit in this manner. We feel sure that you can be in full compliance by April 28, 1980. If we can assist you in any way, please do no hesitate to call or write.

Sincerely,

Marshall L. Lind
Commissioner of Education

MLL/OSW/jc

March 12, 1980

John Peper, Superintendent
Anchorage Schools
4600 DeBarr Road, Pouch 6-614
Anchorage, Alaska 99502

Dear Dr. Peper:

As a result of the special education compliance review conducted in Anchorage during the week of January 28, several problems were discovered which resulted in the noncertification of student files. The following is a list of the problems, with an explanation of what action must be taken to correct those problems.

1. Problem:

   Failure to document the provision of due process rights to parents.

   Correction:

   All student files should have documentation showing that parents have been given their due process rights. For those files where this documentation is not present, the district should provide the parents with a copy of their due process rights; explaining that the district was in error by not providing this information when the student entered special education. This action needs to be documented in the student file.

2. Problem:

   No adaptive behavior scale for MR and LD students.

   Correction:

   All MR & LD student files should contain an adaptive behavior scale.

3. Problem:

   No classroom observation for LD students.

Correction:

All LD student files should contain a classroom observation in the regular classroom by someone other than the regular classroom teacher. (This observation should be conducted prior to the student being certified as LD).

For those LD student files which do not have a classroom observation, the district should:

a. For students certified for special education, after December 1977 (when this requirement came into effect) an observation should be conducted in the regular classroom setting (in the special education class if the student is full-time special education).

b. For students certified prior to December 1977, an observation should be secured at the time of reevaluation.

4. Problem:

Lack of prior notice to parents, before the IEP is reviewed or the student is reevaluated or the special education students program is modified.

Correction:

In those files where a major program change has been made without prior notice to parents, the district should contact the parents discribing the change in program and explaining that the district was in error by not notifying the parents prior to the change. This needs to be recorded in the student file.

5. Problem:

Poor assessment for Hard of Hearing students.

Correction:

Each special education student file which is certified as hard of hearing must contain:

a. speech evaluation (including voice, articulation and fluency)
b. language evaluation
c. hearing evaluation
d. oral peripheral examination
e. specialized tests related to learning.

6. Problem:

Inadequate IEP's.

Correction:

All special education student files must contain IEP's which meet the criteria described in the 1978 Special Education Handbook.

7. Problem:

Students not placed in the least restrictive environment.

Correction:

Every special education file should reflect that the student is placed in the least restrictive environment.

These problems must be corrected in order for your special education program to be in compliance. The Office of Exceptional Children will be conducting a follow-up review of your program during the week of May 5th to determine if these problems have been resolved. Failure to correct these problems can result in a reduction of federal funds and state funds.

Sincerely,

Marshall L. Lind
Commissioner of Education

MLL:TD:yjs

ANCHORAGE
SCHOOL DISTRICT
4600 DeBarr Avenue - Anchorage, Alaska
99504
AREA CODE 907-333-9561

April 29, 1980

RECEIVED
MAY 6 1980
LEGISLATIVE
AUDIT

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W - Alaska Office Building
Juneau, Alaska 99811

Dear Mr. Wilkerson:

As you requested in your April 15, 1980 letter, we have reviewed the audit report entitled "A Follow-up Review of the Department of Education - Public School Foundation Program, Fiscal Years 1978 and 1979." We have also reviewed the April 9, 1980 response of the Commissioner of Education to this report and your April 11, 1980 letter to the members of the Legislative Budget and Audit Committee which you were kind enough to enclose.

The results of our review are identical to those contained in Dr. Lind's letter. We concur that the Anchorage School District should repay the value of four (4) instructional units. We also agree with Dr. Lind that the educational opportunities for many of our exceptional children would have been foreclosed without the funds generated by use of a "floor" established later in the year than the end of the first quarter.

Your letter of April 11, 1980 to the members of the Legislative Budget and Audit Committee cites AS 14.17.170 as your authority for reaffirming your "original findings and recommendations No. 1 and 2," to wit:

> AS 14.17.170 specifically states that "...each district shall make a report at the end of the first nine weeks of school" and that this report "...shall be the basis for the computation and distribution of each district's state aid for the balance of the fiscal year."

AS 14.17.170 actually reads:

> Sec. 14.17.170. Payment Under Adjusted Computations. Each district shall make a report at the end of the first nine weeks of school, which contains a new estimate of its average daily membership for the fiscal year and other information which will aid the commissioner in making a more accurate determination

> of each district's state aid. This new estimate and information of average daily membership shall be the basis for the computation and distribution of each district's state aid for the balance of the fiscal year. The commissioner shall, on the basis of this new estimate and information, make a recomputation of each district's state aid. Before December 2 the commissioner shall notify each district of changes made in its state aid. The commissioner shall also determine whether the money in the public school foundation account is sufficient to meet each district's state aid for the fiscal year, and if the money is not sufficient, he shall immediately inform the governor of the amount of additional appropriation he estimates will be necessary to carry out the public school foundation program for the rest of the fiscal year. Beginning February 15 and on the 15th of each subsequent month, one-fifth of the recomputed balance of each district's state aid shall be distributed. However, one-half of the June payment shall be withheld pending a final determination of the district's state aid. (Emphasis added)

Please note that the emphasized portion of the statute, omitted from your quotation, speaks to "...a new estimate of its average daily membership for the fiscal year...." (Emphasis added) Nowhere does it speak to a report containing cumulative year-to-date average daily membership as of a specific point in time. If the complete statute is indeed clear and unambiguous, it does not appear to support your conclusion.

It is our position that this statute is far from clear and unambiguous, and thus requires interpretation by the office empowered by statute to implement and interpret; i.e., the office of the Commissioner of Education. Clearly, the selective quotation of portions of a statute to support a position does not facilitate equity or justice for our students.

In summary, it is the position of the Anchorage School District that the decision of the Commissioner is and was correct in this matter.

Sincerely,

John B. Peper

John B. Peper, Ed.D.
Superintendent

jm

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
P.O. BOX 808 • DOUGLAS, ALASKA 99824

May 2, 1980

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
State of Alaska
Division of Legislative Audit
Pouch W - Alaska Office Building
Juneau, Alaska 99811

Dear Mr. Wilkerson:

We concur with the letter of April 8th sent to you from the Department of Education. They did in fact give us permission to extend the count date back to the first quarter floor. The Department approved this on November 29, 1978 under the signature of Dr. Nathaniel Cole, the Deputy Commissioner. With this assurance the District, in good faith, spent the money on services to the students during the 1978-79 fiscal year and does not feel they have an obligation to refund the money for the seven (7) instructional units identified.

In response to the two (2) special education units, we were left with the impression that there was only one (1) unit of over claimed FTE which we agreed with at that time. My Director of Special Education believes it is difficult to respond to this without seeing the data of Dennis Salverson's. It is our belief at this time that our records support our claim that we should lose only one (1) unit.

I would like to suggest that there be some clarification to clear up this misunderstanding.

The unit for Bilingual Education causes us a real problem as it allows no consideration for the fact that this is a first year program under which we had to identify the bilingual students which we did in the first quarter. It took time to get qualified staff and materials to implement the program. If new programs cannot have some reasonable start-up time, then students who are identified in the Fall will not receive services until a year from the date identified, because a school district has no money to institute a new program.

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MAY 6 1980
LEGISLATIVE AUDIT

It is my belief that the regulations adopted for Bilingual Education did not foresee this problem, nor had the intent to create this problem. We believe that the Juneau District should not lose its one and only bilingual unit for last year which was used to provide services and programs for bilingual students during the 1978-79 fiscal year as intended.

Therefore, the only unit we feel we should have to repay is the one (1) extra special education unit.

Sincerely,

Donald L. MacKinnon
Superintendent of Schools

DLMK:m

cc: Dr. Marshall L. Lind, Commissioner of Education

FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT
P. O. Box 1250, Fairbanks, Alaska 99707 (907) 456-7934

DR. BRYCE STALLARD
Superintendent of Schools

GUS ZADRA
Associate Superintendent

CHARLES A. LOWRY
Assistant Superintendent

May 5, 1980

RECEIVED
MAY 7 1980
LEGISLATIVE
AUDIT

Mr. Gerald L. Wilkerson, CPA
Division of Legislative Audit
Finance Division, Pouch WF, State Capitol
Juneau, Alaska 99811

Dear Mr. Wilkerson:

The purpose of this letter is to respond to your preliminary legislative audit which I received on April 17. Enclosed with this letter, please find responsive remarks made by Joe Bielski, Director of Pupil Personnel. My response is as follows:

Recommendation 3 - In reference to the bilingual/bicultural allocation, the report is correct as submitted. Mr. Clune found the same error shortly before Mr. Ford initiated his review. We should, therefore, make restitution as recommended.

In reference to special education, there are a number of exceptions to address:

1. Certification - Whereas the 1978-79 audit did not address this area, I feel we should have been notified at that time in order to make proper adjustment.

2. Student Records Destroyed - This is an unfortunate situation. Hopefully, the previous audit would reflect that there were student records. I will accept whatever action you feel necessary relative to repayment of foundation funds for this particular program.

3/4/5. Mr. Bielski addresses these areas.

Conclusion - I would ask that the Division of Legislative Audit make a comprehensive review and consideration of the Fairbanks District's audit. I ask for no special favors; however, I would hope that your conclusive action would reflect a fair decision, and one that does not follow personal biases or district biases. Thank you.

Sincerely,

Bryce Stallard

Bryce Stallard
Superintendent

BDS:hv
Enclosure (as indicated)

A Report to the Legislative Budget and Audit Committee

In reference to the recent Legislative Budget and Audit report regarding the Fairbanks North Star Borough School District, it is imperative to point out the many inconsistencies and contradictions which have affected the Fairbanks report in a negative manner. It is our opinion that the Fairbanks School District has been handled in a different manner from other districts in the audit process. We offer the following information to substantiate our claim.

The Fairbanks Special Education Staff expanded in the following manner:

1974 - 27 certified staff

1977 - 100+ certified staff

Expansion due to:

1. Program development
2. State and Federal laws

A. The significant growth and increase in staff may have caused certification oversight by the personnel office, who handles all teacher certification for the district. However, this particular problem was corrected as soon as the district became aware of the noncertified staff members. Presently all staff are certified in Special Education.

B. In addition, four of the mentioned teachers were trained in a particular method to teach dyslexic children at Denali Elementary School. These teachers presently have Special Education certification. The

Division of Legislative Audit reviewed this same program at Denali Elementary School during 1977 and no problems were identified with teacher certification. If it was acceptable in the 1977 audit, why wasn't it acceptable in this particular audit report?

C. All special education teachers in the Fairbanks North Star Borough School District are properly certified at this time, although our district is being asked to return funds. In a letter dated February 22, 1980, Dr. Marshall Lind stated in a letter to the Anchorage School District that "it was found that eleven teachers do not possess an institutional endorsement in Special Education, and do not have departmental approval to teach special education!" The Anchorage School District has not had any funds taken away.

In addition, the State Department audits this year (1979-80) showed the following:

Fairbanks 90% to 93% accuracy - lost $142,912.
Anchorage 66% to 68% accuracy - lost $ 0.

This appears to be a major inconsistency, or do the auditors use a different set of rules for different districts?

D. Records were asked for from the 1977-78 school year for students who had left the district. The Commissioner of Education never gave school districts direction in this matter until April 28, 1978. Any student who transferred prior to that time had his file sent to the district the

student transferred to. Hence, those files were not in our possession.

E. Regarding allegations that the Fairbanks School District inaccurately computed ADM/FTE, it should be pointed out that the State Department of Education computed ADM/FTE for school districts during the 1977-78 and 1978-79 school year. That system was so terrible and in such a chaotic state that it was discontinued as of this school year, 1979-80. Now that districts are computing their own ADM/FTE, the State Department found the Fairbanks School District to be 100% accurate relative to entry dates and exit dates, and 99% accurate concerning levels of service.

F. The Division of Legislative Budget and Audit reviewed the foundation program in three school districts in Alaska, i.e., Fairbanks, Anchorage and Juneau. While the auditors decided to audit Anchorage and Juneau for the 1978-79 school year, the decision was made to audit the Fairbanks School District for two years, 1977-78 and 1978-79. This procedure resulted in the Fairbanks School District being assessed for a two year period while Anchorage and Juneau were assessed for only a single year.

G. The auditor reviewed 50.17% of the special education files in the Fairbanks School District for FY 1978-79. In contrast, only 13% of the files were reviewed in the Juneau School District and 5.25% of the files were