

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 86/2

5254 SHES SB 45 - SB 56

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## VIII DEVELOPMENT OF A NEW FORMULA (1983-85)

The first two formula funding efforts were successful in the sense that the 1962 Legislature accepted nearly all of the recommendations of the blue ribbon committee and the 1970 Legislature accepted nearly all of the recommendations of the second group, except for the tax equalization recommendations.

In both cases, the group was charged with developing a formula for school funding that would be appropriate for Alaska schools.

In 1981, the Legislature appropriated \$560,000 to the State Department of Education for a study of the school funding formula. A December 1984 completion date was set.

In 1982, the State Department of Education decided to obtain proposals from outside firms with expertise in the subject of school finance, but only for the purposes of developing cost data as to the cost of delivering different educational programs under different situations. The development of a formula would then await the delivery of this cost information. The Department of Education could then decide how to handle the process of developing a formula after it had this information.

The Request for Proposals said:

This Request for Proposal (RFP) is to solicit proposals for the development of: (1) a program cost model which can be used by policy makers to arrive at alternative definitions of basic education need among Alaska school districts and (2) a regional cost-of-education index which can be used to adjust state aid payments for regional variations in the cost of providing a basic education program. A third and final component of this RFP is the development of a school finance computer simulation which provides policy makers with an opportunity to examine the existing as well as alternative state aid structures with the benefit of the information provided by the two research activities described above.

P. 10, 11.

The Palo Alto, California firm of CEI was selected by the Department of Education as the consultant. Representatives of this firm spent a good deal of time in Alaska and made various trips throughout Alaska to observe different conditions that would have a bearing on the cost of delivering education.

CEI developed an exceedingly complex formula which could be used by a computer. Different assumptions and cost figures could be inserted into the program and results could be quickly obtained. The data put into the computer would depend on the numbers used and the weighting given to those numbers. The Palo Alto

firm had various bases for numbers that they developed and for the weighting they assigned different cost factors.

The CEI firm either did not attempt to obtain actual cost information for specific school sites, or very early gave up efforts to develop this information. It is altogether possible that it would have been impossible for an outside consultant to obtain this information from any existing records. The situation had changed drastically since the 1950's and the early 60's when the Department of Education had detailed actual cost information for all of the school districts in the state plus half of the rural schools in the state. The situation had changed further after 1977 when the State Department of Education no longer had access to actual historic information for each of its rural schools. (This cost and budget information for state rural schools had been destroyed some years ago, and probably before the Palo Alto firm had been selected to do the work.)

For a cost such as heating a school building, the Palo Alto firm relied on isotherms indicating average temperatures during various months of the year in various parts of Alaska. This is statistical and mapped information that is available in California or any other place in the world. The results of using isotherms and similar data led to ridicule of the cost data generated by the consultant. The cost of obtaining fuel oil at the Cold Bay school, which is several hundred yards away from large bulk tanks of Standard Oil, is vastly different than the cost of oil at Stony River which is a couple hundred miles upstream from the Bering Sea on a stretch of very shallow river, without road or airstrip access. Reading of isotherms might indicate that the cost of heating a school building in Cold Bay would be about the same as the cost of heating a school building at Stony River, but this would be highly misleading, because the transportation cost would be so greatly different.

Part of the research firm's effort was the obtaining of consensus among educators, including teachers and principals, on the pupil-teacher ratios required for different grades. For purposes of their resources cost model, they assumed that if the standard classroom for grades 3-6 were one, then a lower pupil-teacher ratio would be required in the lower grades K-3 and lower pupil-teacher ratio for grades 7-12. These assumptions found general acceptance and are now found in Ch. 75, SLA 1986.

After having obtained a model, the Department of Education formed a 28 member committee made up of two state senators, two state representatives from the Association of School Boards, NEA/Alaska, Alaska Council of School Administrators, Alaska Municipal League, the Alaska Principals' Association and others. This committee met several times in the Winter and Spring of 1984 on school finance policy issues. The intent was that a consensus would be arrived which could be used as a basis for a funding formula. Although the participants spent a good deal of time discussing the role of local effort in funding schools, and the amount of local effort that ought to be taken into consideration,

the final report, omitted any reference to local funding as a source of revenues for Alaska schools. See Policy Recommendations for Alaska School Finance, Alaska Department of Education, Juneau, June 1984. In fact the Committee expressed contentment with state aid as being sufficient, in itself, to cover the costs of education. It said:

It was the general consensus that the State is currently providing equal educational opportunity through the appropriation of state dollars for support of education. p.5

The current school finance lawsuit of the Matanuska-Susitna Borough against the state is based on the premise that the state is not providing equal educational opportunity through the appropriation of state dollars.

Meanwhile the Department of Education assigned two staff persons to work on the formula, presumably relying upon recommendations of the advisory committee. In their first draft they included a provision for local effort similar to that found in the 1962-1970 school foundation program. However this apparently drew fire from some quarter or quarters and the inclusion of local effort as part of the formula was quickly dropped. At this point the efforts of the staff persons were doomed, because the staff persons were now expected to arrive at a formula that applied to all Alaska schools, recognizing all their educational needs, but which somehow would only result in 70-75% of the need of some schools being met with state dollars, while 100% of the needs of other school districts would be met 100% with non local dollars.

The resource cost model had worked with a multitude of cost variables. The staff persons, using a small percentage of these cost variables, arrived at a complex formula, but a much simpler formula than would have existed, using all or most of the consultants variables.

The following is only a portion of the formula developed. It also comprises only one of several funding sources. The following is set forth only to illustrate the difficulty of creating a formula that will provide 70-80% funding for some districts and 100% funding for others:

AS 14.16.040. DISTRICT UNITS. (a) The number of district units for each school district is calculated as follows:

$$\text{District Units} = \frac{(a + b + c + d + e + m + n + o + p)}{15} z$$

The full formula is set forth in Exhibit B.

Then to everyone's horror, it was found that some school districts would get more state dollars than before and other

school districts would receive less. This would not do. It was obvious that school districts with no tax base, or little tax base would, of necessity, have to receive a higher percentage of their need met by state dollars generated by the formula, while other school districts would have to continue to make a local effort similar to that which they had in the past, would have to receive less.

For this purpose, one mechanism is as good as another. The staff persons used a "dispersal factor" to measure the distance of schools from one or more central points, this being a measure of additional administrative burden. Unfortunately, this formula generated undesired results for some school districts which had historically received a great deal of state money, but which did not have dispersed schools. Dillingham is an example. All of Dillingham schools are in one building or in adjacent buildings. All of Kashunamit's pupils are in one school in Chevak. Obviously there can be no dispersal factor that could be made to work for this centralized type of school district.

In addition, the amount of "dispersion" would necessarily be highly objective. For example, in the Matanuska-Susitna Borough, would a special education supervisor visiting a special education teacher at the Big Lake Elementary School, 25 miles to the west, be expected to stop at one or more of the elementary schools enroute, Finger Lake Elementary School 6 miles west, Cottonwood Creek Elementary School 8 miles to the west, Iditarod Elementary School 11 miles to the west and Big Lake Elementary School at 25 miles to the west.

For the purpose of consistency, it is necessary to make one assumption or the other, and here, the assumption was made that the supervisor or other administrator would always backtrack all the way back to the central headquarters and not stop anywhere enroute. This is an over simplified description of the way the dispersal index worked, but it explains the general principles.

The State Board of Education had reviewed the various drafts prepared by Department of Education staff in the Fall of 1984 and in January of 1985, and was dissatisfied with all of the approaches. Consequently nothing was transmitted to the Governor or the Legislature from the Department of Education on the school formula. The Legislature continued the per capita allocations put in place in 1983, but with a 4.5% cost of living increase for every school district.

In the Spring of 1985 the Department of Education hired a person with many years of experience in out of state school finance legislation to be director of their finance and law section. This person and another Department of Education staff person began work on a new formula.

In May, 1986, the first of what turned out to be nine meetings of a "Foundation Formula Advisory Committee" (FFAC) convened. This group was made up of representatives from the 55

school districts in the state, with the superintendent of the school district or the finance director usually being the person attending for the school district. (The 1985 Legislature had created two new school districts in the Lower Yukon and Lower Kuskokwim area for a total of 57 districts.)

The first meetings were devoted to working out a consensus on various elementary principles of school finance, such as, the weighting that should be given to various grades in allocating instructional units. Would, for example, the Palo Alto firm's weighting of K-3, 4-6, and 7-12 be used? The decision was that they would be used.

The Department of Education staff quickly generated a considerable amount of cost information, and particularly cost information regarding actual teacher salaries in the various school districts the amount of each school district's budget accounted for by personnel costs (generally 55-80%) and the amount accounted for by non-personnel costs (generally 20-45%).

In this earlier session there appeared to be a consensus that personnel and non-personnel costs would be dealt with separately. There was an attempt to identify actual non-personnel costs of the various school districts in various categories such as insurance, heating (oil or gas), electricity and supplies.

Although some information on cost of electricity per kilowatt hour in various parts of Alaska, airplane fares, etc. were generated, this effort was terminated very early in favor of a non-personnel experience of the various school districts and the percentage which these costs bore to actual personnel costs.

The August "Functional Outline for Proposed School Funding Formula" contained some of the features of the 1962-1970 School Foundation Act. A basic need for all school was established ("foundation") and then a local effort was subtracted from this amount to establish the state allocation. Compared to the 1984 Department of Education formula, it was relatively simple.

Here were the main elements:

a. Personnel costs.

| Program    | Base    | Weight     | Units         |
|------------|---------|------------|---------------|
| K          | ADM/FTE | 1.3        | Base x Weight |
| 1-2        | ADM     | 1.15       |               |
| 3-6        | ADM     | 1.0*       |               |
| 7-12       | ADM     | 1.25       |               |
| Total ADM* |         | K-12 Units |               |

\* 23 pupils would generate sufficient dollars to support a teacher, but not "non-personnel costs" such as electricity, heat, insurance, and supplies.

Additional units were allocated for pupils enrolled in special programs including (1) special education resource services (least intensive), (2) special education self contained (more intensive), (4) gifted/talented and (5) bilingual.

And then the units based upon number of teachers and other personnel for K-12 and special programs was multiplied by a "Training and Experience Index (T&E)" reflect fixed costs to the various school districts of having more experienced and trained teachers on the payroll. Only a partial credit of 30% was allowed for this known cost differential. This was the first time a T&E index had been considered in a state school formula.

b. Non-personnel costs.

A multiplier (index) for non-personnel costs was made based upon the previous cost history of each of the 55 school districts. Anchorage has historically spent about 20% of its school dollars, so its non-personnel cost multiplier was low. Some of the more remote school districts have spent up to 45% of their budgets on non-personnel costs, which translated into a high multiplier.

c. Deduction of local effort.

The total of (a) personnel and (b) non-personnel costs established the basic need for the school districts.

The local effort to be subtracted from the "basic need" was calculated similar to the 1962-70 formula.

Total Dollars

City & Borough

Less mill equivalent\*  
or

REAA's

Less 80% P.L. 81-874\*\*

State funding

\* Based upon 100% full and true values of real and personal property.

\*\* Based upon the deduction for PL 81-874 in effect from 1980-83; before 1980 the deduction was 100%.

When this formula was run off by a computer in September 1985, the results were immediately given to the affected school districts. Those which would lose money objected vigorously.

At that time a decision was made to drop any reference to local effort, as had been previously done a year earlier, and to break any connection between an instructional unit and the cost of delivering any particular amount of education.

But then shortly thereafter, in November, a provision for a 2

mill property tax effort was included with a hold harmless provision for Valdez and North Slope Borough (Valdez and North Slope taxed themselves for education at less than 2 mills so a deduction of a two mill amount would more than eliminate any entitlement to state dollars). This local effort provision had a relatively minor effect on distribution of revenues among school districts or in decreasing any disparities in state aid wealthy and poor school districts.

The Department of Education staff had the same problem in late 1985 that the department staff had in 1984. They could not make the formula work where a school district had, for some reason or other, received a considerable amount of money per pupil previously, and now, would receive a lesser amount under the new formula.

House Bill 604 prepared by the Department of Education staff introduced by the Rules Committee by Request of the Governor was considerably different than the August 1985 formula and from the 1986 formula.

A "foundation" was established from which there was a very limited deduction for expected local effort (2 mills or its equivalent) and a deduction of 80% of PL 874. The deduction for local tax effort was relatively insignificant and had little effect on how state dollars would be allocated.

The calculation of units for number of students in various classes and various programs was similar to the August formula.

Then adjustments were made so that the final allocations would conform as nearly as possible to the allocations schools districts had been receiving. These introduced novel and last minute concepts to Alaska school finance including;

a. No winners-no losers.

No district gets more than 5% more than they had been receiving; no school district receives less than 5% than they had been receiving. (AS 14.17.025--Guaranteed Funding Level; AS 14.17.035 Limited Increase in Funding.)

b. Small community allotment.

More money for cities or incorporated communities (not school districts) with fewer than 500 pupils.

c. Small school district allotment.

More money for school districts with 500-3500 pupils with at least one city or unincorporated community with more than 500 pupils.

d. District location index adjustment.

A final partial adjustment based upon school district location. The adjustment would be 60% of the indices ranging from a low of 0.000 (Anchorage) to a high of 1.000 (North Slope). Mat-Su, Juneau, Kenai, Sitka and Ketchikan would be .050.

By applying a "no losers" and "no winners" factor to the formula it was possible to make sure that no school district would receive less than 5% than it had been receiving previously and no school district would receive more than 5%. However, to accomplish even this much, a substantial increase in state expenditures in state aid to education would be required, probably in the 20-30 million dollar range.

The Governor introduced the bill at the request of the State Board of Education. The bill was referred to the House Committee on Health Education and Social Services, where it was, in effect, set aside, in favor of a somewhat different House (HESS) committee substitute, which also was very complicated.

Meanwhile in the last days of the 1986 Legislative Session, a new bill prepared by Senator Frank Ferguson and his staff was submitted to the Senate HESS committee. The Senate HESS committee passed the bill out to the Senate Finance Committee. The House Finance Committee made some recommended minor changes to the Senate bill, but in the face of the Senate position, receded from its amendments. The Senate HESS bill was enacted as Ch. 75., SLA 1986.

IX CHAPTER 75, SLA 1986--THE CURRENT FORMULA.

No one can make any sense out of the current state school funding formula without an understanding of the 1970 instructional unit formula, the many amendments to it up to July 1, 1983 and the district manipulations of the formula. There is no written legislative history or explanation for the act, but the reasons for its most exotic feature--the "Instruction Unit Allotments" are well known.

The 1986 act was intended to be free of judgments. It was intended to perpetuate the level of funding of school districts as achieved by those districts before July 1, 1983. If there were inequities, these inequities would be continued. If a district had succeeded in taking advantage of the system by pyramiding of units these advantages would be codified into law:

In form the current state school aid bill is similar to the 1970 instructional unit formula. A major difference is the "Instructional Unit Allotment" multipliers to reflect cost of living differences were used. In 1970 the range of multipliers was narrow:

|                                       |        |
|---------------------------------------|--------|
| Southeastern and most of Southcentral | 1.00   |
| Central                               | 1.05   |
| Northwest                             | 1.10   |
| Remote                                | Add 5% |

The range in the 1986 formula starts at minus 20 for Skagway and goes to plus 185 for Yupiit, a range of 105%.

The authors of the bill emphasized that these "instructional unit allotments" are not intended to reflect cost of living increases. Rather they are intended to reflect as closely as possible the differences in the distribution of state monies as these differences existed in the three previous years. If a school district had been able to pyramid its instructional units by obtaining secondary school units where there are no secondary school children, units for a large number of special education teachers where a low special education effort requiring few teachers is in place, it would keep all of these gains. If there is an obvious inequity such as Skagway receiving 32% less than its sister city Haines, this inequity would remain uncorrected. For a list of "Instructional Unit Allotments" see Exhibit C. For a list of school district expenditures and allocations of state monies see Exhibit D. For a comparison of salaries paid school teachers by the school districts see Exhibit E (This is taken from DOE's work on a second school foundation bill in 1986). And for cost of living differentials prepared for the State of Alaska Department of Administrations by the McDowell Group see Exhibit F - "Alaska Geographic Differential Study 1985".

Chapter 75, 1986 is more simple than the 1984 and 1986 Department of Education bills. The following are the chief elements of Chapter 75, SLA 1986:

a. Foundation dropped.

The foundation concept was dropped. Chapter 75 formula ignores non-state sources of funding except for a hold harmless provision for existing levels of federal PL 874 funding. There is no pretense of a "basic need" to be met. There are no goals for educational opportunity as measured by total dollars available for expenditure by various school districts.

b. Instructional units.

The assignment of instructional units for K-12 classes and for programs was similar to that in the State Department of Education bill.

c. Secondary school allocation.

The bill provides for "associated secondary schools" at locations where there are fewer than 20 children in grades 5-8 as follows:

|          |   |   |   |
|----------|---|---|---|
| Under 12 | - | 3 | (a possible 3 new teachers and classrooms for one secondary school pupil) |
| 12-20    | - | 4 |   |
| 21-32    | - | 5 |   |

This is similar to provisions in effect from 1980-1983, but unlike the earlier provisions there maybe a requirement that at least one secondary pupil exists.

d. Special programs allotments.

The formula provides for additional funding for pupils served in a (1) vocational education, (2) special education, and (3) bilingual. The students may be served very little, but if they are served one hour a day, they would be counted as if they were in the program for the full day (as well as being counted as a full time student in their K-12 class). This system offers all of the opportunities for abuse and manipulation that existed in the formula suspended in 1983.

e. "Instructional unit allotment" multipliers.

After instructional units are arrived at, they are then multiplied by multipliers that range from 8 for Skagway to 1.12 for Haines to 1.85 for Yupiit. In some cases the multiplier is similar to the one used in the 1984 Department of Education dispersal index and in the 1986 Department of Education index. In

some cases there is a major divergence. It is dissimilar to the 1970 instructional unit allotment in that the range for multipliers in 1970 was much more narrow--from 1.00 to 1.15; in Ch. 75, SLA 1986 the range is .80 to 1.85, seven times the 1970 range.

There are innumerable anomalies in the treatment of neighboring similar school districts. King Cove, 75 miles from Sand Point, has a multiplier of 140; Sand Point has a multiplier of 115; Haines, 15 miles away has a multiplier of 1.12 while Skagway has a multiplier of .80. (Note: from 1980-81 Skagway had a multiplier of 108 and Haines had a multiplier of 115. AS 14.17.051.) Galena which is surrounded by the Yukon-Koyukuk school district, has a multiplier of 155; the Yukon-Koyukuk school district which has many small dispersed schools has a multiplier of 150. The Pribiloffs have a multiplier of 105; the Aleutian Chain has 125 and Dillingham has 150. There are no explanations for these differences.

f. Adjustment for Assessed Valuation (district wealth).

Chaper 75, SLA 1986 added a district wealth feature similar to that used in the 1970 formula. As applied to the highest tax district--Mat-Su--the formula adjusts Mat-Su's state aid upward by about 1.43% over the aid that would have been allocated without an assessed valuation formula. The formula is:

(c) The equalized percentage for each city/borough school district is computed according to formula  $P_i = 1 - (1-k) V_i/V_s$  in which

(1)  $P_i$  (equalized percentage) = percent of need to be provided by the state;

(2)  $K$  (minimum level of state support of basic need to be provided by the state;

(3)  $V_i$  (valuation per pupil in average daily membership in the district) = full and true value of taxable real and personal property within the city /borough district divided by the average daily membership of the district;

(4)  $V_s$  = average of the valuation per pupil in average daily membership for all the city/borough districts of the state:

(5) state aid as computed under this section constitutes at least 97 percent of the basic need, of each school district;

(6) for the purpose of calculating the amount of equalized percentage under this section,  $V_i/V_s$  may not exceed 1.00.

Using FY 86-87 valuations and 1986-87 dollar amounts for instructional units, the adjustment for district wealth for Mat-Su would be about \$391,000 or 1.43% out of a \$27,339,000 foundation amount, (Up to a 3% adjustment is allowed. North Slope, Unalaska, and Valdez receive a zero adjustment, Mat-Su receives an 1.43% additional amount and St Marys a 2.8% adjustment.

The foregoing is not a tax effort provision. A favorable adjustment can be made for a district with less than average district wealth even if it makes no local effort. A school district that taxes itself at one mill or equivalent would receive the same adjustment as a school district which taxes itself more heavily than any other district in the state.

The reference to tax levying school districts obtaining 97% of their "basic need" from the state is a spectacular piece of nonsense. It illustrates the mechanical application of earlier concepts (the 100% state funding approach of 1970), without comprehension of what the formulas or percentages mean. Obviously Anchorage could not maintain a K-12 program if the only dollars available to it were the state dollars it now receives, plus an additional 3% from the local property tax.

g. Adjustment for Local Dollars per Pupil in Excess of Statewide Average.

AS 14.17.023, as repealed and reenacted by Ch. 75, SLA 1986 makes a second adjustment. After state aid is distributed according to the formula 80 percent of remaining funds, if there are any remaining funds, are to be distributed to certain districts.

This adjustment is not related to district wealth (except for Valdez and North Slope which are excluded from the benefits of any secondary distribution) and is not related to any tax effort over 2 mills. All of the larger city and borough school districts tax themselves more than 2 mills. The formula does not distinguish between those school districts which are taxed at 2.1 mills for education and the school district which is taxed at 7 mills.

The AS 14.17.023 secondary distribution formula does not apply to any percentage of state aid to be allocated to school districts and, if state appropriations are not sufficient for a fiscal year to fund this part of the formula, does not result in the distribution of any additional state aid to any school district.

If there are any monies appropriated for state aid left over after \$42,184 has been distributed for each instructional unit submitted by the school district, 80% of the balance not to exceed 20 million dollars would be distributed to school districts whose:

- (1) local contribution to education for each student in average daily membership in the preceding fiscal year exceeds the statewide average local

contribution to education for each pupil in average daily membership for the preceding fiscal year; and

(2) local contribution to education for the preceding fiscal year exceeds the amount that would be generated by a two-mill levy on the full and true value of taxable real and personal property in the district, as determined under AS 14.17.140, for the preceding fiscal year.

(This would exclude Valdez and North Slope.)

This balance, say 16 million dollars (80% of \$20,000,000), would be distributed as follows:

an amount equal to the portion of the school district's local contribution to education for each student in average daily membership in the preceding fiscal year that exceeds the statewide average local contribution to education for each student in average daily membership in the preceding fiscal year.

Fairbanks was expected to be the primary beneficiary of this provision.

The formula has the effect of rewarding the relatively wealthy school district which can generate a great deal of local revenues with low tax effort (low property tax mill levy) and penalizes the poor school district which can raise only a small amount of local tax revenue even with a high tax effort (high property tax mill levy). The chances of there being any secondary distribution is always remote, because if state funding slips, as it has, or if there were more than a few resourceful school districts generating additional instructional units there would be no balance for a secondary distribution, there would be no dollars left for a secondary distribution. The secondary distribution feature is an adhoc tacked on provision that is integrated into formula. It is a last minute afterthought that does not meet any criteria for tax equalization or reduction in disparities of educational expenditures.

Despite the fact that there is insufficient state money for a \$42,184 distribution for each instructional unit (as of January 1987 the state proposed to distribute \$38,255 per unit), the state department of education was seeking as of December 1986 a means for making a secondary distribution of monies from the second fund to school districts which contribute greater than an average amount of local dollars to their school budgets.

## X SITUATION IN 1987 - CUTBACKS IN EXPENDITURES

Because of plummeting oil prices it was not possible for the state to fully fund the Ch. 75, SLA 1986 school funding formula in the 1986-87 fiscal year. It is apparent the program will be severely underfunded in the 1987-88 fiscal year.

Some school districts are not seriously affected by the reductions in funding. This includes school districts which have been able to set aside large fund balances each year, the districts that receive large amounts of federal PL 81-874 monies over and above the need recognized by the state formula and, possibly, districts with very high tax wealth.

The larger tax levying school districts enrolling more than 75% of Alaska's pupils were confronted with the choice of large layoffs increasing the pupil-teacher ratio (average classroom size) or sharply raising the local property tax. Of the large property tax levying districts Anchorage is better able than most to weather the storm. This is because of Anchorage's relatively large tax base.

Some of the Rural Education Attendance Areas (REAA's) are in trouble. They cannot levy local taxes to make up shortfalls in state monies. Copper Valley's contractual commitments for salaries exceeds its ability to pay. Even if Copper Valley had no non-salary costs it could not meet its current payroll. Copper Valley is charged with being too soft in negotiations with its local teachers association. However, even if the Copper Valley contract with the teachers were exactly the same as that of Anchorage, Matsu, Kenai or other large school districts, Copper Valley would be hard pressed to pay. Copper Valley, unlike most REAA's, has an unusually large percentage of teachers with many years of teaching experience high on the salary schedule. The existing formula makes no provision for districts with high cost caused by low teacher turnover.

Other REAA's have been sued in connection with construction projects. In one case there is a judgment in favor of the construction contractor well in excess of the state capital grant to the REAA and far in excess of any fund balance.

When all school districts were generously funded - as was the case in Alaska before 1986 - there is less concern if one district is less generously funded than another. Where funding is less generous, and where some districts fall below a standard generally accepted as minimum, there is a greater concern that all state educational resources be used to maintain a minimum level of education in every school district.

Alaska had an excellent system of education at a time when it had no oil revenues or very little in oil revenues. This experience proves that Alaska can provide an adequate level of funding for schools with state revenues less than those of 1975-1986.

A financial setback can have positive results. The State of Washington has always made a major commitment to public education. Its commitment became much greater after a 1975 property taxpayer revolt that reduced school funding by 30 to 40% in Seattle and other school districts enrolling 25% of Washington's pupils. The state immediately responded to the challenge and restored the missing funding. The state did not back off of this solution except during the severe 1980-82 recession in the Pacific Northwest when public school funding was cutback. (In 1982 the Superior Court ordered the legislature to return to 100% funding of the "basic need" they had codified into law. A new legislature with a very different makeup was elected in 1982. This legislature restored the funding.) For ten years public education has been the top legislative priority in the State of Washington. See Exhibit G for a description of Washington's efforts.

Even with the sharp reduction in state funding, state funding for education is, with the exception of the State of Washington and Hawaii, more generous than state funding in other states. (The State of Washington because of a court order interpreting a provision of the state constitution has undertaken to pay for 100% of the cost of a "basic education"). U.S. Department of Education statistics show Alaska first in a number of educational categories. See Exhibit D for Alaska's ranking.

TABLE 1A:

## ANALYSIS OF FISCAL CAPACITY/ADM BY TYPE

| SCHOOL DISTRICT    | ADM    | LOCAL ADM AS %<br>OF STATE ADM | FULL AND TRUE VALUE<br>ASSESSED PROPERTY | ASSESSED VALUE<br>PER ADM | LOCAL WEALTH AS<br>% OF STATE WEALTH | CITY/BOROUGH FY87<br>APPROPRIATION | ONE MILL OF<br>TOTAL ASSESSED<br>VALUE |
|--------------------|--------|--------------------------------|--|---------------------------|--------------------------------------|------------------------------------|--|
| ANCHORAGE          | 40,674 | 44.23%                         | \$19,343,356,800                         | \$475,571                 | 37.90%                               | \$63,492,830                       | \$19,343,357                           |
| SUB-TOTAL          | 40,674 | 44.23%                         | \$19,343,356,800                         | \$475,571                 | 37.90%                               | \$63,492,830                       | \$19,343,357                           |
| NORTH SLOPE        | 1,155  | 1.26%                          | \$13,570,786,300                         | \$11,749,599              | 26.59%                               | \$12,885,000                       | \$13,570,786                           |
| KENAI              | 8,548  | 9.30%                          | \$3,905,341,700                          | \$456,872                 | 7.65%                                | \$18,201,971                       | \$3,905,342                            |
| KETCHIKAN          | 2,439  | 2.65%                          | \$904,384,100                            | \$370,801                 | 1.77%                                | \$5,397,783                        | \$904,384                              |
| JUNEAU             | 4,700  | 5.11%                          | \$1,688,992,300                          | \$359,360                 | 3.31%                                | \$8,250,000                        | \$1,688,992                            |
| FAIRBANKS          | 13,431 | 14.81%                         | \$4,726,913,900                          | \$351,941                 | 9.26%                                | \$21,448,271                       | \$4,726,914                            |
| MAT-SU             | 8,366  | 10.19%                         | \$2,716,755,900                          | \$290,066                 | 5.32%                                | \$19,461,795                       | \$2,716,756                            |
| SITKA              | 1,654  | 1.80%                          | \$441,175,000                            | \$266,732                 | 0.86%                                | \$2,978,379                        | \$441,175                              |
| KODIAK             | 2,278  | 2.48%                          | \$552,447,400                            | \$242,514                 | 1.08%                                | \$2,201,800                        | \$552,447                              |
| NORTHWEST ARCTIC** | 1,526  | 1.66%                          | \$235,045,200                            | \$154,027                 | 0.46%                                |                                    | \$235,045                              |
| SUB-TOTAL          | 45,097 | 49.08%                         | \$28,741,841,800                         | \$637,334                 | 56.31%                               | \$90,824,999                       | \$28,741,842                           |
| VALDEZ             | 791    | 0.86%                          | \$1,693,326,700                          | \$2,140,742               | 3.32%                                | \$4,088,390                        | \$1,693,327                            |
| CORDOVA            | 390    | 0.42%                          | \$123,962,300                            | \$317,852                 | 0.24%                                | \$625,005                          | \$123,962                              |
| HAINES             | 351    | 0.38%                          | \$97,621,600                             | \$278,124                 | 0.19%                                | \$389,000                          | \$97,622                               |
| WRANGELL           | 451    | 0.49%                          | \$108,670,500                            | \$240,955                 | 0.21%                                | \$538,053                          | \$108,671                              |
| DILLINGHAM         | 465    | 0.51%                          | \$107,515,700                            | \$231,217                 | 0.21%                                | \$100,000                          | \$107,516                              |
| PETEI'SBURG        | 597    | 0.65%                          | \$135,355,400                            | \$226,726                 | 0.27%                                | \$654,000                          | \$135,355                              |
| NOME               | 850    | 0.92%                          | \$151,635,000                            | \$178,394                 | 0.30%                                | \$206,000                          | \$151,635                              |
| SUB-TOTAL          | 3,893  | 4.24%                          | \$2,418,087,200                          | \$620,818                 | 4.74%                                | \$8,600,448                        | \$2,418,087                            |
| UNALASKA           | 141    | 0.15%                          | \$95,564,500                             | \$677,762                 | 0.19%                                | \$173,000                          | \$95,565                               |
| SAND POINT         | 115    | 0.13%                          | \$74,641,100                             | \$649,053                 | 0.15%                                | \$100,000                          | \$74,641                               |
| SKAGWAY            | 136    | 0.15%                          | \$59,036,600                             | \$434,093                 | 0.12%                                | \$48,000                           | \$59,037                               |
| BRISTOL BAY        | 241    | 0.26%                          | \$101,541,000                            | \$421,332                 | 0.20%                                | \$40,000                           | \$101,541                              |
| PELICAN            | 54     | 0.06%                          | \$14,987,400                             | \$277,544                 | 0.03%                                | \$14,000                           | \$14,987                               |
| KING COVE          | 120    | 0.13%                          | \$24,391,400                             | \$203,262                 | 0.05%                                | \$10,000                           | \$24,391                               |
| CRAIG              | 186    | 0.20%                          | \$37,304,700                             | \$200,563                 | 0.07%                                | \$10,735                           | \$37,305                               |
| TANANA             | 78     | 0.08%                          | \$11,755,200                             | \$150,708                 | 0.02%                                | \$2,000                            | \$11,755                               |
| NENANA             | 126    | 0.14%                          | \$18,099,500                             | \$143,647                 | 0.04%                                | \$50,000                           | \$18,100                               |
| HYDABURG           | 97     | 0.11%                          | \$13,417,800                             | \$138,328                 | 0.03%                                | \$1,200                            | \$13,418                               |
| GALENA             | 146    | 0.16%                          | \$20,106,900                             | \$137,718                 | 0.04%                                | \$5,000                            | \$20,107                               |
| HOONAH             | 214    | 0.23%                          | \$29,237,500                             | \$136,624                 | 0.06%                                | \$10,000                           | \$29,238                               |
| YAKUTAT            | 157    | 0.17%                          | \$18,136,700                             | \$115,520                 | 0.04%                                | \$28,614                           | \$18,137                               |
| KAKE               | 202    | 0.22%                          | \$12,188,400                             | \$60,339                  | 0.02%                                | \$15,000                           | \$12,188                               |
| ST. MARY'S         | 115    | 0.13%                          | \$4,451,200                              | \$38,706                  | 0.01%                                | \$0                                | \$4,451                                |
| KLAWOCK            | 156    | 0.17%                          | \$5,841,100                              | \$37,443                  | 0.01%                                | \$0                                | \$5,841                                |
| SUB-TOTAL          | 2,284  | 2.48%                          | \$540,701,000                            | \$238,734                 | 1.08%                                | \$507,549                          | \$540,701                              |
|                    |        |                                |  |                           |                                      |                                    | \$0                                    |
| TOTAL              | 91,950 | 100.00%                        | \$51,043,986,800                         | \$555,128                 | 100.00%                              | \$161,425,826                      | \$51,043,987                           |

EXHIBIT A, p. 1

TABLE 1:

## CITY/BOROUGH FISCAL CAPACITY AND FISCAL EFFORT

| SCHOOL DISTRICT    | ADM    | LOCAL ADM AS %<br>OF STATE ADM | FULL AND TRUE VALUE<br>ASSESSED PROPERTY | ASSESSED VALUE<br>PER ADM | LOCAL WEALTH AS<br>% OF STATE WEALTH | CITY/BOROUGH<br>APPROPRIATION/FY87 |
|--------------------|--------|--------------------------------|--|---------------------------|--------------------------------------|------------------------------------|
| ANCHORAGE          | 40,674 | 44.23%                         | \$19,343,356,800                         | \$475,571                 | 37.90%                               | \$63,482,830                       |
| BRISTOL BAY        | 241    | 0.26%                          | \$101,541,000                            | \$421,332                 | 0.20%                                | \$40,000                           |
| CORDOVA            | 390    | 0.42%                          | \$123,962,300                            | \$317,852                 | 0.24%                                | \$625,005                          |
| CRAIG              | 186    | 0.20%                          | \$37,304,700                             | \$200,563                 | 0.07%                                | \$10,735                           |
| DILLINGHAM         | 465    | 0.51%                          | \$107,515,700                            | \$231,217                 | 0.21%                                | \$100,000                          |
| FAIRBANKS          | 13,431 | 14.61%                         | \$4,726,913,900                          | \$351,941                 | 9.26%                                | \$21,448,271                       |
| GALENA             | 146    | 0.16%                          | \$20,106,900                             | \$137,718                 | 0.04%                                | \$5,000                            |
| HAIL ES            | 351    | 0.38%                          | \$97,621,600                             | \$278,124                 | 0.19%                                | \$389,000                          |
| HOONAH             | 214    | 0.23%                          | \$29,237,500                             | \$138,624                 | 0.06%                                | \$10,000                           |
| HYDABURG           | 97     | 0.11%                          | \$13,417,800                             | \$138,328                 | 0.03%                                | \$1,200                            |
| JUNEAU             | 4,700  | 5.11%                          | \$1,688,992,300                          | \$359,360                 | 3.31%                                | \$8,250,000                        |
| KAKE               | 202    | 0.22%                          | \$12,188,400                             | \$60,339                  | 0.02%                                | \$15,000                           |
| KENAI              | 8,548  | 9.30%                          | \$3,905,341,700                          | \$456,872                 | 7.65%                                | \$18,201,971                       |
| KETCHIKAN          | 2,439  | 2.65%                          | \$904,384,100                            | \$370,801                 | 1.77%                                | \$5,397,783                        |
| KING COVE          | 120    | 0.13%                          | \$24,391,400                             | \$203,262                 | 0.05%                                | \$10,000                           |
| KLAWOCK            | 156    | 0.17%                          | \$5,841,100                              | \$37,443                  | 0.01%                                | \$0                                |
| KODIAK             | 2,278  | 2.48%                          | \$552,447,400                            | \$242,514                 | 1.08%                                | \$2,201,800                        |
| MAT-SU             | 9,366  | 10.19%                         | \$2,716,755,900                          | \$290,066                 | 5.32%                                | \$19,461,795                       |
| NENANA             | 126    | 0.14%                          | \$18,099,500                             | \$143,647                 | 0.04%                                | \$50,000                           |
| NOME               | 850    | 0.92%                          | \$151,635,000                            | \$178,394                 | 0.30%                                | \$206,000                          |
| NORTH SLOPE        | 1,155  | 1.26%                          | \$13,570,786,300                         | \$11,749,599              | 26.59%                               | \$12,885,000                       |
| NORTHWEST ARCTIC** | 1,526  | 1.66%                          | \$235,045,200                            | \$154,027                 | 0.46%                                | \$0                                |
| PELICAN            | 54     | 0.06%                          | \$14,987,400                             | \$277,544                 | 0.03%                                | \$14,000                           |
| PETERSBURG         | 597    | 0.65%                          | \$135,355,400                            | \$226,726                 | 0.27%                                | \$654,000                          |
| SAND POINT         | 115    | 0.13%                          | \$74,641,100                             | \$649,053                 | 0.15%                                | \$100,000                          |
| SITKA              | 1,654  | 1.80%                          | \$441,175,000                            | \$266,732                 | 0.86%                                | \$2,978,379                        |
| SKAGWAY            | 136    | 0.15%                          | \$59,036,600                             | \$434,093                 | 0.12%                                | \$48,000                           |
| ST. MARY'S         | 115    | 0.13%                          | \$4,451,200                              | \$38,706                  | 0.01%                                | \$0                                |
| TANANA             | 78     | 0.08%                          | \$11,755,200                             | \$150,708                 | 0.02%                                | \$2,000                            |
| UNALASKA           | 141    | 0.15%                          | \$95,564,500                             | \$677,762                 | 0.19%                                | \$173,000                          |
| VALDEZ             | 791    | 0.86%                          | \$1,693,326,700                          | \$2,140,742               | 3.32%                                | \$4,088,390                        |
| WRANGELL           | 451    | 0.49%                          | \$108,670,500                            | \$240,955                 | 0.21%                                | \$538,053                          |
| YAKUTAT            | 157    | 0.17%                          | \$18,136,700                             | \$115,520                 | 0.04%                                | \$28,614                           |
| TOTAL              | 91,950 | 100.00%                        | \$51,043,986,800                         | \$555,128                 | 100.00%                              | \$161,425,826                      |

EXHIBIT A, P. 2

# 1984 DOE staff formula

AS 14.16.040. DISTRICT UNITS. (a) The number of district units for each school district is calculated as follows:

$$\text{District Units} = \frac{(a + b + c + d + \frac{e}{15} + m + n + o + p) z}{15}$$

where a, b, c, and d represent the weighted average daily membership for regular programs of schools with 160.1 or more students in average daily membership, calculated as follows:

a = kindergarten ADM full time equivalent x 1.2 weight factor

b = grades 1 and 2 ADM x 1.05 weight factor

c = grades 3 through 6 ADM x 1.0 weight factor

d = grades 7 through 12 ADM x 1.25 weight factor

where e represents the average daily membership for regular programs of schools in a single attendance area with 160 or fewer students in average daily memberships, weighted to include special education and vocational education programs, calculated as follows:

| <u>School ADM</u> | <u>e</u>   |
|-------------------|--|
| 10 and under      | 4.0 x ADM  |
| 10.1 through 30   | 40 + (3.0) (ADM-10)                                      |
| 30.1 through 90   | 100 + (2.0) (ADM-30)                                     |
| 90.1 through 160  | 220 + (.5) (ADM-90)                                      |
| Over 160          | Follow grade level schedule and special program weights. |

where m, n, o, and p represent the weighted average daily membership for special programs, calculated as follows:

m = special education pupils ADM x .7 weight factor

n = bilingual/bicultural pupils ADM/FTE x .7 weight factor

o = vocational education pupils ADM/FTE x 1.05 weight factor

p = gifted and talented pupils ADM x .4 weight factor

where z represents the weight factor for the cost of education index, district size, attendance area size, and dispersed as follows:

Exhibit B, p 1

$z = \text{cost of education index} + \text{district size factor} + \text{attendance area factor} + \text{dispersed factor.}$

(1) where the cost of education factor for each district is determined from the following table. (Separate district cost of education index for each of the 53 school districts ranging from .95 for Chugach, Ketchikan and Petersburg to 1.35 for northwest REAA's; Anchorage, King Cove and 11 others at 1.00; Mat-Su at 1.05; Fairbanks and Dillingham at 1.10; Galena at 1.20.)

(2) where the district size factor is calculated by

District Size

|                        |   |
|------------------------|---|
| 0 through 350 ADM      | .3 = District Size Factor   |
| 350.1 through 850 ADM  | $\frac{105 \text{ ADM} + .1(\text{ADM}-350)}{\text{District ADM}}$  |
| 850.1 through 2750 ADM | $\frac{155 \text{ ADM} + .02(\text{ADM}-850)}{\text{District ADM}}$ |

(3) where districts have attendance areas that have more than 160 pupils in ADM, but less than 850 pupils in ADM, the attendance area factor is calculated by

$$\frac{.3(\text{District ADM} - \text{attendance areas ADM of less than } 160.1)}{\text{District ADM}}$$

(4) where districts of 2750 or less pupils in ADM and are defined as dispersed, the dispersed factor is calculated by

District ADM

|                    |                                    |
|--------------------|------------------------------------|
| 0 through 350      | .4 ADM = District Dispersed Factor |
| 350.1 through 850  | .3 ADM = District Dispersed Factor |
| 850.1 through 2750 | .2 ADM = District Dispersed Factor |

Then, the staff persons did the only thing they could do.

FOUNDATION ANALYSIS/REAA

| SCHOOL DISTRICT   | TOTAL<br>UNITS<br>GENERATED | BASE VALUE<br>OF TOTAL UNITS<br>@\$42,184 | INSTRUCTIONAL<br>UNIT ALLOT.<br>AS14.17.056 | TOTAL<br>BASIC NEED | VALUE OF<br>INSTRUCT. UNIT<br>ALLOTMENT | VALUE OF<br>INSTRUCT. UNIT<br>ALLOT. PER ADM | COST OF<br>LIVING<br>DIFFERENTIALS |
|-------------------|-----------------------------|---|---|---------------------|---|--|------------------------------------|
| ADAK              | 60                          | \$2,531,040                               | 95%   | \$2,404,488         | (\$126,552)                             | (\$208)                                      | 126%                               |
| ALASKA GATEWAY    | 69                          | \$2,910,696                               | 125%  | \$3,638,370         | \$727,674                               | \$1,410                                      | 103%                               |
| ALEUTIANS         | 26                          | \$1,096,784                               | 125%  | \$1,370,980         | \$274,196                               | \$3,152                                      | 126%                               |
| ANNETTE ISLAND    | 40                          | \$1,687,360                               | 90%   | \$1,518,624         | (\$168,736)                             | (\$409)                                      | 102%                               |
| BERING STRAITS    | 184                         | \$7,761,856                               | 145%  | \$11,254,691        | \$3,492,835                             | \$2,833                                      | 132%                               |
| CHATHAM           | 54                          | \$2,277,936                               | 100%  | \$2,277,936         | \$0                                     | \$0  | 105%                               |
| CHUGACH           | 22                          | \$928,048                                 | 125%  | \$1,160,060         | \$232,012                               | \$1,799                                      | 111%                               |
| COPPER RIVER      | 65                          | \$2,741,960                               | 140%  | \$3,038,744         | \$1,096,784                             | \$1,907                                      | 111%                               |
| DELTA GREELY      | 100                         | \$4,218,400                               | 115%  | \$4,851,160         | \$632,760                               | \$584  | 103%                               |
| IDITAROD          | 68                          | \$2,868,512                               | 165%  | \$4,733,045         | \$1,864,533                             | \$4,673                                      | 129%                               |
| KASHUNAMIUT       | 24                          | \$1,012,416                               | 140%  | \$1,417,382         | \$404,966                               | \$2,440                                      | 126%                               |
| KUSPUK            | 69                          | \$2,910,696                               | 160%  | \$4,657,114         | \$1,746,418                             | \$4,280                                      | 129%                               |
| LAKE AND PENISULA | 76                          | \$3,205,984                               | 145%  | \$4,648,677         | \$1,442,693                             | \$3,899                                      | 129%                               |
| LOWER KUSKOKWIM   | 367                         | \$15,481,528                              | 155%  | \$23,996,368        | \$8,514,840                             | \$3,183                                      | 139%                               |
| LOWER YUKON       | 163                         | \$6,875,992                               | 120%  | \$8,251,190         | \$1,375,198                             | \$1,069                                      | 126%                               |
| PRIBILOF ISLANDS  | 21                          | \$885,864                                 | 105%  | \$930,157           | \$44,293                                | \$262  | 126%                               |
| RAILBELT          | 43                          | \$1,813,912                               | 175%  | \$3,174,346         | \$1,360,434                             | \$3,811                                      | 129%                               |
| SOUTHEAST ISLANDS | 82                          | \$3,459,088                               | 108%  | \$3,735,815         | \$276,727                               | \$604  | 102%                               |
| SOUTHWEST         | 87                          | \$3,670,008                               | 125%  | \$4,587,510         | \$917,502                               | \$1,888                                      | 129%                               |
| YUKON FLATS       | 70                          | \$2,952,880                               | 165%  | \$4,872,252         | \$1,919,372                             | \$5,091                                      | 103%                               |
| YUKON KOYUKUK     | 94                          | \$3,965,296                               | 150%  | \$5,947,944         | \$1,982,648                             | \$3,327                                      | 129%                               |
| YUPIIT            | 46                          | \$1,940,464                               | 185%  | \$3,589,858         | \$1,649,394                             | \$5,787                                      | 139%                               |
| TOTAL             | 1830                        | \$77,196,720                              |   | \$106,856,712       | \$29,659,992                            | \$2,285                                      |                                    |

Exhibit C, p. 1

FOUNDATION PROGRAM ANALYSIS/CITY BOROUGH DISTRICTS

| SCHOOL DISTRICT   | ADM    | BASE UNITS  | VALUE OF      | VALUE OF    | SPECIAL PROGRAM   | VALUE OF        | VALUE OF        |
|-------------------|--------|-------------|---------------|-------------|-------------------|-----------------|-----------------|
|                   |        | AS14.17.041 | BASE UNITS    | REGULAR AID | UNITS AS14.17.041 | SPECIAL PROGRAM | SPECIAL PROGRAM |
|                   |        | (a),(b),(f) | @ \$42,184    | PER ADM     | (c),(d), (e)      | UNITS @\$42,184 | AID PER ADM     |
| ANCHORAGE         | 40,674 | 2,433       | \$102,633,672 | \$2,523     | 637               | \$26,871,208    | \$661           |
| BRISTOL BAY       | 241    | 20          | \$1,181,152   | \$4,901     | 5                 | \$210,920       | \$875           |
| CORDOVA           | 390    | 40          | \$1,687,360   | \$4,327     | 11                | \$464,024       | \$1,190         |
| CRAIG             | 186    | 23          | \$970,232     | \$5,216     | 4                 | \$168,736       | \$907           |
| DILLINGHAM        | 465    | 46          | \$1,940,464   | \$4,173     | 13                | \$548,392       | \$1,179         |
| FAIRBANKS         | 13,431 | 809         | \$34,126,856  | \$2,541     | 201               | \$8,478,984     | \$631           |
| GALENA            | 146    | 20          | \$843,680     | \$5,779     | 3                 | \$126,552       | \$867           |
| HAINES            | 351    | 37          | \$1,560,808   | \$4,447     | 9                 | \$379,656       | \$1,082         |
| HOONAH            | 214    | 25          | \$1,054,600   | \$4,928     | 5                 | \$210,920       | \$986           |
| HYDABURG          | 97     | 16          | \$674,944     | \$6,958     | 4                 | \$168,736       | \$1,740         |
| JUNEAU            | 4,700  | 284         | \$11,980,256  | \$2,549     | 96                | \$4,049,664     | \$862           |
| KAKE              | 202    | 24          | \$1,012,416   | \$5,012     | 8                 | \$337,472       | \$1,671         |
| KENAI             | 8,548  | 585         | \$24,677,640  | \$2,887     | 139               | \$5,863,576     | \$686           |
| KETCHIKAN         | 2,439  | 151         | \$6,369,784   | \$2,612     | 43                | \$1,813,912     | \$744           |
| KING COVE         | 120    | 17          | \$717,128     | \$5,976     | 3                 | \$126,552       | \$1,055         |
| KLAWOCK           | 156    | 20          | \$843,680     | \$5,408     | 4                 | \$168,736       | \$1,082         |
| KODIAK            | 2,278  | 165         | \$6,960,360   | \$3,055     | 49                | \$2,067,016     | \$907           |
| MAT-SU            | 9,366  | 573         | \$24,171,432  | \$2,591     | 130               | \$5,483,920     | \$586           |
| NENANA            | 126    | 18          | \$759,312     | \$6,026     | 5                 | \$210,920       | \$1,674         |
| NOME              | 850    | 73          | \$3,079,432   | \$3,623     | 21                | \$885,864       | \$1,042         |
| NORTH SLOPE       | 1,155  | 104         | \$4,387,136   | \$3,798     | 28                | \$1,181,152     | \$1,023         |
| NORTHWEST ARCTIC. | 1,526  | 142         | \$5,990,128   | \$3,925     | 43                | \$1,813,912     | \$1,189         |
| PELICAN           | 54     | 12          | \$506,208     | \$9,374     | 1                 | \$42,184        | \$781           |
| PETERSBURG        | 597    | 56          | \$2,362,304   | \$3,957     | 13                | \$548,392       | \$919           |
| SAND POINT        | 115    | 17          | \$717,128     | \$6,236     | 2                 | \$84,368        | \$734           |
| SITKA             | 1,654  | 102         | \$4,302,768   | \$2,601     | 37                | \$1,560,808     | \$944           |
| SKAGWAY           | 136    | 19          | \$801,496     | \$5,893     | 2                 | \$84,368        | \$620           |
| ST. MARY'S        | 115    | 17          | \$717,128     | \$6,236     | 3                 | \$126,552       | \$1,100         |
| TANANA            | 78     | 14          | \$590,576     | \$7,571     | 3                 | \$126,552       | \$1,622         |
| UNALASKA          | 141    | 19          | \$801,496     | \$5,684     | 3                 | \$126,552       | \$898           |
| VALDEZ            | 791    | 69          | \$2,910,696   | \$3,680     | 18                | \$759,312       | \$960           |
| WRANGELL          | 451    | 45          | \$1,898,280   | \$4,209     | 13                | \$548,392       | \$1,216         |
| YAKUTAT           | 157    | 21          | \$885,864     | \$5,642     | 5                 | \$210,920       | \$1,343         |
| TOTAL             | 91,950 | 6,024       | \$254,116,416 | \$2,764     | 1561              | \$65,849,224    | \$716           |

Exhibit C, p. 2

FOUNDATION ANALYSIS/REAA

| SCHOOL DISTRICT   | ADM    | BASE UNITS<br>AS14.17.041<br>(a),(b),(l) | VALUE OF<br>BASE UNITS<br>@ \$42,184 | VALUE OF<br>REGULAR AID<br>PER ADM | SPECIAL PROGRAM<br>UNITS AS14.17.041<br>(c), (d), (e) | VALUE OF<br>SPECIAL PROGRAM<br>UNITS @ \$42,184 | VALUE OF<br>SPECIAL PROGRAM<br>AID PER ADM |
|-------------------|--------|--|--------------------------------------|------------------------------------|---|---|--|
| ADAK              | 607    | 40                                       | \$1,687,260                          | \$2,780                            | 20  | \$843,680                                       | \$1,390                                    |
| ALASKA GATEWAY    | 516    | 57                                       | \$2,404,488                          | \$4,660                            | 12  | \$506,208                                       | \$981                                      |
| ALEUTIANS         | 87     | 24                                       | \$1,012,416                          | \$11,637                           | 2   | \$84,368  | \$970                                      |
| ANNETTE ISLAND    | 413    | 29                                       | \$1,223,336                          | \$2,962                            | 11  | \$464,024                                       | \$1,124                                    |
| BERING STRAITS    | 1,233  | 143                                      | \$6,032,312                          | \$4,892                            | 41  | \$1,729,544                                     | \$1,403                                    |
| CHATHAM           | 306    | 46                                       | \$1,940,464                          | \$6,341                            | 8   | \$337,472                                       | \$1,103                                    |
| CHUGACH           | 129    | 21                                       | \$885,864                            | \$6,867                            | 1   | \$42,184  | \$327                                      |
| COPPER RIVER      | 575    | 52                                       | \$2,193,568                          | \$3,815                            | 13  | \$548,392                                       | \$954                                      |
| DELTA GREELY      | 1,084  | 73                                       | \$3,079,432                          | \$2,841                            | 27  | \$1,138,968                                     | \$1,051                                    |
| IDITAROD          | 399    | 56                                       | \$2,362,304                          | \$5,921                            | 12  | \$506,208                                       | \$1,269                                    |
| KASHUNAMIUT       | 166    | 15                                       | \$632,760                            | \$3,812                            | 9   | \$379,656                                       | \$2,287                                    |
| KUSPUK            | 408    | 56                                       | \$2,362,304                          | \$5,700                            | 13  | \$548,392                                       | \$1,344                                    |
| LAKE AND PENISULA | 370    | 69                                       | \$2,910,696                          | \$7,867                            | 7   | \$295,288                                       | \$798                                      |
| LOWER KUSKOKWIM   | 2,675  | 256                                      | \$10,799,104                         | \$4,037                            | 111   | \$4,682,424                                     | \$1,750                                    |
| LOWER YUKON       | 1,286  | 128                                      | \$5,399,552                          | \$4,199                            | 35  | \$1,476,440                                     | \$1,148                                    |
| PRIBILOF ISLANDS  | 169    | 16                                       | \$674,944                            | \$3,994                            | 5   | \$210,920                                       | \$1,248                                    |
| RAILBELT          | 357    | 36                                       | \$1,518,624                          | \$4,254                            | 7   | \$295,288                                       | \$827                                      |
| SOUTHEAST ISLANDS | 458    | 77                                       | \$3,248,168                          | \$7,092                            | 5   | \$210,920                                       | \$461                                      |
| SOUTHWEST         | 486    | 68                                       | \$2,868,512                          | \$5,902                            | 19  | \$801,496                                       | \$1,649                                    |
| YUKON FLATS       | 377    | 60                                       | \$2,531,040                          | \$6,714                            | 10  | \$421,840                                       | \$1,119                                    |
| YUKON KOYUKUK     | 596    | 78                                       | \$3,290,352                          | \$5,521                            | 16  | \$674,944                                       | \$1,132                                    |
| YUPIIT            | 285    | 30                                       | \$1,265,520                          | \$4,440                            | 16  | \$674,944                                       | \$2,368                                    |
| TOTAL             | 12,982 | 1430                                     | \$60,323,120                         | \$4,647                            | 400   | \$16,873,600                                    | \$1,300                                    |

Exhibit C, p. 4

FOUNDATION PROGRAM ANALYSIS/CITY AND BOROUGH DISTRICTS

| SCHOOL DISTRICT  | TOTAL UNITS GENERATED | BASE VALUE OF TOTAL UNITS @ \$42,184 | INSTRUCTIONAL UNIT ALLOT. AS 14.17.056 | TOTAL BASIC NEED | VALUE OF INSTRUCT. UNIT ALLOTMENT | VALUE OF INSTRUCT. UNIT ALLOT. PER ADM | COST OF LIVING DIFFERENTIALS' |
|------------------|-----------------------|--------------------------------------|--|------------------|-----------------------------------|--|-------------------------------|
| PELICAN          | 13                    | \$548,392                            | 110%                                   | \$603,231        | \$54,839                          | \$1016                                 | 105%                          |
| TANANA           | 17                    | \$717,128                            | 140%                                   | \$1,003,979      | \$286,851                         | \$3678                                 | 129%                          |
| HYDABURG         | 20                    | \$843,680                            | 104%                                   | \$877,427        | \$33,747                          | \$348                                  | 102%                          |
| SAND POINT       | 19                    | \$801,496                            | 115%                                   | \$921,720        | \$120,224                         | \$1045                                 | 126%                          |
| ST. MARY'S       | 20                    | \$843,680                            | 180%                                   | \$1,518,624      | \$674,914                         | \$5869                                 | 126%                          |
| NENANA           | 23                    | \$970,232                            | 125%                                   | \$1,212,790      | \$242,558                         | \$1925                                 | 129%                          |
| KING COVE        | 20                    | \$843,680                            | 140%                                   | \$1,181,152      | \$337,472                         | \$2812                                 | 126%                          |
| SKAGWAY          | 21                    | \$885,864                            | 80%                                    | \$708,691        | (\$177,173)                       | (\$1303)                               | 105%                          |
| GALENA           | 23                    | \$970,232                            | 155%                                   | \$1,503,860      | \$533,628                         | \$3655                                 | 129%                          |
| UNALASKA         | 22                    | \$928,048                            | 120%                                   | \$1,113,658      | \$185,610                         | \$1316                                 | 126%                          |
| YAKUTAT          | 26                    | \$1,096,784                          | 115%                                   | \$1,261,302      | \$164,518                         | \$1048                                 | 105%                          |
| KLAWOCK          | 24                    | \$1,012,416                          | 104%                                   | \$1,052,913      | \$40,497                          | \$260                                  | 102%                          |
| CRAIG            | 27                    | \$1,138,968                          | 120%                                   | \$1,366,762      | \$227,794                         | \$1225                                 | 102%                          |
| KAKE             | 32                    | \$1,349,888                          | 112%                                   | \$1,511,875      | \$161,987                         | \$802                                  | 98%                           |
| HOONAH           | 30                    | \$1,265,520                          | 112%                                   | \$1,417,382      | \$151,862                         | \$710                                  | 105%                          |
| BRISTOL BAY      | 33                    | \$1,392,072                          | 155%                                   | \$2,157,712      | \$765,640                         | \$3177                                 | 129%                          |
| HAINES           | 46                    | \$1,940,464                          | 112%                                   | \$2,173,320      | \$232,856                         | \$663                                  | 105%                          |
| CORDOVA          | 51                    | \$2,151,384                          | 95%                                    | \$2,043,815      | (\$107,569)                       | (\$276)                                | 111%                          |
| WRANGELL         | 58                    | \$2,446,672                          | 90%                                    | \$2,202,005      | (\$244,667)                       | (\$542)                                | 98%                           |
| DILLINGHAM       | 59                    | \$2,488,856                          | 150%                                   | \$3,733,284      | \$1,244,428                       | \$2676                                 | 129%                          |
| PETERSBURG       | 69                    | \$2,910,696                          | 90%                                    | \$2,619,626      | (\$291,070)                       | (\$480)                                | 98%                           |
| NORTHWEST ARCTIC | 185                   | \$7,804,040                          | 155%                                   | \$12,096,262     | \$4,292,222                       | \$2813                                 | 144%                          |
| NORTH SLOPE      | 132                   | \$5,568,288                          | 175%                                   | \$9,744,504      | \$4,176,216                       | \$3616                                 | 144%                          |
| VALDEZ           | 87                    | \$3,670,008                          | 115%                                   | \$4,220,509      | \$550,501                         | \$696                                  | 111%                          |
| NOME             | 94                    | \$3,965,296                          | 155%                                   | \$6,146,209      | \$2,180,913                       | \$2566                                 | 132%                          |
| KODIAK           | 214                   | \$9,027,376                          | 135%                                   | \$12,186,958     | \$3,159,582                       | \$1387                                 | 106%                          |
| KENAI            | 724                   | \$30,541,216                         | 104%                                   | \$31,762,865     | \$1,221,649                       | \$143                                  | 101%                          |
| KETCHIKAN        | 194                   | \$8,183,696                          | 100%                                   | \$8,183,696      | \$0                               | \$0                                    | 102%                          |
| SITKA            | 139                   | \$5,863,576                          | 104%                                   | \$6,098,119      | \$234,543                         | \$142                                  | 101%                          |
| MAT-SU           | 703                   | \$29,655,352                         | 104%                                   | \$30,841,566     | \$1,186,214                       | \$127                                  | 94%                           |
| JUNEAU           | 380                   | \$16,029,920                         | 104%                                   | \$16,671,117     | \$641,197                         | \$136                                  | 103%                          |
| FAIRBANKS        | 1,010                 | \$42,605,840                         | 113%                                   | \$48,144,599     | \$5,538,759                       | \$412                                  | 103%                          |
| ANCHORAGE        | 3,070                 | \$129,504,880                        | 104%                                   | \$134,685,075    | \$5,180,195                       | \$127                                  | 100%                          |
| TOTAL            | 7,585                 | \$319,965,640                        |  | \$352,966,605    | \$33,000,965                      | \$359                                  |                               |

Exhibit C, p. 5

FOUNDATION PROGRAM ANALYSIS/CITY AND BOROUGH DISTRICTS

| SCHOOL DISTRICT  | ADM    | BASE UNITS  | VALUE OF      | VALUE OF    | SPECIAL PROGRAM   | VALUE OF        | VALUE OF        |
|------------------|--------|-------------|---------------|-------------|-------------------|-----------------|-----------------|
|                  |        | AS14.17.041 | BASE UNITS    | REGULAR AID | UNITS AS14.17.041 | SPECIAL PROGRAM | SPECIAL PROGRAM |
|                  |        | (a),(b),(f) | @ \$42,184    | PER ADM     | (c), (d), (e)     | UNITS @\$42,184 | AID PER ADM     |
| PELICAN          | 54     | 12          | \$506,208     | \$9,374     | 1                 | \$42,184        | \$781           |
| TANANA           | 78     | 14          | \$590,576     | \$7,571     | 3                 | \$126,552       | \$1,622         |
| HYDABURG         | 97     | 16          | \$674,944     | \$6,958     | 4                 | \$168,736       | \$1,740         |
| SAND POINT       | 115    | 17          | \$717,128     | \$6,236     | 2                 | \$84,368        | \$734           |
| ST. MARY'S       | 115    | 17          | \$717,128     | \$6,236     | 3                 | \$126,552       | \$1,107         |
| NENANA           | 126    | 18          | \$759,312     | \$6,026     | 5                 | \$210,920       | \$1,674         |
| KING COVE        | 120    | 17          | \$717,128     | \$5,976     | 3                 | \$126,552       | \$1,055         |
| SKAGWAY          | 136    | 19          | \$801,496     | \$5,893     | 2                 | \$84,368        | \$620           |
| GALENA           | 146    | 20          | \$843,680     | \$5,779     | 3                 | \$126,552       | \$867           |
| UNALASKA         | 141    | 19          | \$801,496     | \$5,684     | 3                 | \$126,552       | \$898           |
| YAKUTAT          | 157    | 21          | \$885,864     | \$5,642     | 5                 | \$210,920       | \$1,343         |
| KLAWOCK          | 156    | 20          | \$843,680     | \$5,408     | 4                 | \$168,736       | \$1,082         |
| CRAIG            | 186    | 23          | \$970,232     | \$5,216     | 4                 | \$168,736       | \$907           |
| KAKE             | 202    | 24          | \$1,012,416   | \$5,012     | 8                 | \$337,472       | \$1,671         |
| HOONAH           | 214    | 25          | \$1,054,600   | \$4,928     | 5                 | \$210,920       | \$986           |
| BRISTOL BAY      | 241    | 28          | \$1,181,152   | \$4,901     | 5                 | \$210,920       | \$875           |
| HAINES           | 351    | 37          | \$1,560,808   | \$4,447     | 9                 | \$379,656       | \$1,082         |
| CORDOVA          | 390    | 40          | \$1,687,360   | \$4,327     | 11                | \$464,024       | \$1,190         |
| WRANGELL         | 451    | 45          | \$1,898,280   | \$4,209     | 13                | \$548,392       | \$1,216         |
| DILLINGHAM       | 465    | 46          | \$1,940,464   | \$4,173     | 13                | \$548,392       | \$1,179         |
| PETERSBURG       | 597    | 56          | \$2,362,304   | \$3,957     | 13                | \$548,392       | \$919           |
| NORTHWEST ARCTIC | 1,526  | 142         | \$5,990,128   | \$3,925     | 43                | \$1,813,912     | \$1,189         |
| NORTH SLOPE      | 1,155  | 104         | \$4,387,136   | \$3,798     | 28                | \$1,181,152     | \$1,023         |
| VALDEZ           | 791    | 69          | \$2,910,696   | \$3,680     | 18                | \$759,312       | \$960           |
| NOME             | 850    | 73          | \$3,079,432   | \$3,623     | 21                | \$885,864       | \$1,042         |
| KODIAK           | 2,278  | 165         | \$6,960,360   | \$3,055     | 49                | \$2,067,016     | \$907           |
| KENAI            | 6,548  | 585         | \$24,677,640  | \$2,887     | 139               | \$5,863,576     | \$686           |
| KETCHIKAN        | 7,439  | 151         | \$6,369,784   | \$2,612     | 43                | \$1,813,912     | \$744           |
| SITKA            | 1,654  | 102         | \$4,302,768   | \$2,601     | 37                | \$1,560,808     | \$944           |
| MAT-SU           | 9,366  | 573         | \$24,171,432  | \$2,581     | 130               | \$5,483,920     | \$586           |
| JUNEAU           | 4,700  | 284         | \$11,980,256  | \$2,549     | 96                | \$4,049,664     | \$862           |
| FAIRBANKS        | 13,431 | 809         | \$34,126,856  | \$2,541     | 201               | \$8,478,984     | \$631           |
| ANCHORAGE        | 40,674 | 2,433       | \$102,633,672 | \$2,523     | 637               | \$26,871,208    | \$661           |
| TOTAL            | 91,950 | 6,024       | \$254,116,416 | \$2,764     | 1561              | \$65,849,224    | \$716           |

Exhibit C, p. 6

TABLE 2B:

## MAJOR REVENUE BY SOURCE FOR CITY/BOROUGH DISTRICTS

| SCHOOL DISTRICT    | ADM    | FY87 CITY/BOROUGH<br>APPROPRIATION<br>PER ADM | STATE<br>FOUNDATION<br>PER ADM | P.L. 81-874<br>PER ADM | TOTAL REVENUE<br>MAJOR SOURCES<br>PER ADM |
|--------------------|--------|---|--------------------------------|------------------------|---|
| ANCHORAGE          | 40,674 | \$1,561                                       | \$3,169                        | \$0.00                 | \$4,730                                   |
| BRISTOL BAY        | 241    | \$166   | \$8,950                        | \$1268.13              | \$10,384                                  |
| CORDOVA            | 390    | \$1,603                                       | \$5,142                        | \$30.38                | \$6,775                                   |
| CRAIG              | 186    | \$58  | \$7,265                        | \$178.51               | \$7,501                                   |
| DILLINGHAM         | 465    | \$215   | \$7,792                        | \$860.22               | \$8,867                                   |
| FAIRBANKS          | 13,431 | \$1,597                                       | \$3,599                        | \$3.72                 | \$5,200                                   |
| GALENA             | 146    | \$34  | \$10,663                       | \$2939.91              | \$13,637                                  |
| HAINES             | 351    | \$1,108                                       | \$5,917                        | \$85.47                | \$7,111                                   |
| HOONAH             | 214    | \$47  | \$6,654                        | \$1146.29              | \$7,848                                   |
| HYDARURG           | 97     | \$12  | \$8,975                        | \$0.00                 | \$8,987                                   |
| JUNEAU             | 4,700  | \$1,755                                       | \$3,473                        | \$7.66                 | \$5,236                                   |
| KAKE               | 202    | \$74  | \$7,692                        | \$2253.71              | \$10,020                                  |
| KENAI              | 8,548  | \$2,129                                       | \$3,446                        | \$23.40                | \$5,598                                   |
| KETCHIKAN          | 2,439  | \$2,213                                       | \$3,529                        | \$8.20                 | \$5,750                                   |
| KING COVE          | 120    | \$83  | \$9,215                        | \$475.33               | \$9,773                                   |
| KLAWOCK            | 156    | \$0   | \$7,507                        | \$1661.92              | \$9,168                                   |
| KODIAK             | 2,278  | \$967   | \$5,344                        | \$116.93               | \$6,427                                   |
| MAT-SU             | 9,366  | \$2,078                                       | \$2,966                        | \$0.00                 | \$5,044                                   |
| NENANA             | 126    | \$397   | \$9,150                        | \$47.62                | \$9,594                                   |
| NOME               | 850    | \$242   | \$7,153                        | \$94.12                | \$7,489                                   |
| NORTH SLOPE        | 1,155  | \$11,156                                      | \$8,485                        | \$5714.29              | \$25,355                                  |
| NORTHWEST ARCTIC** | 1,526  | \$0   | \$7,755                        | \$2444.57              | \$10,200                                  |
| PELICAN            | 54     | \$259   | \$11,333                       | \$0.00                 | \$11,592                                  |
| PETERSBURG         | 597    | \$1,095                                       | \$4,054                        | \$8.38                 | \$5,158                                   |
| SAND POINT         | 115    | \$870   | \$7,775                        | \$0.00                 | \$8,644                                   |
| SITKA              | 1,654  | \$1,801                                       | \$3,768                        | \$72.55                | \$5,641                                   |
| SKAGWAY            | 136    | \$353   | \$7,140                        | \$0.00                 | \$7,493                                   |
| ST. MARY'S         | 115    | \$0   | \$10,949                       | \$1739.13              | \$12,688                                  |
| TANANA             | 78     | \$26  | \$13,583                       | \$3005.81              | \$16,615                                  |
| UNALASKA           | 141    | \$1,227                                       | \$8,245                        | \$1347.52              | \$10,820                                  |
| VALDEZ             | 791    | \$5,165                                       | \$4,334                        | \$25.28                | \$9,527                                   |
| WRANGELL           | 451    | \$1,193                                       | \$4,809                        | \$0.00                 | \$6,002                                   |
| YAKUTAT            | 157    | \$182   | \$7,979                        | \$382.17               | \$8,543                                   |
| TOTAL              | 91,950 | \$1,756                                       | \$3,706                        | \$152.75               | \$5,615                                   |

Exhibit D, p. 1

REVENUE FROM VARIOUS SOURCES

| SCHOOL DISTRICT   | ADM    | FY87 STATE<br>FOUNDATION<br>ENTITLEMENT (EST) | P.L. 81-874<br>FY87 ESTIMATED<br>REVENUE | MISCELLANEOUS<br>REVENUE: TOTAL<br>ALL SOURCES | TOTAL<br>REVENUE: ALL<br>SOURCES | TOTAL<br>REVENUE: ALL<br>SOURCES/ADM |
|-------------------|--------|---|--|--|----------------------------------|--------------------------------------|
| ADAK              | 607    | \$2,092,326                                   | \$2,104,016                              | \$310,600                                      | \$4,506,942                      | \$7,425                              |
| ALASKA GATEWAY    | 516    | \$3,559,313                                   | \$775,872                                | \$347,205                                      | 682,390                          | \$9,074                              |
| ALEUTIANS         | 87     | \$1,370,960                                   | \$355,000                                | \$158,728                                      | 884,688                          | \$21,663                             |
| ANNETTE ISLAND    | 413    | \$1,366,767                                   | \$1,639,104                              | \$101,721                                      | \$3,107,592                      | \$7,524                              |
| BERING STRAITS    | 1,233  | \$11,193,524                                  | \$4,141,068                              | \$735,313                                      | \$16,069,905                     | \$13,033                             |
| CHATHAM           | 306    | \$1,970,021                                   | \$964,156                                | \$44,000                                       | \$2,978,177                      | \$9,733                              |
| CPUGACH           | 129    | \$1,370,890                                   | \$140,000                                | \$15,000                                       | \$1,525,890                      | \$11,829                             |
| COPPER RIVER      | 575    | \$3,838,705                                   | \$135,000                                | \$501,000                                      | \$4,474,705                      | \$7,782                              |
| DELTA GREELY      | 1,084  | \$4,802,648                                   | \$1,252,228                              | \$652,007                                      | \$6,706,881                      | \$6,187                              |
| IDITAROD          | 399    | \$4,134,454                                   | \$1,038,030                              | \$168,537                                      | \$5,339,021                      | \$13,381                             |
| KASHUNAMIUT       | 166    | \$1,417,382                                   | \$750,000                                | \$0  | \$2,167,382                      | \$13,057                             |
| KUSPUK            | 408    | \$3,644,698                                   | \$1,440,106                              | \$261,496                                      | \$5,346,300                      | \$13,104                             |
| LAKE AND PENISULA | 370    | \$4,647,795                                   | \$1,322,008                              | \$205,000                                      | \$6,174,803                      | \$16,689                             |
| LOWER KUSKOKWIM   | 2,675  | \$23,996,368                                  | \$7,100,000                              | \$402,441                                      | \$31,498,809                     | \$11,775                             |
| LOWER YUKON       | 1,286  | \$7,426,071                                   | \$5,413,552                              | \$1,193,480                                    | \$14,033,103                     | \$10,912                             |
| PRIBILOF ISLANDS  | 169    | \$1,019,227                                   | \$748,781                                | \$50,000                                       | \$1,818,008                      | \$10,757                             |
| RAILBELT          | 357    | \$3,174,347                                   | \$100,000                                | \$242,839                                      | \$3,517,186                      | \$9,852                              |
| SOUTHEAST ISLANDS | 458    | \$2,952,223                                   | \$849,550                                | \$416,821                                      | \$4,218,594                      | \$9,211                              |
| SOUTHWEST         | 486    | \$4,206,731                                   | \$2,155,859                              | \$415,653                                      | \$6,778,243                      | \$13,947                             |
| YUKON FLATS       | 377    | \$4,935,528                                   | \$714,000                                | \$168,000                                      | \$5,817,528                      | \$15,431                             |
| YUKON KOYUKUK     | 596    | \$5,429,081                                   | \$1,721,696                              | \$297,369                                      | \$7,448,146                      | \$12,497                             |
| YUPIIT            | 285    | \$3,667,899                                   | \$0                                      | \$60,000                                       | \$3,727,899                      | \$13,080                             |
| TOTAL             | 12,982 | \$102,216,958                                 | \$34,860,024                             | \$6,745,210                                    | \$143,822,192                    | \$11,079                             |

Exhibit D, p. 2



COMPARISON OF SCHOOL DISTRICT AVERAGE SCHOOL DISTRICT  
SALARIES AND SALARY SCHEDULES WITH ANCHORAGE - FY 85-86

|              | <u>DISTRICT<br/>T&amp;E<br/>INDEX</u> | <u>SALARY<br/>SCHEDULE<br/>INDEX</u> | <u>ANCH<br/>BASE<br/>SALARY</u> | <u>SALARY<br/>BASED<br/>ON ANCH</u> | <u>ACTUAL<br/>SALARY</u> | <u>DIFFER-<br/>ENCE</u> |
|--------------|---------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------|-------------------------|
| Adak         | 1.412                                 | 1.072                                | 26,078                          | 36,822                              | 44,673                   | 1.21                    |
| Ak Gateway   | 1.425                                 | 1.093                                | 26,078                          | 37,161                              | 45,549                   | 1.23                    |
| Aleutians    | 1.413                                 | 1.235                                | 26,078                          | 36,848                              | 51,466                   | 1.40                    |
| Anchorage    | 1.598                                 | 1.000                                | 26,078                          | 41,673                              | 41,673                   | 1.00                    |
| Annette      | 1.384                                 | 1.000                                | 26,078                          | 36,092                              | 41,673                   | 1.15                    |
| Bering St    | 1.308                                 | 1.101                                | 26,078                          | 34,110                              | 45,882                   | 1.35                    |
| Bristol Bay  | 1.443                                 | 1.061                                | 26,078                          | 37,631                              | 44,215                   | 1.17                    |
| Chatham      | 1.446                                 | 0.894                                | 26,078                          | 37,709                              | 37,255                   | .99                     |
| Chugach      | 1.325                                 | 0.914                                | 26,078                          | 34,553                              | 38,089                   | 1.10                    |
| Copper River | 1.518                                 | 1.204                                | 26,078                          | 39,586                              | 50,174                   | 1.27                    |
| Cordova      | 1.517                                 | 1.017                                | 26,078                          | 39,560                              | 42,381                   | 1.07                    |
| Craig        | 1.308                                 | 0.956                                | 26,078                          | 34,110                              | 39,839                   | 1.17                    |
| Delta        | 1.450                                 | 1.058                                | 26,078                          | 37,813                              | 44,090                   | 1.17                    |
| Dillingham   | 1.484                                 | 1.109                                | 26,078                          | 38,700                              | 46,215                   | 1.24                    |
| Fairbanks    | 1.484                                 | 1.040                                | 26,078                          | 38,699                              | 43,340                   | 1.12                    |
| Galena       | 1.428                                 | 1.193                                | 26,078                          | 37,239                              | 49,716                   | 1.34                    |
| Haines       | 1.541                                 | 1.022                                | 26,078                          | 39,482                              | 42,590                   | 1.08                    |
| Hoonah       | 1.462                                 | 1.026                                | 26,078                          | 38,126                              | 42,756                   | 1.12                    |
| Hydaburg     | 1.234                                 | 0.962                                | 26,078                          | 32,180                              | 40,060                   | 1.24                    |
| Iditarod     | 1.481                                 | 1.070                                | 26,078                          | 38,622                              | 44,590                   | 1.15                    |
| Juneau       | 1.609                                 | 1.063                                | 26,078                          | 41,959                              | 44,298                   | 1.06                    |
| Kake         | 1.324                                 | 0.958                                | 26,078                          | 34,527                              | 39,922                   | 1.16                    |
| Kenai        | 1.547                                 | 0.971                                | 26,078                          | 40,343                              | 40,464                   | 1.00                    |
| Ketchikan    | 1.513                                 | 1.010                                | 26,078                          | 39,456                              | 42,090                   | 1.07                    |
| King Cove    | 1.477                                 | 1.057                                | 26,078                          | 38,517                              | 44,048                   | 1.14                    |
| Klwock       | 1.377                                 | 0.951                                | 26,078                          | 35,909                              | 39,500                   | 1.10                    |
| Kodiak       | 1.448                                 | 1.020                                | 26,078                          | 37,761                              | 42,506                   | 1.13                    |
| Kuspuk       | 1.410                                 | 1.085                                | 26,078                          | 36,770                              | 45,215                   | 1.23                    |
| Lake & Penn  | 1.357                                 | 1.079                                | 26,078                          | 35,388                              | 44,965                   | 1.27                    |
| Lower        |                                       |                                      |                                 |                                     |                          |                         |
| Kuskokwim    | 1.383                                 | 1.070                                | 26,078                          | 36,065                              | 44,923                   | 1.25                    |
| Lower Yukon  | 1.398                                 | 1.222                                | 26,078                          | 36,457                              | 50,924                   | 1.40                    |
| Mat-Su       | 1.448                                 | 0.994                                | 26,078                          | 37,760                              | 41,422                   | 1.10                    |
| Nenana       | 1.483                                 | 1.015                                | 26,078                          | 38,682                              | 42,298                   | 1.09                    |
| Nome         | 1.524                                 | 1.151                                | 26,078                          | 39,743                              | 47,966                   | 1.21                    |
| North Slope  | 1.458                                 | 1.283                                | 26,078                          | 38,021                              | 53,466                   | 1.41                    |
| Northwest    |                                       |                                      |                                 |                                     |                          |                         |
| Arctic       | 1.438                                 | 1.158                                | 26,078                          | 37,500                              | 48,257                   | 1.29                    |
| Pelican      | 1.535                                 | 0.941                                | 26,078                          | 40,029                              | 39,214                   | .98                     |
| Petersburg   | 1.551                                 | 0.954                                | 26,078                          | 40,447                              | 39,217                   | .97                     |
| Pribilof     | 1.538                                 | 1.149                                | 26,078                          | 40,108                              | 47,882                   | 1.19                    |
| Railbelt     | 1.491                                 | 1.020                                | 26,078                          | 38,882                              | 42,506                   | 1.09                    |
| Sand Point   | 1.388                                 | 1.113                                | 26,078                          | 36,197                              | 46,382                   | 1.28                    |
| Sitka        | 1.585                                 | 1.038                                | 26,078                          | 41,334                              | 43,257                   | 1.05                    |
| Skagway      | 1.407                                 | 0.965                                | 26,078                          | 36,692                              | 40,214                   | 1.10                    |

EXHIBIT E, p. 1

|                     | <u>DISTRICT<br/>T&amp;E<br/>INDEX</u> | <u>SALARY<br/>SCHEDULE<br/>INDEX</u> | <u>ANCH<br/>BASE<br/>SALARY</u> | <u>SALARY<br/>BASED<br/>ON ANCH</u> | <u>ACTUAL<br/>SALARY</u> | <u>DIFFER-<br/>ENCE</u> |
|---------------------|---------------------------------------|--------------------------------------|---------------------------------|-------------------------------------|--------------------------|-------------------------|
| Southeast<br>Island | 1.442                                 | 1.023                                | 26,078                          | 37,604                              | 42,631                   | 1.13                    |
| Southwest<br>Region | 1.451                                 | 1.066                                | 26,078                          | 37,839                              | 44,423                   | 1.17                    |
| St. Mary's          | 1.318                                 | 1.069                                | 26,078                          | 34,370                              | 44,548                   | 1.30                    |
| Tanana              | 1.430                                 | 1.111                                | 26,078                          | 37,292                              | 46,299                   | 1.24                    |
| Unalaska            | 1.541                                 | 1.095                                | 26,078                          | 40,186                              | 45,632                   | 1.14                    |
| Valdez              | 1.496                                 | 1.087                                | 26,078                          | 39,013                              | 45,299                   | 1.16                    |
| Wrangell            | 1.585                                 | 0.950                                | 26,078                          | 41,334                              | 39,589                   | .96                     |
| Yakutat             | 1.403                                 | 0.960                                | 26,078                          | 36,587                              | 40,001                   | 1.09                    |
| Yukon Flats         | 1.419                                 | 1.114                                | 26,078                          | 37,005                              | 46,424                   | 1.25                    |
| Yukon/<br>Koyukuk   | 1.237                                 | 1.069                                | 26,078                          | 35,127                              | 44,548                   | 1.26                    |

# Alaska Geographic Differential Study 1985

| SCHOOL DISTRICT        | STATE FOUND.<br>AID PER<br>ADM | ONE MILL<br>GENERATION<br>PER ADM | INSTRUCTIONAL<br>UNIT ALLOT.<br>AS14.17.056 | COST OF<br>LIVING<br>DIFFERENTIALS* | PERCENTAGE<br>EQUALIZER |
|------------------------|--------------------------------|-----------------------------------|---|-------------------------------------|-------------------------|
| <b>CITIES/BOROUGH:</b> |                                |                                   |   |                                     |                         |
| ANCHORAGE              | \$3,088                        | \$476                             | 104%  | 100%                                | 97.42994                |
| BRISTOL BAY            | \$8,746                        | \$421                             | 155%  | 129%                                | 97.72305                |
| CORDOVA                | \$5,054                        | \$318                             | 95%   | 111%                                | 98.28228                |
| CRAIG                  | \$7,188                        | \$201                             | 120%  | 102%                                | 98.91613                |
| DILLINGHAM             | \$7,694                        | \$231                             | 150%  | 129%                                | 98.75047                |
| FAIRBANKS              | \$3,531                        | \$352                             | 113%  | 103%                                | 98.09806                |
| GALENA                 | \$10,583                       | \$138                             | 155%  | 129%                                | 99.25575                |
| HAINES                 | \$5,828                        | \$278                             | 112%  | 105%                                | 98.49697                |
| HOONAH                 | \$6,605                        | \$137                             | 112%  | 105%                                | 99.26166                |
| HYDABURG               | \$8,908                        | \$138                             | 104%  | 102%                                | 99.25245                |
| JUNEAU                 | \$3,406                        | \$359                             | 104%  | 103%                                | 98.05796                |
| KAKE                   | \$7,666                        | \$60                              | 112%  | 98%                                 | 99.67392                |
| KENAI                  | \$3,361                        | \$457                             | 104%  | 101%                                | 97.53099                |
| KETCHIKAN              | \$3,458                        | \$371                             | 100%  | 102%                                | 97.99613                |
| KING COVE              | \$9,113                        | \$203                             | 140%  | 126%                                | 98.90154                |
| KLAWOCK                | \$7,491                        | \$37                              | 104%  | 102%                                | 99.79765                |
| KODIAK                 | \$5,274                        | \$243                             | 135%  | 106%                                | 98.68941                |
| MAT-SU                 | \$2,919                        | \$290                             | 104%  | 94%                                 | 98.43244                |
| NENANA                 | \$9,079                        | \$144                             | 125%  | 129%                                | 99.22371                |
| NOME                   | \$7,084                        | \$178                             | 155%  | 132%                                | 99.03593                |
| NORTH SLOPE            | \$8,230                        | \$11750                           | 175%  | 144%                                | 97.00000                |
| NORTHWEST ARCTIC       | \$7,691                        | \$154                             | 155%  | 144%                                | 99.16761                |
| PELICAN                | \$11,163                       | \$278                             | 110%  | 105%                                | 98.50010                |
| PETERSBURG             | \$4,004                        | \$227                             | 90%   | 98%                                 | 98.77474                |
| SAND POINT             | \$7,541                        | \$649                             | 115%  | 126%                                | 97.00000                |
| SITKA                  | \$3,714                        | \$267                             | 104%  | 101%                                | 98.55854                |
| SKAGWAY                | \$5,973                        | \$434                             | 80%   | 105%                                | 97.65409                |
| ST. MARY'S             | \$10,926                       | \$39                              | 180%  | 126%                                | 99.79083                |
| TANANA                 | \$13,473                       | \$151                             | 140%  | 129%                                | 99.18555                |
| UNALASKA               | \$7,998                        | \$678                             | 120%  | 126%                                | 97.00000                |
| VALDEZ                 | \$4,203                        | \$2141                            | 115%  | 111%                                | 97.00000                |
| WRANGELL               | \$4,746                        | \$241                             | 90%   | 98%                                 | 98.69784                |
| YAKUTAT                | \$7,929                        | \$116                             | 115%  | 105%                                | 99.37571                |
| <b>REAAS:</b>          |                                |                                   |   |                                     |                         |
| ADAK                   | \$3,447                        |                                   | 125%  | 126%                                | 100.00000               |
| ALASKA GATEWAY         | \$6,898                        |                                   | 185%  | 139%                                | 100.00000               |
| ALEUTIANS              | \$15,758                       |                                   | 145%  | 129%                                | 100.00000               |
| ANNETTE ISLAND         | \$3,309                        |                                   | 155%  | 139%                                | 100.00000               |
| BERING STRAITS         | \$9,078                        |                                   | 125%  | 129%                                | 100.00000               |
| CHATHAM                | \$6,438                        |                                   | 165%  | 129%                                | 100.00000               |
| CHUGACH                | \$10,627                       |                                   | 160%  | 129%                                | 100.00000               |
| COPPER RIVER           | \$6,676                        |                                   | 145%  | 132%                                | 100.00000               |
| DELTA GREELY           | \$4,430                        |                                   | 150%  | 129%                                | 100.00000               |
| IDITAROD               | \$10,362                       |                                   | 140%  | 126%                                | 100.00000               |
| KASHUNAMIUT            | \$8,538                        |                                   | 175%  | 129%                                | 100.00000               |
| KUSPUK                 | \$8,933                        |                                   | 120%  | 126%                                | 100.00000               |
| LAKE AND PENISULA      | \$12,562                       |                                   | 105%  | 128%                                | 100.00000               |
| LOWER Kuskokwim        | \$8,971                        |                                   | 95%   | 126%                                | 100.00000               |
| LOWER YUKON            | \$5,775                        |                                   | 125%  | 111%                                | 100.00000               |
| PRIBILOF ISLANDS       | \$6,031                        |                                   | 140%  | 111%                                | 100.00000               |
| RAILBELT               | \$8,892                        |                                   | 100%  | 105%                                | 100.00000               |
| SOUTHEAST ISLANDS      | \$6,446                        |                                   | 165%  | 103%                                | 100.00000               |
| SOUTHWEST              | \$8,656                        |                                   | 125%  | 103%                                | 100.00000               |
| YUKON FLATS            | \$13,092                       |                                   | 108%  | 102%                                | 100.00000               |
| YUKON KOYUKUK          | \$9,109                        |                                   | 115%  | 103%                                | 100.00000               |
| YUPIIT                 | \$12,870                       |                                   | 90%   | 102%                                | 100.00000               |

Source:  
 Statistics compiled  
 by William Thompson  
 Southeast Resource Center  
 from DOE statistics and Exhibit F, p. 1  
 from McDowell Group Report

## SCHOOL FINANCE LEGISLATION IN THE STATE OF WASHINGTON; 1977-1987

Governor Booth Gardner, the Washington legislature and top Washington business leaders have made public schools and higher education their top legislative priority for 1987.

To University of Washington political scientist Dave Olson the remarkable thing about education in Washington is not the financial difficulties since 1975, but the massive commitment Washingtonians have made to education over the years.

After the 1976 superior court decision on school funding (that the state is responsible for 100% of the costs of a "basic education") and the 1977 legislative action to assume the responsibility for 100% financing, Washington moved toward the top of states in percentage of state support. By 1986 Washington was second in state support at 75.6%, a much higher level of support than Oregon's 27.9% (Idaho is 65.6%).

State and local school district before 1975 support for schools had been generous, Washington had one of the top teacher salary schedules in the nation; the fifth highest. Nearly all schools had music, art and sports. A majority of students went on to institutions of higher learning, probably the highest percentage in the United States. In 1975 a property taxpayers revolt caused this system of shared financial responsibility to fall apart - the local taxpayers refused to pay their share.

Under the Washington state constitution, voters have to annually approve any property tax mill levies for education - for those costs not paid for by the state. Even though this accounted for an average of 40% of the annual school expenditures in the state, voters regularly approved of the levies, if not on the first try, then on the second. The state constitution requires a 60% vote for approval of any local share. If this should be rejected, there could be a second election, but 60% approval is required and at least 60% of the number voting at the earlier election must vote at the second election. There is no similar vote requirement for city and county programs, except for bond approvals, so any impatience with the level of property taxes can only be expressed by a vote against school funding. (Washington does not have particularly heavy property taxes; it ranks 32 out of 50 states; in 1975 it ranked about 28 out of 50.)

In 1975 Seattle schools lost two elections - and 40% of their budget. This was accompanied by mill levy defeats in other districts that affected 25% of Washington's school children. Seattle schools gave layoff notices to about a third of their teachers. These were the younger teachers with the least tenure. Music and art were terminated. Sports were to be eliminated. The solution for sports was to give any teacher with a coaching certificate priority over teachers with greater tenure. About half of the laid off teachers were rehired when the 1976 legislature passed an emergency measure providing more money for

all school districts, but even with this aid some school districts had been damaged for years. Seattle had one of the most outstanding music programs in the country. This was gone .

The Seattle school district sued the state claiming that the state was not meeting its constitutional "paramount duty" to "make ample provisions for the education of all children." Reliance on special 60% vote levies did not provide stable revenues for an "ample education". In 1977 Superior Court Judge Robert Doran agreed with Seattle. Judge Doran ordered the state to pay for schools through a regular and dependable source, which, given the property tax limitations of the state constitution, could only be state funding. The 1977 legislature immediately responded and passed major school funding reforms. At this point Washington was on a different path than California where the California Supreme Court looked, not at sources of school funding, but at disparities in school expenditures among school districts--disparities which made the opportunity for an education a "function of the wealth of the child's parents and neighbors." In 1974 the Northshore School District, a low wealth district north of Seattle, raised the disparity argument. The Washington Supreme Court rejected the argument on the basis that Northshore had made an inadequate showing that the disparities were so great as to affect a fundamental right. The Northshore decision was unusually uncertain; the justices had stronger convictions after reading about crises in Washington schools in 1975.

In 1976 the average pupil-teacher ratio in Washington was 20:1. (This is misleading as principals, librarians, speech therapists and others who have teaching certificates are included. The actual average in the classroom is probably about 26:1.) In addition there was an average of one "classified" staff person (secretaries, custodians, bus drivers, lawyers, etc.) for each three persons with a teacher's degree. The state passed a "Basic Education Act" under which the state would provide sufficient funding to schools to provide for this average level of staff. It also provided state funding for special education, remedial and bilingual programs and transportation.

The legislature allowed school districts to tax themselves an additional 10% to "enrich" their programs. Only state monies could be used for teacher salaries, which meant that school districts could not supposedly compete for teachers by paying more. Teacher associations could not, as a practical matter, negotiate separate contracts for pay. (The teachers associations strongly opposed this feature added by the 1981 Legislature). As a practical matter wealthier school districts do pay more partly by paying for more days. Some districts had been raising more than 10% of their budget from local sources. Districts some such as Seattle, Bellevue and Mercer Island, all wealthy districts, were allowed to exceed the 10% for an interim period.

In 1985 local support averaged 18% with Seattle, Bellevue and Mercer Island at about 30%. Under the 10% provision these

levies were to be brought down to no more than 10% in any district in three years. The "basic education" level of education provided for in the 1977 Act had probably become sub-basic in a school district such as Sunnyside near Yakima. There the school board had never dared present a mill levy to the voters. The district scraped by on the basic education grant from the state. Sunnyside is one of the few Washington school districts with a high minority population, mostly children of farm workers.

By 1986 Washington education was relatively well funded. But there was slippage. Teacher salaries, averaging \$26,015, formerly fifth highest in the United States, became eleventh and were falling. Washington ranked 47 out of 50 states in class size (pupil-teacher ratio.)

Although Washington's adult population is overwhelmingly English speaking white, an increasing percentage of the school children were minority students, many from one parent and poverty level households. In 1970 the majority-minority ratio was 14:1, by 1986 it was 6:1. In Seattle, 84% nonminority, minority school children have increased from 24% of the school population in 1976 to 51% in 1986. With high birth rates among minority low income parents, especially unmarried and teenager parents, the ratio was projected to be 3:1 by 1995. The increasing number of children from poverty level and single parent households means a tremendous increase in children coming to school with severe learning disabilities and difficulties in staying in school. The dropout rate in the predominantly Hispanic Sunnyvale School District is 60%.

The Washington State Supreme Court never dealt squarely with differences in district wealth and the affect of those differences on the quality of a school child's education. In Kelso in Southwestern Washington, taxpayers have to pay a tax rate of \$89 per \$100,000 in property value to raise \$100 per child. Longview taxpayers a few miles away only pay \$33 per \$100,000 to raise the same amount. The big lumber mills and taxable wealth are in Longview. It is easier to pass mill levies in a wealthy district than in a poor district; in fact, if the district is poor enough it is pointless to try.

The level of understanding of education issues is unique in Washington. The Washington Roundtable, comprised of representatives of the top businesses of the state, has analyzed education as its first order of business and has made well publicized recommendations remarkably free from any partisan or "pro-business" low tax bias. The Citizens Education Center Northwest in Seattle continuously educates and informs. The level of competence among legislative staffs is high.

There is a consensus that more needs to be spent on public education - in the range of \$300 to \$500 million over a two year period - a 4-5% increase in the state's 1986 \$4.5 billion budget. With an additional \$220 million added in for higher education,

this would result in a 5-6% increase. There is no consensus as to where the money should come from. Education advocates instinctively denounce the overuse of sales tax (one of the highest in the country), underuse of the property tax (state constitutional problems here) and, above all, the absence of an income tax. The Washington Roundtable has not taken a position on sources, but it is expected to do so.

Very possibly any increase in education funding will depend on extending the sales tax to services of barbers, lawyers, engineers and doctors plus a sales tax on gasoline (Gardner lost resoundingly on a gas tax proposal in 1985).

What should the priorities be?

For State School Superintendent Frank B. Brouillet, and many others, it is the pupil-teacher ratio. Brouillet wants to reduce it from 1:20 to about 1:19: (This means that the actual number of children in the average classroom would go down from about 1:26 to 1:25.) There is a consensus that this is a top priority. Governor Gardner proposes that this be pared down to more teachers for just grades 1-3, where demands on elementary school teachers are considered greater and where Gardner believes educators can make the most difference.

Property tax equalization is recognized as a goal so that children in areas with low property valuations (Kelso, Sunnyside) do not suffer compared with those in richer districts. Most, probably school districts with below average wealth would receive payments from the state to bring their expenditures up to the level of the average district, but not to the level in Seattle's affluent suburbs. In other states this is the school finance issue the courts and legislature spend their time on.

There is a strong social aspect to Governor Gardner's approach to educational reform. Gardner has focused on the single parent, the pregnant teenager and the poverty level family. Gardner's proposals start before birth with a proposed prenatal care and continue after birth with a nutritional and infant-tracking program, a doubled head start program (Jules Sugarman, Gardner's Director of Health and Social Services, was the originator of the federal Head Start Program in 1964), reducing class sizes from kindergarten through third grade on the basis that additional effort for slow or troubled learners will have the greatest impact in these formative years, more money to schools with high dropout rates to retrieve students and more state aid for drug and alcohol abuse prevention classes.

Governor Gardner irritated the teachers associations with a proposal that the undergraduate teaching degree be scrapped. Instead student teachers would go through a two year master's program, with half that time devoted to practice teaching under higher paid "mentor" teachers and principals.

Gardner, in pursuing his "Schools for the 21st Century" has many more proposals for breaking from tradition. He wants 20 schools to apply for "21st Century Schools" for a chance to redesign what they are doing without regard to present state or local rules or union contracts for five years. These experimental schools would then have access to private foundation resource teams.

Washingtonians take pride in their institutions of higher learning, particularly the University of Washington in Seattle and Washington State University in Eastern Washington.

In 1986 220,000 students were attending college, about 3.5% of the state's population. The U.S. average is 2.9%. 53% of the students were in two year colleges, a little higher percentage than in other Pacific states and a much higher percentage than the U.S. average (38%).

Political scientist David Olson, in referring to Washingtonians "massive commitment to education" hedged when it came to funding of "elite" institutions, e.g. a top ranked University of Washington. Olson said that a democratic spirit tends to make higher education available to greater number but with a tendency to level down.

The colleges began to feel a pinch in the late 1970's during Dixie Lee Ray's administration. State appropriations did not keep up with the enrollment increases. Deep cuts came quickly in the sharp recession of the early 1980's. In 31 months there were five cuts in higher education for a total 30% cut.

Younger nontenured professors were laid off. Whole departments were folded, leaving tenured professors without students. Undergraduate class sizes routinely went up from 40-50 students to 200 students. There were salary increases for faculty, but less than inflation. By 1986 the average University of Washington salary was \$38,363 and the average Washington State salary \$33,906, about 18% less than that at "peer" institutions such as California, Michigan and Illinois. The president of the University of Washington said that the university would not recover until the end of the century. The university, ranked for decades as a top ranked university, had slipped into a second rate status.

The baby boom passed. College age persons in Washington decreased from 460,000 in 1980 to 400,000 in 1986. This brought some relief. By 1985 Washington was out of the recession.

The Washington Roundtable in its June 1986 report noted that "state's current spending on higher education is on a par with that of comparable states and systems" and that "Even though recent increases have been less in Washington, we (the Roundtable) do not recommend increases in funding." Instead the Roundtable made seventeen recommendations to restructure and focus the mission of the many higher education institutions and

programs. This included increasing minimum admission standards for four year institutions and improving the quality of undergraduate education.

The Washington Roundtable in a draft report had recommended targeting of higher dollar expenditures to research institutions. "Having our research institutions continue to fall behind their peers will damage these engines of economic growth." The council was stung by complaints that this was a call for cuts in community college funding claiming that their draft recommendations had been misunderstood.

Gardner's plan called for the state to spend an extra \$152 million in two years to raise professors salaries as much as 18% to reach pay levels at "peer" institutions - this to stop the "brain drain" of professors taking better jobs elsewhere.

The Washington Roundtable refers to the "growing number of states where higher education institutions have played a critical role in economic innovation and adaption by business and workers." Both the Roundtable and Gardner see the university as encouraging innovation in Washington businesses and educating persons with entrepreneurial and other skills to man new businesses - a role similar to Harvard, MIT and the many other institutions in Boston's high tech belt or Stanford and the other Bay area universities near California's Silicon Valley.

## CHAPTER 28A.35—KINDERGARTENS

28A.35.010. Repealed by Laws 1982, ch. 158, § 7(1)

28A.35.011. Decodified

28A.35.020 to 28A.35.070. Repealed by Laws 1982, ch. 158, § 7(2) to (4)

28A.35.080. Decodified

## CHAPTER 28A.40—PERMANENT COMMON SCHOOL FUND—COMMON SCHOOL CONSTRUCTION FUND

28A.40.100. Common school construction fund—Sources—Uses—Excess moneys in, availability, repayment

## Cross References

State school fund, transfer to the common school construction fund, see § 43.79.425.

## CHAPTER 28A.41—STATE GENERAL FUND SUPPORT TO PUBLIC SCHOOLS—SCHOOL DISTRICT REIMBURSEMENT PROGRAMS

(Formerly: Current State School Fund—School District Reimbursement Programs)

28A.41.055. Apportionment factors to be based on current figures—Rules and regulations

## Administrative Code References

In general, see WAC 392-121-100 et seq.

28A.41.130. Annual basic education allocation of funds according to average FTE student enrollment—Student/teacher ratio standard

From those funds made available by the legislature for the current use of the common schools, the superintendent of public instruction shall distribute annually as provided in RCW 28A.48.010 to each school district of the state operating a program approved by the state board of education an amount which, when combined with an appropriate portion of such locally available revenues, other than receipts from federal forest revenues distributed to school districts pursuant to RCW 28A.02.300 and 28A.02.310, as the superintendent of public instruction may deem appropriate for consideration in computing state equalization support, excluding excess property tax levies, will constitute a basic education allocation in dollars for each annual average full time equivalent student enrolled, based upon one full school year of one hundred eighty days, except that for kindergartens one full school year shall be one hundred eighty half days of instruction, or

the equivalent as provided in RCW 28A.58.754, as now or hereafter amended.

Basic education shall be considered to be fully funded by those amounts of dollars appropriated by the legislature pursuant to RCW 28A.41.130 and 28A.41.140 to fund those program requirements identified in RCW 28A.58.754 in accordance with the formula and ratios provided in RCW 28A.41.140.

Operation of a program approved by the state board of education, for the purposes of this section, shall include a finding that the ratio of students per classroom teacher in grades kindergarten through three is not greater than the ratio of students per classroom teacher in grades four and above for such district: *Provided*, That for the purposes of this section, "classroom teacher" shall be defined as an instructional employee possessing at least a provisional certificate, but not necessarily employed as a certificated employee, whose primary duty is the daily educational instruction of students: *Provided further*, That the state board of education shall adopt rules and regulations to insure compliance with the student/teacher ratio provisions of this section, and such rules and regulations shall allow for exemptions for those special programs and/or school districts which may be deemed unable to practicably meet the student/teacher ratio requirements of this section by virtue of a small number of students: *Provided further*, That these rules and regulations shall provide that any district that has a ratio of no greater than twenty-five students per classroom teacher in grades kindergarten through three shall be in conformance with this section.

If a school district's basic education program fails to meet the basic education requirements enumerated in RCW 28A.41.130, 28A.41.140 and 28A.58.754, the state board of education shall require the superintendent of public instruction to withhold state funds in whole or in part for the basic education allocation until program compliance is assured: *Provided*, That the state board of education may waive this requirement in the event of substantial lack of classroom space.

This section shall be effective September 1, 1982.

Amended by Laws 1982, ch. 158, § 2; Laws 1982, ch. 158, § 3, eff. Sept. 1, 1982; Laws 1983, ch. 3, § 30.

1982 Amendments. Laws 1982, ch. 158, § 2, amending the section as last amended by Laws 1979, Ex.Sess., ch. 250, § 2, in the introductory paragraph, in the exception, near the end, substituted "shall be one hundred eighty half days of instruction, or the equivalent as provided in RCW 28A.58.754, as now or hereafter amended" for "may be ninety days as provided by RCW 28A.58.180"; and added a last paragraph which read: "This section shall be null and void and of no effect on September 1, 1982."

Laws 1982, ch. 158, § 3, amending the section as last amended by Laws 1980, ch. 154, § 12, in the introductory paragraph, in the exception near the end, substituted "shall be one hundred eighty half days of instruction, or the equivalent

as provided in RCW 28A.58.754, as now or hereafter amended" for "may be ninety days as provided by RCW 28A.58.180"; and added the last paragraph to read:

"This section shall be effective September 1, 1982."

1983 Amendment. Toward the middle of the first paragraph, substituted references to RCW 28A.02.300 and 28A.02.310 for a reference to RCW 36.33.110.

Severability—Laws 1982, ch. 158: See Historical Note following § 28A.58.754.

## Cross References

Distribution of forest reserve funds, effect on basic education allocation, see § 28A.02.310.

**28A.41.130**

Note 4

Notes of Decisions

Injunction 4

Rules and regulations 5

**4. Injunction**

School district and others did not establish prerequisites for injunction restraining governor from enforcing executive order instituting across-the-board expenditure reduction program to meet state's financial crisis, where, although petitioners had right to ample provision for education, they did not show that they had clear legal right to particular dollar amount of funding. (Per Brachtenbach, C.J., with three Judges concurring.) Seattle School Dist. No. 1 of

**COMMON SCHOOL PROVISIONS**

King County v. State (1982) 87 Wash.2d 534, 647 P.2d 25.

5. Rules and regulations

Notwithstanding that school district had advance notice that Superintendent of Public Instruction intended to deduct from district's allocation of state basic education funds, revenue received by school district from timber sale from county-owned tax title parcel, Superintendent was required to adopt a rule under the Administrative Procedure Act (ch. 34.04) authorizing that specific deduction before doing so, and postdeduction rule identifying the deduction was not sufficient to cure the deficiency. Ocoata School Dist. No. 172 v. Brouillet (1984) 38 Wash.App. 785, 689 P.2d 1882.

**28A.41.140.** [Annual basic education allocation of funds according to average FTE student enrollment—Procedure to determine distribution formula—Submittal to legislature—Enrollment, FTE student, certificated and classified staff, defined—Minimum contact classroom hours—Waiver]

The basic education allocation for each annual average full time equivalent student shall be determined in accordance with the following procedures:

The governor shall and the superintendent of public instruction may recommend to the legislature a formula based on a ratio of students to staff for the distribution of a basic education allocation for each annual average full time equivalent student enrolled in a common school. The distribution formula shall have the primary objective of equalizing educational opportunities and shall provide appropriate recognition of the following costs among the various districts within the state:

- (1) Certificated staff and their related costs;
- (2) Classified staff and their related costs;
- (3) Nonsalary costs;
- (4) Extraordinary costs of remote and necessary schools and small high schools; and
- (5) The attendance of students pursuant to RCW 28A.58.075 and 28A.58.245, each as now or hereafter amended, who do not reside within the servicing school district.

This formula for distribution of basic education funds shall be reviewed biennially by the superintendent and governor. The recommended formula shall be subject to approval, amendment or rejection by the legislature. Commencing with the 1980-81 school year, the formula adopted by the legislature shall reflect a ratio of not less than fifty certificated personnel to one thousand annual average full time equivalent students and one classified person to three certificated personnel. In the event the legislature rejects the distribution formula recommended by the governor, without adopting a new distribution formula, the distribution formula for the previous school year shall remain in effect: *Provided*, That the distribution formula developed pursuant to this section shall be for state apportionment

**COMMON SCHOOL PROVISIONS****28A.41.140**

and equalization purposes only and shall not be construed as mandating specific operational functions of local school districts other than those program requirements identified in RCW 28A.58.754. The enrollment of any district shall be the annual average number of full time equivalent students and part time students as provided in RCW 28A.41.145, as now or hereafter amended, enrolled on the first school day of each month. The definition of full time equivalent student shall be determined by rules and regulations of the superintendent of public instruction: *Provided*, That the definition shall be included as part of the superintendent's biennial budget request; *Provided, further*, That any revision of the present definition shall not take effect until approved by the house appropriations committee and the senate ways and means committee; *Provided, further*, That the office of financial management shall make a monthly review of the superintendent's reported full time equivalent students in the common schools in conjunction with RCW 43.62.050.

Certificated staff shall include those persons employed by a school district in a teaching, instructional, educational staff associate, learning resources specialist, administrative or supervisory capacity and who hold positions as certificated employees as defined under RCW 28A.01.130, as now or hereafter amended, and every school district superintendent, and any person hired in any manner to fill a position designated as, or which is in fact, that of deputy superintendent or assistant superintendent: *Provided*, That in exceptional cases, people of unusual competence but without certification may teach students so long as a certificated person exercises general supervision; *Provided, further*, That the hiring of such noncertificated people shall not occur during a labor dispute and such noncertificated people shall not be hired to replace certificated employees during a labor dispute. Each annual average full time equivalent certificated classroom teacher's direct classroom contact hours shall average at least twenty-five hours per week. Direct classroom contact hours shall be exclusive of time required to be spent for preparation, conferences, or any other nonclassroom instruction duties. Up to two hundred minutes per week may be deducted from the twenty-five contact hour requirement, at the discretion of the school district board of directors, to accommodate authorized teacher/parent-guardian conferences, recess, passing time between classes, and informal instructional activity. Implementing rules to be adopted by the state board of education pursuant to RCW 28A.58.754(6) shall provide that compliance with the direct contact hour requirement shall be based upon teachers' normally assigned weekly instructional schedules, as assigned by the district administration. Additional record-keeping by classroom teachers as a means of accounting for contact hours shall not be required. However, upon request from the board of directors of any school district, the provisions relating to direct classroom contact hours for individual teachers in that district may be waived by the state board of education if the waiver is necessary to implement a locally approved plan for educational excellence and the waiver is limited to those individual teachers approved in the local plan for educational excellence. The state board of education shall develop criteria to evaluate the need for the waiver. Granting of the waiver shall depend upon verification that: (a) The students' classroom instructional time will not be reduced; and (b) the teacher's expertise is critical to the success of the local plan for excellence.

Amended by Laws 1983, ch. 229, § 1; Laws 1985, ch. 849, § 5.

Exhibit 5, p. 8

## 28A.41.140

## COMMON SCHOOL PROVISIONS

1983 Amendment. In the last para- 1983 Amendment. Added the last graph, added the last two sentences. Three sentences in the section.

**28A.41.143. Annual basic education allocation of funds according to average FTE student enrollment—Procedure for credit- ing portion for school building purposes**

The board of directors of a school district may, by properly executed resolution, request that the superintendent of public instruction direct a portion of the district's basic education allocation be credited to the district's capital projects fund and/or bond redemption fund. Moneys so credited shall be used solely for school building purposes.

Amended by Laws 1985, ch. 7, § 89.

1985 Amendment. Near the end of the first sentence, substituted "capital projects fund" for "building fund".

**28A.41.145. [Definitions—Enrollment of part time students authoriz- ed—Reimbursement for costs—Funding authority recog- nition—Rules, regulations]**

(1) For purposes of this section, the following definitions shall apply:

(a) "Private school student" shall mean any student enrolled full time in a private school;

(b) "School" shall mean any primary, secondary or vocational school;

(c) "School funding authority" shall mean any nonfederal governmental authority which provides moneys to common schools;

(d) "Part time student" shall mean and include: Any student enrolled in a course of instruction in a private school and taking courses at and/or receiving ancillary services offered by any public school not available in such private school; or any student who is not enrolled in a private school and is receiving home-based instruction under RCW 28A.27.010 which instruction includes taking courses at or receiving ancillary services from the local school district or both; or any student involved in any work training program and taking courses in any public school, which work training program is approved by the school board of the district in which such school is located.

(2) The board of directors of any school district is authorized and, in the same manner as for other public school students, shall permit the enroll- ment of and provide ancillary services for part time students: *Provided*, That this section shall only apply to part time students who would be otherwise eligible for full time enrollment in the school district.

(3) The superintendent of public instruction shall recognize the costs to each school district occasioned by enrollment of and/or ancillary services provided for part time students authorized by subsection (2) of this section and shall include such costs in the distribution of funds to school districts pursuant to RCW 28A.41.140. Each school district shall be reimbursed for the costs or a portion thereof, occasioned by attendance of and/or ancillary services provided for part time students on a part time basis, by the superintendent of public instruction, according to law.

(4) Each school funding authority shall recognize the costs occasioned to each school district by enrollment of an ancillary services provided for part

## COMMON SCHOOL PROVISIONS

## 28A.41.162

time students authorized by subsection (2) of this section, and shall include said costs in funding the activities of said school districts.

(5) The superintendent of public instruction is authorized to adopt rules and regulations to carry out the purposes of RCW 28A.41.140 and 28A.41.145.

Amended by Laws 1985, ch. 441, § 5.

1985 Amendment. In definition of "private school student", following "in a private", deleted "or private sectarian"; rewrote definition of "part time stu- dent"; rewrote subsec. (2); and, in sub- secs. (3) and (4), following "subsection (2)", inserted "of this section".

Administrative Code References  
In general, see WAC 292-134-001 et seq.

**28A.41.160. Reimbursement for transportation costs—Method—Limita- tions**

Administrative Code References

In general, see WAC 392-141-005 et seq.

**28A.41.162. Additional programs for which legislative appropriations must or may be made**

In addition to those state funds provided to school districts for basic education, the legislature shall appropriate funds for pupil transportation, in accordance with this chapter, and for programs for handicapped stu- dents, in accordance with chapter 28A.18 RCW. The legislature may appropriate funds to be distributed to school districts for population factors such as urban costs, enrollment fluctuations and for special programs, including but not limited to, vocational-technical institutes, compensator, programs, bilingual education, urban, rural, racial and disadvantaged pro- grams, programs for gifted students, and other special programs.

Amended by Laws 1982, 1st Ex.Sess., ch. 24, § 1.

Effective date—Laws 1982, 1st Ex. Sess., ch. 24: "Sections 2 and 8 of this amendatory act shall take effect Septem- ber 1, 1982." [Laws 1982, 1st Ex.Sess., ch. 24, § 6.] Sections 2 and 8 of Laws 1982, 1st Ex.Sess., ch. 24 are codified as §§ 28A.41.620 and 28A.41.525. The re- maining sections are effective July 10, 1982.

1982 Amendment. In the first sen- tence, substituted "this chapter" for a reference to "RCW 28A.41.160".

Severability—Laws 1982, 1st Ex. Sess., ch. 24: "If any provision of this amendatory act or its application to any

person or circumstance is held invalid, the remainder of the act or the applica- tion of the provision to other persons or circumstances is not affected." [Laws 1982, 1st Ex.Sess., ch. 24, § 7.] This applies to §§ 28A.41.162, 28A.41.520, 28A.41.525, the section noted following § 28A.41.520, and the repeal of section 19, chapter 265, Laws of 1981 (uncor- ried).

Report of legislature relating to stu- dent transportation allocation—Laws 1982, 1st Ex.Sess., ch. 24: See Historical Note following § 28A.41.520.

Exhibit G, p. 9

## 28A.41.130 COMMON SCHOOL PROVISIONS

ment under the provisions of 16 U. S.C.A. § 500 as a contribution in lieu of taxes, is a matter within the discretion of the legislature so long as the funds are used for either public schools or public roads or both. It

## 28A.41.140 Annual basic education allocation of funds according to average FTE student enrollment

—Procedure to determine distribution formula—Submittal to legislature—Enrollment FTE student, certificated and classified staff, defined—Minimum contact classroom hours

The basic education allocation for each annual average full time equivalent student shall be determined in accordance with the following procedures:

The governor shall and the superintendent of public instruction may recommend to the legislature a formula based on a ratio of students to staff for the distribution of a basic education allocation for each annual average full time equivalent student enrolled in a common school. The distribution formula shall have the primary objective of equalizing educational opportunities and shall provide appropriate recognition of the following costs among the various districts within the state:

- (1) Certificated staff and their related costs;
- (2) Classified staff and their related costs;
- (3) Nonsalary costs;
- (4) Extraordinary costs of remote and necessary schools and small high schools; and
- (5) The attendance of students pursuant to RCW 28A.58.073 and 28A.58.245, each as now or hereafter amended, who do not reside within the servicing school district.

This formula for distribution of basic education funds shall be reviewed biennially by the superintendent and governor. The recommended formula shall be subject to approval, amendment or rejection by the legislature. Commencing with the 1980-81 school year, the formula adopted by the legislature shall reflect a ratio of not less than fifty certificated personnel to one thousand annual average full time equivalent students and one classified person to three certificated personnel. In the event the legislature rejects the distribution formula recommended by the governor, without adopting a new distribution formula, the dis-

## GENERAL FUND SUPPORT 28A.41.140

tribution formula for the previous school year shall remain in effect: *Provided*, That the distribution formula developed pursuant to this section shall be for state apportionment and equalization purposes only and shall not be construed as mandating specific operational functions of local school districts other than those program requirements identified in RCW 28A.58.754. The enrollment of any district shall be the annual average number of full time equivalent students and part time students as provided in RCW 28A.41.145, as now or hereafter amended, enrolled on the first school day of each month. The definition of full time equivalent student shall be determined by rules and regulations of the superintendent of public instruction: *Provided*, That the definition shall be included as part of the superintendent's biennial budget request: *Provided, further*, That any revision of the present definition shall not take effect until approved by the house appropriations committee and the senate ways and means committee: *Provided, further*, That the office of financial management shall make a monthly review of the superintendent's reported full time equivalent students in the common schools in conjunction with RCW 43.62.050.

Certificated staff shall include those persons employed by a school district in a teaching, instructional, educational staff associate, learning resources specialist, administrative or supervisory capacity and who hold positions as certificated employees as defined under RCW 28A.01.130, as now or hereafter amended, and every school district superintendent, and any person hired in any manner to fill a position designated as, or which is in fact, that of deputy superintendent or assistant superintendent: *Provided*, That in exceptional cases, people of unusual competence but without certification may teach students so long as a certificated person exercises general supervision: *Provided, further*, That the hiring of such noncertificated people shall not occur during a labor dispute and such noncertificated people shall not be hired to replace certificated employees during a labor dispute. Each annual average full time equivalent certificated classroom teacher's direct classroom contact hours shall average at least twenty-five hours per week. Direct classroom contact hours shall be exclusive of time required to be spent for preparation, conferences, or any other nonclassroom instruction duties. Up to two hundred minutes per week may be deducted from the twenty-five contact hour requirement, at the discretion of the school district board of directors, to accommodate authorized teacher/parent-guardian conferences, recess, passing time between classes, and informal instructional activity.

EXHIBIT G, P. 10



# Funding Schools In Washington

Exhibit G, p 11

Published By  
Citizens Education Center Northwest

# Basic Education Act

This law was passed in 1977 to comply with the state constitutional mandate that the state must make "ample provision" for education and must do so on a "general and uniform" basis.

The Basic Education Act defines a minimum program of education that each school district must offer (but not that each student must take) in order to qualify for state funds. It also establishes a funding formula to distribute these funds to districts equitably. The law describes what the state legislature means by "full funding" of basic education.

There are four main parts.

## A. DEFINITION OF BASIC EDUCATION

The law defines the broad basic- and work-skill courses that constitute a program of basic education.

**Basic Skills:** reading, language arts, math, social studies, science, music, art, health, physical education, and foreign languages.

**Work Skills:** industrial arts, home and family life, business and office, agricultural, vocational, health occupations, trade and industrial, technical, and career education courses within the basic skills areas that have job application, such as graphic arts and journalism.

Other courses not identified as basic or work skills are considered electives.

School districts are required to offer certain percentages of these courses in elementary, junior high, and high school, or state funds may be withheld. Minimum hours of instruction per year for various grade levels are prescribed that, in turn, establish a minimum length for the school day. In addition, a school year must be a minimum of 180 days.

| Grade Level | Courses a District Must Offer* | Length of School Day |
|-------------|--------------------------------|----------------------|
| K           | 100% Basic (B)                 | 2.5 Hours            |
| 1-3         | 95% B; 5% Elective (E)         | 5.0 Hours            |
| 4-6         | 90% B; 10% E                   | 5.5 Hours            |
| 7-8         | 85% B; 10% Work (W); 5% E      | 5.5 Hours            |
| 9-12        | 60% B; 20% W; 20% E            | 6.0 Hours            |

\*Districts may deviate from the course percentages by up to 5 percent. Handicapped, vocational-technical, and state institution programs are exempt from the course requirements.

## B. FUNDING FORMULA

The funding formula describes how the state will pay for this program of education. Its purpose is to distribute money equitably among districts for basic education. The formula does not dictate how districts should spend the money they receive or how they should staff their schools, although districts are restricted from using money from any source to support salary increases beyond the salary lid as prescribed by the state.

Each biennium, the governor recommends to the legislature, which has final approval, a staff-student ratio that becomes the basis of a formula for distributing money to local districts. That formula must recognize at least the following basic education costs:

### 1. Salary costs for:

- 1 certificated staff member for every 20 full-time equivalent students (or 50:1000), and
- 1 classified staff member for every 3 certificated staff members.

### 2. Nonsalary costs, such as books, supplies, heat, and electricity (called NERCS: non-employee related costs).

### 3. Extra costs of small schools.

### 4. Extra costs of students from districts without high schools.

Certificated staff are: teachers, librarians, principals, counselors, nurses, central office administrators, superintendents, and others who hold teaching certificates.

Classified staff are: secretaries, custodians, bus drivers, lawyers, lunchroom workers, accountants, computer programmers, and others without teaching certificates.

Each classroom teacher is to teach for an average of 25 hours per week. Up to 200 minutes a week may be subtracted from this teaching time for other activities, including conferences, recess, and passing time between classes. In addition, a teacher working on a local district's plan for excellence may be exempted from the average instructional time requirement.



Exhibit 5, p. 12

## C. CATEGORICAL PROGRAMS

The following special programs have also been defined as part of a basic education program as a result of court interpretations, (Doran II, April 1983). They are funded separately from the funding formula described above but are also included within the state's constitutional obligation.

1. **TRANSPORTATION**—The state has allocated funds to school districts to cover the operating costs of transporting eligible students to and from school. For students to qualify for this state-funded transportation, they must live at or outside of a one-mile radius surrounding the school. Students living within this radius may receive state-funded transportation if their route to school is deemed hazardous according to state criteria.

State funding for transportation shall also cover the costs of buying buses.

2. **HANDICAPPED**—The state assumes responsibility for providing an appropriate education for handicapped students between the ages of three and twenty-one.

Definitions:

a) **Handicapped student:** One who is temporarily or permanently retarded in normal educational process by reason of a physical or mental handicap, an emotional maladjustment or other handicap, or who has specific learning and language disabilities.

b) **An appropriate education:** One directed to the unique needs, abilities, and limitations of a handicapped student.

In order to be included within this program, the student must meet certain eligibility criteria for one of the following handicaps: developmentally delayed; orthopedically impaired; health impaired; deaf; hard of hearing; visually handicapped; deaf-blind; mentally retarded; behaviorally disordered; specific learning disabled; multihandicapped; and communication disordered. Funding for handicapped programs is based upon the severity of the handicap.

The state also requires school districts to provide preschool education programs for handicapped three- and four-year-olds.

3. **BILINGUAL**—In 1984, the Transitional Bilingual Instruction Act that had been passed in 1979 was defined as part of basic education and thereby guaranteed funding.

The law sets forth definitions and procedures for providing bilingual instruction to eligible students. The objective is competency in English.

Definitions:

a) **Transitional bilingual instruction:** A way of teaching that uses two languages, one of which is English, to enable eligible students to achieve competency in English.

b) **Alternative instruction program:** Programs such as English as a Second Language (ESL) or Immersion which may be used when bilingual education is not practicable.

c) **Eligible student:** One whose primary language is other than English and whose English language skills are such as to impair learning when taught only in English.

Every school district's board of directors shall:

1. Make bilingual instruction available to eligible students.
2. Appoint an advisory committee of citizens, including parents of eligible students, teachers, and other staff.
3. Attempt, where feasible, to communicate bilingually with parents.
4. Determine eligible students through annual testing.
5. Provide in-service training to staff.

Bilingual instruction is limited in most cases to three years for each eligible student.

4. **REMEDICATION**—The state provides for small remedial tutoring sessions (5 students or fewer) through its Remediation Assistance Program (RAP) to help students in grades two through six who are behind grade level in reading, math, and language arts. At least 50 percent of the funds spent on the program shall be spent at schools with high concentrations of low-income families.

To determine the number of eligible students in each district, the percentage of children who score in the lowest 25 percent of the statewide basic skills test (given in the 4th grade) is multiplied by the total number of children in grades 2 through 6.

The number of eligible students multiplied by \$337 (1985 dollar amount) determines the total funding each district is to receive. Eligible students may be placed in an approved remediation program based on local tests.

Remediation programs have also been funded for grades seven through nine although those grades are not covered in the RAP law.

5. **OTHER PROGRAMS**—There is no obligation for the state to fund other programs not covered under the Basic Education Act. The state may (or may not) pay for extra costs of urban districts, enrollment fluctuations, vocational-technical institutes, compensatory programs, gifted programs, or other special programs.

Exhibit 9, p. 13

EXHIBIT H

EXCERPTS FROM U.S. DEPARTMENT OF EDUCATION RANKING OF STATES IN EDUCATION-WESTERN STATES

(Ranking shown in parentheses)

|            | Education<br>expenditure<br>per pupil<br>(1984) | Expenditure<br>as pct of<br>Income<br>per capita<br>(1984) | Test<br>scores<br>ACT<br>(28 states)<br>SAT<br>(22 states)<br>(1985) | Average<br>teacher<br>salary<br>(1985) | Per Capita<br>income<br>(1984) |
|------------|---|--|--|--|--------------------------------|
| Alaska     | \$8627<br>(1)                                   | 37.3<br>(1)  | (20)ACT<br>17.6  | 39,751<br>(1)                          | 17,487(1)                      |
| Wyoming    | \$4523<br>(4)                                   | 37.0<br>(2)  | (7)ACT<br>19.4   | 26,398<br>(7)                          | 12,224(28)                     |
| Oregon     | \$3677<br>(10)                                  | 31.7<br>(5)  | (2)SAT<br>928  | 24,378<br>(18)                         | 11,611(34)                     |
| Montana    | \$3604<br>(13)                                  | 34.2<br>(4)  | (6)ACT<br>19.5   | 21,705<br>(27)                         | 10,546(41)                     |
| Washington | \$3465<br>(16)                                  | 27.1<br>(16)   | -  | 25,610<br>(10)                         | 12,792(19)                     |
| Colorado   | \$3373<br>(18)                                  | 24.4<br>(27)   | (4)ACT<br>19.7   | 24,454<br>(16)                         | 13,847(9)                      |
| Hawaii     | \$3334<br>(19)                                  | 25.6<br>(20)   | (20)SAT<br>837   | 24,628<br>(13)                         | 13,042(17)                     |
| California | \$2963<br>(28)                                  | 20.5<br>(48)   | (9)SAT<br>904  | 27,410<br>(5)                          | 14,487(6)                      |
| New Mexico | \$2928<br>(30)                                  | 28.5<br>(12)   | (23)ACT<br>17.5  | 22,064<br>(26)                         | 10,262(44)                     |
| Arizona    | \$2751<br>(35)                                  | 23.2<br>(35)   | (16)ACT<br>18.7  | 23,380<br>(20)                         | 11,841(31)                     |
| Nevada     | \$2690<br>(39)                                  | 20.2<br>(50)   | (17)ACT<br>18.5  | 22,520<br>(25)                         | 15,320(12)                     |
| Idaho      | \$2181<br>(47)                                  | 21.6<br>(43)   | (14)ACT<br>18.8  | 20,033<br>(40)                         | 10,092(46)                     |
| Utah       | \$2053<br>(51)                                  | 21.1<br>(46)   | (11)ACT<br>18.9  | 21,170<br>(29)                         | 9,733(49)                      |

Rankings are in parentheses. Fourteen is average for the ACT test given in 28 states. Eleven is average for the SAT test given in 22 states. Oregon and Colorado are noticeably higher. Alaska, Hawaii, New Mexico, and Nevada are noticeably low. Washington gives neither test, but should be similar to Oregon.

WITNESS ROSTER WORK SHEET

5845 - State Support of Ed. 1/28/87  
Bill # Title Date of Hearing

1. Name: Gary Shurlow  
Address: PO Box 3437 Palmer 99645 Phone #: 376-4552  
Representing: Sen Kerttula Title: \_\_\_\_\_
2. Name: Frank McElrath  
Address: \_\_\_\_\_ Phone #: \_\_\_\_\_  
Representing: Kenan Pen Broach Title: \_\_\_\_\_
3. Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Phone #: \_\_\_\_\_  
Representing: \_\_\_\_\_ Title: \_\_\_\_\_
4. Name: \_\_\_\_\_  
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Representing: \_\_\_\_\_ Title: \_\_\_\_\_
5. Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Phone #: \_\_\_\_\_  
Representing: \_\_\_\_\_ Title: \_\_\_\_\_
6. Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Phone #: \_\_\_\_\_  
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7. Name: \_\_\_\_\_  
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12. Name: \_\_\_\_\_  
Address: \_\_\_\_\_ Phone #: \_\_\_\_\_  
Representing: \_\_\_\_\_ Title: \_\_\_\_\_

## NEWS RELEASE

SUBJECT: EFFECT OF GOVERNOR COWPER'S BUDGET ON THE KENAI  
PENINSULA BOROUGH

Borough taxpayers should expect a tax increase if the recently announced budget proposal by Governor Cowper is passed. The Governor's budget will reduce Borough revenues primarily in the area of Revenue Sharing, Municipal Assistance, and Debt Service Reimbursement.

Debt service reimbursement on debt incurred for school construction is to be reduced to 70% of the entitlement. This means that the State will be reimbursing the Borough for 56% of expenditures made on the \$83.575 million in bonds which were approved by the voters in 1985. These bonds are eligible for up to an 80% reimbursement rate. This reduction in the funding for debt service reimbursement will cost the Borough taxpayers \$6,442,612, or about 2 mills in fiscal year 1988. Taxpayers will be paying over 3.5 mills for school debt service alone in FY88.

The State municipal assistance program, currently funded at \$65,858,500, has been reduced 19% from the 1986 level of \$81,306,800. This program is expected to contribute \$2,500,000 to the Borough general fund in fiscal year 1987. The Governor's proposed 1988 budget would further reduce this program by 20%, which would reduce Borough revenues by \$500,000...

The State revenue sharing program has also been cut about 20% from the 1986 level. The Borough general fund is expected to receive \$744,000 from this program. The total share for the Borough and service areas is expected to be \$2,473,000. The Governor's proposed 1988 budget would further reduce this program by 20% which would reduce general fund revenue by about \$149,000 and the Borough in total by \$495,000.

The total revenue loss to the Borough general fund would be about \$7,100,000 and the service areas would lose another \$495,000.

S B

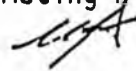
51

BILL NO: SB 51

DATE: 1/26/87

TITLE: "An Act relating to alcohol."

CONTACT: Maj. Walter J. Gilmour  
Acting Director

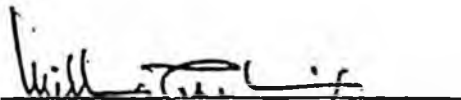


DEPARTMENT OF  
PUBLIC SAFETY  
POSITION PAPER

The Division of Alaska State Troopers supports passage of this legislation.

This legislation changes the current statute to reflect a concern over continuing violations over local option laws by making violators subject to a class C felony, regardless of previous convictions or age of the perpetrator.

Although no additional enforcement effort is anticipated as a result of the passage of this legislation, it will provide a stronger disincentive to violate the local option elections.



WILLIAM R. NIX  
Acting Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST \_\_\_\_\_

Bill Version: SB 51  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An Act relating to Alcohol

Agency Affected: ABC Board  
BRU: ABC

Sponsor: Senator Binkley  
Requestor: \_\_\_\_\_

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

|                    | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|--------------------|-------|-------|-------|-------|-------|-------|
| OPERATING          |       |       |       |       |       |       |
| PERSONAL SERVICES  | -     | -     | -     | -     | -     | -     |
| TRAVEL             | -     | -     | -     | -     | -     | -     |
| CONTRACTUAL        | -     | -     | -     | -     | -     | -     |
| SUPPLIES           | -     | -     | -     | -     | -     | -     |
| EQUIPMENT          | -     | -     | -     | -     | -     | -     |
| LANDS & STRUCTURES | -     | -     | -     | -     | -     | -     |
| GRANTS, CLAIMS     | -     | -     | -     | -     | -     | -     |
| MISCELLANEOUS      | -     | -     | -     | -     | -     | -     |
| TOTAL OPERATING    | -     | -     | -     | -     | -     | -     |
| CAPITAL            | -     | -     | -     | -     | -     | -     |
| REVENUE            | -     | -     | -     | -     | -     | -     |

FUNDING: (Thousands of Dollars)

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| GENERAL FUND  | - | - | - | - | - | - |
| FEDERAL FUNDS | - | - | - | - | - | - |
| OTHER         | - | - | - | - | - | - |
| TOTAL         | - | - | - | - | - | - |

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: Patrick L. Sharrock *for*  
Division: ABC Board

Phone: 277-8638  
Date: 2/13/87

Approved by Commissioner: Hugh Malone *for*  
Agency: Department of Revenue

Date: 2/13/87

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

FEB 16 1987

REQUEST: \_\_\_\_\_

Bill Version : SB 51  
Publish Date : \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An Act relating to alcohol."

Agency Affected: Department of Law  
BRU: Prosecution

Sponsor: Sen. Binkley  
Requestor: Sen. Binkley

Components: All

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  | -0- | -0- | -0- | -0- | -0- | -0- |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| TOTAL         |     |     |     |     |     |     |

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Please see attached analysis.

Prepared by: Richard I. Pegues, Director  
Division: Administrative Services

Phone: 465-3672  
Date: Feb. 12, 1987

Approved by Commissioner: Grace Berg Schaible  
Agency: Department of Law

Date: Feb. 12, 1987

Distribution (by preparer):

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

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version: Senate Bill No. 51  
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: "An act relating to alcohol"

Agency Affected: Department of Corrections  
BRU: \_\_\_\_\_

Sponsor: Senator John Binkley  
Requestor: Senator John Binkley

Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING              | FY 87    | FY 88    | FY 89    | FY 90    | FY 91    | FY 92    |
|------------------------|----------|----------|----------|----------|----------|----------|
| PERSONAL SERVICES      |          |          |          |          |          |          |
| TRAVEL                 |          |          |          |          |          |          |
| CONTRACTUAL            |          |          |          |          |          |          |
| SUPPLIES               |          |          |          |          |          |          |
| EQUIPMENT              |          |          |          |          |          |          |
| LAND & STRUCTURES      |          |          |          |          |          |          |
| GRANTS, CLAIMS         |          |          |          |          |          |          |
| MISCELLANEOUS          |          |          |          |          |          |          |
| <b>TOTAL OPERATING</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

|                |          |          |          |          |          |          |
|----------------|----------|----------|----------|----------|----------|----------|
| <b>CAPITAL</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
|----------------|----------|----------|----------|----------|----------|----------|

|                |          |          |          |          |          |          |
|----------------|----------|----------|----------|----------|----------|----------|
| <b>REVENUE</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
|----------------|----------|----------|----------|----------|----------|----------|

**FUNDING: (Thousands of Dollars)**

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| GENERAL FUND  | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS |   |   |   |   |   |   |
| OTHER         |   |   |   |   |   |   |
| <b>TOTAL</b>  |   |   |   |   |   |   |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

This bill is expected to have only minor impact on inmate populations.

Prepared by: Susie Riley, Budget Analyst Phone: 465-3376  
Division: Administrative Services Date: 01/26/87

Approved by Commissioner: William W. Ladwig Date: 01/26/87  
Agency: Department of Corrections

**Distribution (by preparer):**

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

# Senator Johne Binkley

Alaska State Senate

P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985




Finance Committee  
Co-Chairman

## M E M O R A N D U M

March 11, 1987

TO: Senator Paul Fischer, Chairman  
Health, Education, and Social Services Committee

FROM: Senator Johne Binkley 

RE: Senate Bill 51 - "An Act relating to alcohol."

Bootlegging in communities where there is a restriction on alcohol is a serious crime. Communities that have adopted a local option law recognize how serious alcohol problems are and how devastating these problems are to their community. Community police and public safety officers work very hard and at great expense to apprehend and convict bootleggers. Under current law, most offenders are charged with a Class A Misdemeanor. The District Attorney in Bethel estimates that two dozen misdemeanor cases are referred to his department each year and two or three felony cases. This bill would raise the penalty for bootlegging in a local option area to a Class C Felony.

### Current Law

Under current law the person would be charged with the misdemeanor offense unless the following circumstances were present:

- \*the person had been previously convicted of bootlegging
- \*the sale was made to a minor
- \*the quantity of the sale was of a specified amount
  - 12 liters or more of distilled spirits  
(a little more than 17 quarts)
  - 24 liters or more of wine  
(about 6½ gallons)
  - 45 liters or more of malt beverages  
(approximately six cases)

If any of the above circumstances have occurred the person is charged with the felony offense.

Senator Paul Fischer  
March 11, 1987  
Page 2

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### Penalties

A Class A Misdemeanor carries a maximum jail term of one year and a fine of up to \$1,000. Typical sentences in the Bethel courts are 30-90 days with a fine double the value of the alcohol involved.

A Class C Felony carries a maximum jail term of five years and a fine of up to \$5,000 (for the first conviction). A second "Class C Felony" charge also carries a two year presumptive term.

Communities in my district feel strongly that the stiffer penalty will be a greater deterrent to the bootlegger. Under present law when the bootlegger is caught and charged with the Class A Misdemeanor, he is educated in how the legal system works; he learns to improve his system, and how not to get caught. Bootlegging in a local option community is a serious crime. By increasing the penalties to the more serious Class C Felony charge we will send a clear message to those who would break the law that lawbreaking will not be tolerated.

SENATE COMMITTEE REPORT

FURTHER:

JUDICIARY  
FINANCE

2/26/87

DATE TURNED INTO OFFICE 3/13/87

Mr. President:

HESS

Committee considered SB 51

relating to alcohol.

and recommended:

replace with \_\_\_\_\_ CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ )  new title

attached amendment(s) and

<sup>majority</sup> do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous

zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rich. Hefner  
J. Kott  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Paul Frick Do Pass  
Chairman signature and recommendation

# Senator Johne Binkley

Alaska State Senate  
P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985




Finance Committee  
Co-Chairman

## M E M O R A N D U M

March 11, 1987

TO: Senator Paul Fischer, Chairman  
Health, Education, and Social Services Committee

FROM: Senator Johne Binkley 

RE: Senate Bill 51 - "An Act relating to alcohol."

Bootlegging in communities where there is a restriction on alcohol is a serious crime. Communities that have adopted a local option law recognize how serious alcohol problems are and how devastating these problems are to their community. Community police and public safety officers work very hard and at great expense to apprehend and convict bootleggers. Under current law, most offenders are charged with a Class A Misdemeanor. The District Attorney in Bethel estimates that two dozen misdemeanor cases are referred to his department each year and two or three felony cases. This bill would raise the penalty for bootlegging in a local option area to a Class C Felony.

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(a little more than 17 quarts)
  - 24 liters or more of wine  
(about 6½ gallons)
  - 45 liters or more of malt beverages  
(approximately six cases)

If any of the above circumstances have occurred the person is charged with the felony offense.

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 51  
Publish Date: \_\_\_\_\_

REQUEST  
Revision Date: \_\_\_\_\_  
Title: "An Act relating to alcohol."  
Sponsor: Sen. Binkley  
Requestor: Senate State Affairs

Agency Affected: Public Safety  
BRU: Alaska State Troopers  
Components: Detachments and C.I.B.  
Narcotics

EXPENDITURES/REVENUES: (Thousands of Dollars)

|                   | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 | FY 92 |
|-------------------|-------|-------|-------|-------|-------|-------|
| OPERATING         |       |       |       |       |       |       |
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 0     |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| GENERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS |   |   |   |   |   |   |
| OTHER         |   |   |   |   |   |   |
| TOTAL         |   |   |   |   |   |   |

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact is anticipated.

Prepared by: Francis C. Allan *FCA*  
Division: Alaska State Troopers

Phone: 269-5691  
Date: 1/26/87

Approved by Commissioner: William R. Nix *W.R. Nix*  
Agency: Public Safety

Date: ~~1/26/87~~ 1/30/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Imp: Agency(ies)
- Senate Secretary

U)

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 51

This bill amends AS 04.16.200(b) by reclassifying the illegal sale of alcoholic beverages from a class A misdemeanor to a class C felony.

A total of 45 such violations were referred to the department last year for prosecution. About one-half of those reported violations occurred in the Bethel service area.

Although this change will require some additional work on our part, preparing these cases for grand jury, this addition does not warrant fiscal note costs because of the small number of cases involved. Our estimate assumes that the same enforcement pattern will continue. However, if police agencies substantially increase their enforcement activities, because of the increased penalties available for felons, it may be necessary to request increased appropriation at a later time. In any event, the department will not be able to respond to a marked increase in this area at this time due to the serious budget shortfalls it now faces.

Senator Paul Fischer  
March 11, 1987  
Page 2

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### Penalties

A Class A Misdemeanor carries a maximum jail term of one year and a fine of up to \$1,000. Typical sentences in the Bethel courts are 30-90 days with a fine double the value of the alcohol involved.

A Class C Felony carries a maximum jail term of five years and a fine of up to \$5,000 (for the first conviction). A second "Class C Felony" charge also carries a two year presumptive term.

Communities in my district feel strongly that the stiffer penalty will be a greater deterrent to the bootlegger. Under present law when the bootlegger is caught and charged with the Class A Misdemeanor, he is educated in how the legal system works; he learns to improve his system, and how not to get caught. Bootlegging in a local option community is a serious crime. By increasing the penalties to the more serious Class C Felony charge we will send a clear message to those who would break the law that lawbreaking will not be tolerated.

S B

56

Offered: 3/3/87  
Referred: Health, Education and  
Social Services, Judiciary,  
and Finance

5-0363B

Original sponsors: Kerttula, Halford  
and Fischer

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 56 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity  
7 program and amendments to the longevity bonus program  
8 and the permanent fund dividend program provided for  
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for  
10 an effective date."

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

12 \* Section 1. AS 43.23.110(a) is amended to read:

13 (a) The annuity investment fund is established as a separate  
14 fund in the state treasury. The annuity investment fund consists of  
15 money transferred from the dividend fund, cash contributions under  
16 AS 43.23.125, and income earned by the annuity investment fund.  
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund  
18 dividends taken as annuity credits under this chapter shall be annual-  
19 ly transferred from the dividend fund to the annuity investment fund.

20 \* Sec. 2. AS 43.23 is amended by adding a new section to read:

21 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-  
22 ble to receive the permanent fund dividend as an annuity credit under  
23 AS 43.23.005(d) but does not elect to do so or who elects to receive  
24 only a portion of the permanent fund dividend as an annuity credit may  
25 make a cash contribution to that individual's annuity account. The  
26 total amount credited and contributed to an annuity account in a year  
27 may not exceed the amount of the permanent fund dividend for that  
28 year.

29 \* Sec. 3. AS 43.23.130(a) is amended to read:  
S

SB0056b

CSSB 56(SA)

COMMITTEE COPY

CS SB 56 (State Affairs)

1 (a) An individual with one or more annuity credits or cash  
2 contributions under AS 43.23.125 may receive an annuity upon reaching  
3 the age of 65.

4 \* Sec. 4. AS 43.23.130(e) is amended to read:

5 (e) If a person elects to credit a permanent fund dividend or  
6 make a cash contribution to an annuity account in a particular year,  
7 that person may make an irrevocable choice regarding death benefits  
8 with respect to that credit or contribution. If a person dies before  
9 age 65 and that person has selected death benefits in at least one  
10 year, a lump sum payment shall, subject to appropriation, be paid to  
11 the surviving spouse by right of survivorship unless a different  
12 beneficiary was designated. When no spouse survives and no benefi-  
13 ciary is designated, the lump sum shall be paid to the decedent's  
14 estate. The lump sum payment includes all dividends credited to the  
15 person's annuity account in years in which death benefits were select-  
16 ed and interest on those dividends. Dividends credited and cash  
17 contributed to a person's annuity account in years for which death  
18 benefits were not selected and interest on those dividends and contri-  
19 butions shall, if the person dies before age 65, be distributed equi-  
20 tably among the annuity accounts of all individuals for which death  
21 benefits were not selected.

22 \* Sec. 5. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a  
24 withdrawal from that individual's annuity account before reaching the  
25 age of 65 if the individual establishes to the satisfaction of the  
26 commissioner that the withdrawal is necessary to meet an unforeseeable  
27 emergency. The amount withdrawn may not exceed the total amount in  
28 the individual's annuity account or the amount actually necessary to  
29 meet the emergency, whichever is less. The commissioner shall define

1 the term "unforeseeable emergency" by regulation. An individual may  
2 only make one withdrawal under this section and may pay it back with  
3 interest under terms established by the commissioner.

4 \* Sec. 6. Section 1, ch. 99, SLA 1985, is repealed.

5 \* Sec. 7. Chapter 99, SLA 1985, and secs. 1 - 5 of this Act apply only  
6 to permanent fund dividends for years beginning after December 31, 1987.  
7 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and  
8 this Act, permanent fund dividends for 1987 and prior years shall be made  
9 under the law as it existed before the effective date of this Act.

10 \* Sec. 8. This Act takes effect immediately under AS 01.10.070(c).  
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Introduced: 1/19/87  
Referred: Health, Education and  
Social Services, Judiciary  
and Finance

5-0363A

1 IN THE SENATE

BY KERTTULA, HALFORD,  
AND FISCHER

2 SENATE BILL NO. 56

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making effective an annuity program and  
7 amendments to the longevity bonus program and the  
8 permanent fund dividend program provided for in secs.  
9 2 - 18, ch. 99, SLA 1985; and providing for an effec-  
10 tive date."

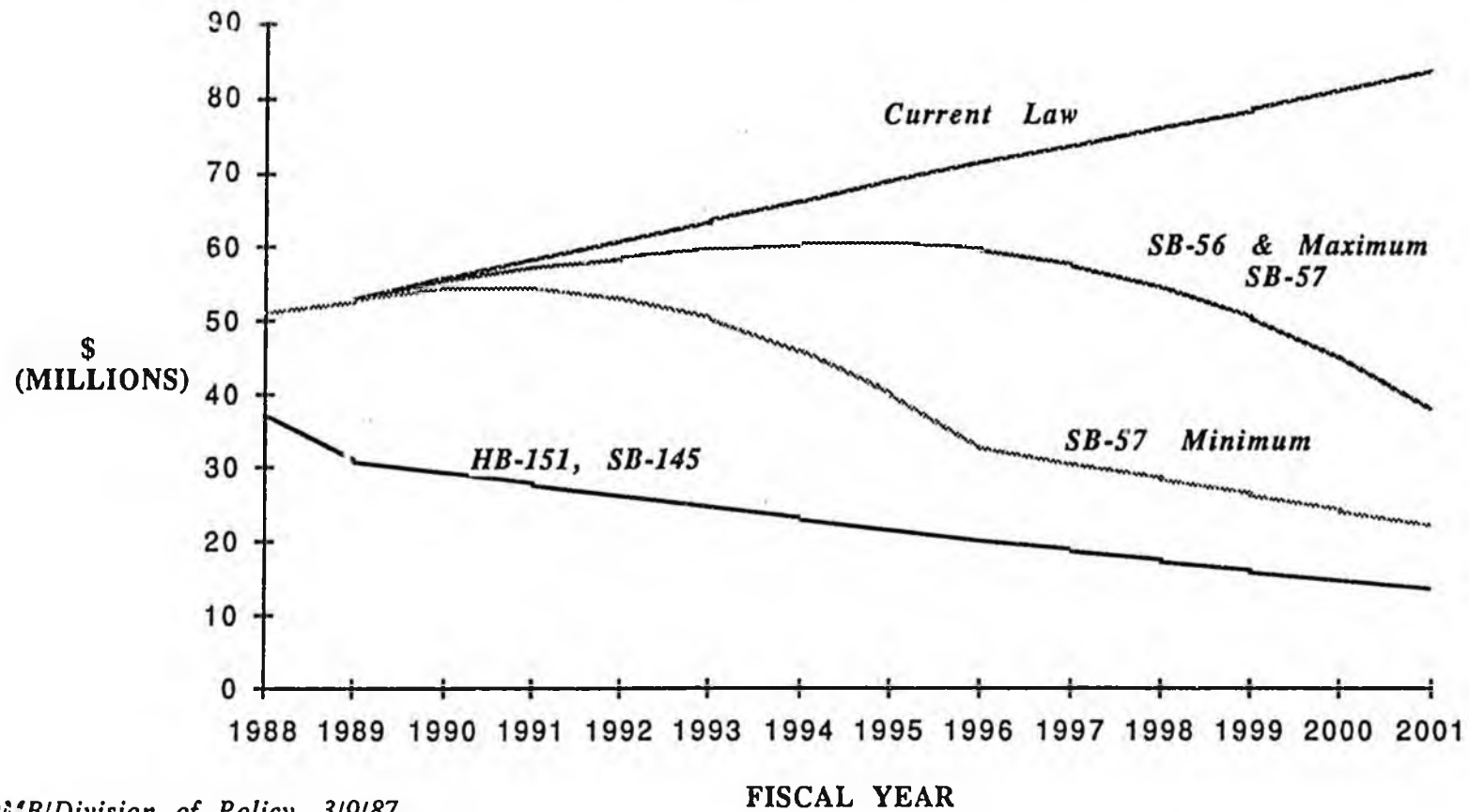
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 \* Section 1. Section 1, ch. 99, SLA 1985, is repealed.

13 \* Sec. 2. Chapter 99, SLA 1985, applies only to permanent fund  
14 dividends for years beginning after December 31, 1987. Notwithstanding the  
15 amendments to AS 43.23 made by ch. 99, SLA 1985, permanent fund dividends  
16 for 1987 and prior years shall be made under the law as it existed before  
17 the effective date of this Act.

18 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).  
19  
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30

# ALB Program Costs



OMB/Division of Policy, 3/19/87

FISCAL YEAR

**LONGEVITY BONUS PROGRAM COSTS\***  
(millions of dollars)

| Fiscal<br>Year | Current<br>Law | SB-56†<br>Annuity<br>Program | SB-57†             |                            | HB-151, SB-145<br>Governor's<br>Proposal |
|----------------|----------------|------------------------------|--------------------|----------------------------|--|
|                |                |                              | Annuity<br>Maximum | Program Variant<br>Minimum |  |
| 1988           | 51.2           | 51.2                         | 51.2               | 51.2                       | 37.3                                     |
| 1989           | 52.7           | 52.7                         | 52.7               | 52.7                       | 30.9                                     |
| 1990           | 55.6           | 55.3                         | 55.3               | 54.2                       | 29.3                                     |
| 1991           | 58.2           | 57.2                         | 57.2               | 54.2                       | 27.7                                     |
| 1992           | 60.7           | 58.6                         | 58.6               | 52.7                       | 26.1                                     |
| 1993           | 63.4           | 59.7                         | 59.7               | 50.0                       | 24.6                                     |
| 1994           | 65.9           | 60.2                         | 60.2               | 45.6                       | 23.1                                     |
| 1995           | 68.8           | 60.3                         | 60.3               | 39.7                       | 21.6                                     |
| 1996           | 71.4           | 59.3                         | 59.3               | 32.5                       | 20.1                                     |
| 1997           | 73.6           | 57.2                         | 57.2               | 30.3                       | 18.7                                     |
| 1998           | 76.1           | 54.3                         | 54.3               | 28.2                       | 17.3                                     |
| 1999           | 78.5           | 50.1                         | 50.1               | 26.1                       | 15.9                                     |
| 2000           | 81.1           | 44.5                         | 44.5               | 24.1                       | 14.6                                     |
| 2001           | 83.6           | 37.4                         | 37.4               | 22.1                       | 13.3                                     |

\*Grants only. Does not include administrative costs.

†Assumes first annuity contribution is from October 1988 dividend, with first annuity payment in July 1989.

OMB/Division of Policy, 3/2/87 (additional footnote 3/9/87)

Position Paper

CSSB No. 56 (State Affairs)

SUMMARY OF POSITION

A comprehensive position statement on the proposal for an annuity program to replace the existing Alaska Longevity Bonus program is attached. The highlights of the Department of Health and Social Services position are as follows:

We believe that low income Alaskans who may in the future be served by the federal Supplemental Security Income (SSI) program and the State Old Age Assistance (OAA) program will elect not to participate in the annuity program because it will cost them much more in Permanent Fund Dividend payments than it will return them in annuity payments. Few would elect to invest a large annual Permanent Fund Dividend now in a program that will probably return them nothing later. The reason an annuity will return SSI and OAA recipients nothing is that their public assistance grant will be reduced by the amount of any annuity payment they receive. Only those fortunate enough to have a retirement income that allows them to avoid welfare will receive a net benefit from the annuity.

Low income seniors on federal and state assistance will see their net income gradually decline as the annuity replaces the Bonus, regardless of whether they participate in the annuity or not. This is due to the gradual loss of hold harmless protection for any annuity they receive and the gradual decline of the bonus payment if they do not participate in the annuity.

Ultimately, some low income seniors who do participate in the annuity program will risk loss of eligibility for Medicaid as their income that must be counted for welfare purposes climbs above the Medicaid eligibility limit. We do not anticipate this result for several years, but inevitably some seniors will eventually reach that point, thereby losing essential medical coverage.

POSITION PAPER

Senate Bill No. 56

"An Act making effective an annuity program and amendments to the Longevity Bonus program and the Permanent Fund Dividend program provided for in secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

BACKGROUND:

Senate Bill No. 56 would provide for an annuity program to replace the existing Alaska Longevity program. Alaskans would contribute to their individual annuity account by dedicating all or part of their Permanent Fund Dividend payments to that account.

We wish to call your attention to how the approximately 2,600 needy elderly Alaskans who currently receive Old Age Assistance ("OAA") would be affected by an annuity program. Federal Medicaid regulations require that Alaska's OAA program follow many of the eligibility rules of the federal Supplemental Security Income ("SSI") program, a monthly cash assistance program administered by the Social Security Administration. Thus, the way in which Social Security would treat an annuity payment in its SSI program potentially affects all Old Age Assistance recipients, not just those recipients who receive SSI. (Approximately 45 percent of all OAA recipients also receive SSI.)

SSI federal regulations require that applicants and recipients apply for and pursue any entitlements for which they may be eligible. For example, any Alaskan who is 65 and a one-year resident must apply for the countable Bonus, or they lose all eligibility for SSI. However, Social Security does not view the Permanent Fund Dividend cash payment as one of these mandatory "prior resources", so there would be no eligibility penalty for giving up all or part of any cash Dividend in order to participate in the annuity program. Also, SSI will not require anyone to contribute to an annuity account which may produce an entitlement in the future. However, anyone who has established an annuity credit will be required to apply for annuity payments once they become 65 and apply for SSI. Thus SSI (and therefore OAA and Medicaid) policies will not impinge on any individual's freedom to choose any of the options SB No. 56 proposes.

The SSI rules also require that any annuity payment actually being received be counted virtually dollar-for-dollar against SSI eligibility qualifying standards, thus reducing SSI payments to annuity recipients by the amount of the monthly annuity payment. Old Age Assistance must treat the annuity the same way. Currently, this is how the Longevity Bonus payments that are received by about 840 of our 2,600 Old Age Assistance clients are treated. (About 1,600 OAA recipients receive the "25 year" Bonus, which SSI rules disregard as income.)

The Legislature enacted the Alaska Longevity Bonus "Hold Harmless" program (AS 47.45.422) in order to assure that needy elderly who receive a federally countable Bonus did not end up with \$250 less in monthly income than those who receive the federally exempt Bonus, and to make sure that necessary medical coverage (through the Medicaid program) was not lost by those whose total retirement income placed them so close to federal and state eligibility limits that receipt of the countable Bonus cost them eligibility for Medicaid. This program replaces the amount of cash lost to countable Bonus recipients when their federal SSI payments are decreased or ended, and it provides state funding in lieu of federal matching

Medicaid funds to continue Medicaid coverage to those who lost regular Medicaid eligibility because of their Bonus income.

For similar reasons, the Legislature has also established a "Hold Harmless" program for the Permanent Fund Dividend (AS 43.23.075). This program protects all assistance recipients, not just the elderly, against loss of cash assistance and Medicaid when they receive their Dividends. In effect, the annual Dividend is therefore the only cash "windfall" assistance recipients can receive and still keep full assistance benefits.

Since the proposed annuity payment would reduce monthly OAA and SSI payments essentially dollar-for-dollar, and recipients of any assistance program would have to give up all or part of their "free" Dividend income to participate in the annuity program, we seriously doubt that any assistance recipients under 65 who fully understand their choices would choose the annuity option. They are better off financially taking a \$500-\$700 windfall each year and suffering a much smaller total annual decrease in their Bonus income at some time in their future.

Chapter 99, SLA 1985, amends AS 43.23.075(c) to provide a four month hold-harmless for persons who might become ineligible for assistance because of a Dividend credit. SSI, OAA, and Medicaid will not count the credit as income, but AS 43.23.075, as amended, provides no protection against actual annuity payments being counted as available income. (Also, if SB No. 56 were modified to make the balance in the annuity account available to participants in an "emergency", AS 43.23.075 would offer no protection if SSI and other federal assistance programs decided to count the annuity balance as an available resource.)


Thus the long-range effect on those future OAA recipients who will not enjoy the guaranteed continuation of their current Bonus, whether or not they choose the annuity, is that their monthly spendable income will shrink as the Bonus amount shrinks. Those few who may choose to participate in the annuity program will still see their monthly spendable income shrink, but as their countable annuity income rises, some of them will suffer OAA income ineligibility. Worse, some will eventually lose Medicaid eligibility.

We find that many of our OAA recipients could possibly adapt to small changes in their monthly cash flow. What they tell us that they fear most, and cannot adapt to, is loss of their Medicaid coverage. Most clients whose retirement income will be high enough so that they might lose Medicaid eligibility when they begin receiving annuity payments have Medicare coverage through Social Security. However, the annual increases in Medicare deductibles and decreases in covered services make Medicaid an increasingly important source of medical protection for seniors. Losing Medicaid may produce cases of real financial or medical hardship.

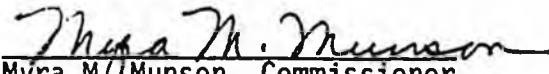
We believe it is premature to suggest that, if Senate Bill No. 56 were to pass, it should contain a medical hold-harmless clause for annuity recipients. We are reasonably certain that there will be little or no need for such a protection in the first few years of an annuity program. However, we do want the Legislature to be aware that the longer-range possibility exists that some of those we serve may need this protection in the future.

RECOMMENDATION:

The Department neither supports nor opposes SB No. 56. We do note that the only proposal for Longevity Bonus redesign we have seen to date that will not penalize assistance recipients and will not result in a future need for some type of hold-harmless coverage is the proposal that the Bonus be needs-based. Both Social Security and Medicaid totally disregard all state needs-based payments.

Recommended by:   
John R. Taber, Director  
Division of Public Assistance

Date: 2/20/87

Approved by:   
Myra M. Munson, Commissioner  
Department of Health &  
Social Services

Date: 3/9/87

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version:       CSSB No. 56        
Publish Date: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An act Relating to the Alaska  
Longevity Bonus Program  
Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_

Agency Affected: Health & Social Services  
BRU: Assistance Payments BRU  
Components: OAA-ALB Hold Harmless

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING              | FY 87 | FY 88 | FY 89  | FY 90  | FY 91  | FY 92  |
|------------------------|-------|-------|--------|--------|--------|--------|
| PERSONAL SERVICES      | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| TRAVEL                 | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| CONTRACTUAL            | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| SUPPLIES               | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| EQUIPMENT              | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| LAND & STRUCTURES      | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| GRANTS, CLAIMS         | -0-   | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |
| MISCELLANEOUS          | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| <b>TOTAL OPERATING</b> | -0-   | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |
| <b>CAPITAL</b>         | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| <b>REVENUE</b>         | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |

**FUNDING: (Thousands of Dollars)**

|               |     |       |        |        |        |        |
|---------------|-----|-------|--------|--------|--------|--------|
| GENERAL FUND  | -0- | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |
| FEDERAL FUNDS | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |
| OTHER         | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |
| <b>TOTAL</b>  | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis assumes continuation of the ALB Hold Harmless program.

Prepared by: John R. Taber, Director Phone: 465-3347  
Division: Division of Public Assistance Date: 3-4-87

Approved by Commissioner: Myra M. Newman Date: 3/9/87  
Agency: Department of Health & Social Services

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

# **CORRECTION**

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

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_  
 Revision Date: \_\_\_\_\_  
 Title: An act Relating to the Alaska  
Longevity Bonus Program  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

Bill Version: CSSB No. 56  
 Publish Date: \_\_\_\_\_

Agency Affected: Health & Social Services  
 BRU: Assistance Payments BRU

Components: OAA-ALB Hold Harmless

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

| OPERATING              | FY 87 | FY 88 | FY 89  | FY 90  | FY 91  | FY 92  |
|------------------------|-------|-------|--------|--------|--------|--------|
| PERSONAL SERVICES      | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| TRAVEL                 | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| CONTRACTUAL            | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| SUPPLIES               | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| EQUIPMENT              | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| LAND & STRUCTURES      | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| GRANTS, CLAIMS         | -0-   | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |
| MISCELLANEOUS          | -0-   | -0-   | -0-    | -0-    | -0-    | -0-    |
| <b>TOTAL OPERATING</b> | -0-   | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

**FUNDING: (Thousands of Dollars)**

|               |     |       |        |        |        |        |
|---------------|-----|-------|--------|--------|--------|--------|
| GENERAL FUND  | -0- | 622.4 | 3608.3 | 4162.4 | 4617.2 | 5020.1 |
| FEDERAL FUNDS | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |
| OTHER         | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |
| <b>TOTAL</b>  | -0- | -0-   | -0-    | -0-    | -0-    | -0-    |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis assumes continuation of the ALB Hold Harmless program.

Prepared by: John R. Taber, Director Phone: 465-3347  
 Division: Division of Public Assistance Date: 3-4-87

Approved by Commissioner: John M. Munn Date: 3/9/87  
 Agency: Department of Health & Social Services

**Distribution (by preparer):**

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

Division of Public Assistance

Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

1. The Governor's FY88 budget presumes a needs-based Longevity Bonus, which would eliminate the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program; costs reflect restoration of a full Hold Harmless for the Bonus, but no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in July, 1989, but that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the Annuity and Bonus payments will be as follows:

|      | <u>Bonus</u> | <u>Annuity</u> |
|------|--------------|----------------|
| FY88 | \$250        | 0              |
| FY89 | \$250        | 0              |
| FY90 | \$242        | \$ 7.74        |
| FY91 | \$233        | \$16.71        |
| FY92 | \$223        | \$26.76        |

4. Costs assume average age of new applicants for Old Age Assistance will be 65.

|  | 6-Month Impact |             |             |             |             |
|--|----------------|-------------|-------------|-------------|-------------|
|  | <u>FY88</u>    | <u>FY89</u> | <u>FY90</u> | <u>FY91</u> | <u>FY92</u> |
| OAA-ALB Hold Harmless Program expenditure            | 1556.0         | 3608.3      | 4162.4      | 4617.2      | 5020.1      |
| Amount of OAA-ALB HH that replaces lost SSI payments | 622.4          | 1443.3      | 1687.9      | 1902.2      | 2089.1      |
| Amount of OAA-ALBHH that replaces State OAA payments | 933.6          | 2165.0      | 2474.5      | 2715.0      | 2931.0      |

DIVISION OF PUBLIC ASSISTANCE  
OLD AGE ASSISTANCE AND ALB HOLD HARMLESS

| ALB HOLD HARMLESS NO CHANGE |           |         |         |         |         |
|-----------------------------|-----------|---------|---------|---------|---------|
|                             | OAA       | OAA     | SSI     | TOTAL   |         |
| Aged                        | APA       | Replace | Replace | OAA and |         |
| Cases                       | Component | ALBHH   | ALBHH   | ALBHH   |         |
| FY88 Jul-Dec                | 2736      | 3271.2  | 821.5   | 574.6   | 4640.3  |
| FY88 Jan-June               | 2806      | 3258.6  | 933.6   | 622.4   | 4814.6  |
| FY88 TOTAL                  | 2773      | 6529.8  | 1755.1  | 1170.0  | 9454.9  |
| FY89                        | 2893      | 6479.3  | 2165.0  | 1443.3  | 10087.6 |
| FY90                        | 3013      | 6451.8  | 2551.0  | 1700.7  | 10703.5 |
| FY91                        | 3133      | 6448.3  | 2913.1  | 1942.0  | 11303.4 |
| FY92                        | 3253      | 6463.2  | 3256.7  | 2171.1  | 11891.0 |

5-year cost of Old Age Assistance(OAA) and OAA-ALB Hold Harmless program that assumes no change in the ALB program (\$250 payment, no needs-based, no annuity).

OAA recipients that receive the "25 year" Bonus, which SSI rules disregard as income are replaced with aged clients whose Bonus is countable (as income). Over time OAA expenditures decrease (no growth) and an increasing portion of the "OAA supplemental" is expended under the OAA-ALB Hold Harmless allocation.

| ALB NEEDS-BASED EFFECTIVE 1/1/88 |           |        |       |         |        |
|----------------------------------|-----------|--------|-------|---------|--------|
|                                  | OAA       | OAA    | SSI   | TOTAL   |        |
| Aged                             | APA       | OAA    | SSI   | OAA and |        |
| Cases                            | Component | ALBHH  | ALBHH | ALBHH   |        |
| FY88 Jul-Dec                     | 2736      | 3271.2 | 821.5 | 547.6   | 4640.3 |
| FY88 Jan-June                    | 2806      | 4192.2 | 0     | 0       | 4192.2 |
| FY88 TOTAL                       | 2773      | 7663.4 | 821.5 | 547.6   | 8832.5 |
| FY89                             | 2893      | 8644.3 | 0     | 0       | 8644.3 |
| FY90                             | 3013      | 9002.8 | 0     | 0       | 9002.8 |
| FY91                             | 3133      | 9361.4 | 0     | 0       | 9361.4 |
| FY92                             | 3253      | 9719.9 | 0     | 0       | 9719.9 |

The FY88 Governor's (amended) budget assumes an ALB program that becomes needs-based effective 1/1/88. Both Social Security (SSI payment level) and Medicaid (for program eligibility) disregard all state needs-based payments.

Assuming the Governor's proposed ALB needs-based is enacted then the Social Security Administration's SSI payments that are restored result in net general fund savings.

|                               |        |
|-------------------------------|--------|
| FY88 Savings (6 month impact) | 622.4  |
| FY89 Savings                  | 1443.3 |
| FY90 Savings                  | 1700.7 |
| FY91 Savings                  | 1942.0 |
| FY92 Savings                  | 2171.7 |

The Amount of ALB Hold Harmless that had replaced State OAA payments shifts back to the Old Age Assistance (APA budget component)

|                     |        |
|---------------------|--------|
| FY88 OAA from ALBHH | 933.6  |
| FY89                | 2165.0 |
| FY90                | 2551.0 |
| FY91                | 2913.1 |
| FY92                | 3256.7 |

| CSSB NO. 56 ALB ANNUITY |           |         |         |         |         |
|-------------------------|-----------|---------|---------|---------|---------|
|                         | OAA       | OAA     | SSI     | TOTAL   |         |
| Aged                    | APA       | Replace | Replace | OAA and |         |
| Cases                   | Component | ALBHH   | ALBHH   | ALBHH   |         |
| FY88 Jul-Dec            | 2736      | 3271.2  | 821.5   | 547.6   | 4640.3  |
| FY88 Jan-June           | 2806      | 3258.6  | 933.6   | 622.4   | 4814.3  |
| FY88 TOTAL              | 2773      | 6529.8  | 1755.1  | 1170.0  | 9454.9  |
| FY89                    | 2893      | 6479.3  | 2165.0  | 1443.3  | 10037.6 |
| FY90                    | 3013      | 6528.3  | 2474.5  | 1687.9  | 10690.7 |
| FY91                    | 3133      | 6646.4  | 2715.0  | 1902.2  | 11263.6 |
| FY92                    | 3253      | 6788.9  | 2931.0  | 2089.1  | 11809.0 |

CSSB No. 56 provides for a redesign of the ALB to include an annuity and assumes continuation of a full hold harmless for the Bonus.

The impact of this proposed change is two-fold as the ALB payments decrease (FY88 \$242, FY91 \$233, FY92 \$223) then the amount of ALB Hold Harmless for SSI replacement also decreases (FY90 savings 12.7, FY91 39.8, FY92 82.0). The drop in ALBHH for SSI replacement is a net savings to the State. As the Bonus payment decreases the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to OAA. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance (APA component).

The above cost out assumes the first annuity payment will be made in July 1989, but that no Old Age Assistance recipients will elect to participate.

GRAND IGLOO  
PIONEERS OF ALASKA

ORGANIZED AUGUST 4, 1908



OFFICE OF GRAND PRESIDENT

Petersburg Alaska  
March, 5, 1987

Hon. Fran Ulmer; Chairman,  
Committee On State Affairs.

Dear Representative Ulmer;

I just want to formally inform you, that at  
the last Pioneers convention held in Juneau last  
Sept.  
We took a vote on the Annuity Program, and it  
carried by a majority vote.

The Pioneers of Alaska will greatly appreciate  
your support for Senate Bill #50, which will activate  
the Annuity Program and leave the Longevity Bonus  
as is.

Yours Truly,

A handwritten signature in cursive script that reads "Arnold P. Wasvick (Swede)".

Arnold P. Wasvick  
Grand President PIONEERS OF ALASKA

SENATE COMMITTEE REPORT

FURTHER:

JUDICIARY  
FINANCE

DATE TURNED INTO OFFICE \_\_\_\_\_

3/3/87

Mr. President:

HESS Committee considered SB 56

making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2 - 18, ch. 99, SLA 1985; efd.

and recommended:

[ ] replace with CS FOR \_\_\_\_\_ ) [ ] same title  
[X] or adopt CS FOR SB 56(SA) ) [X] new title  
[ ] attached amendment(s) and

[ ] do pass

[ ] do not pass

[ ] no recommendation

[X] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [X] attached or [ ] adopted fiscal note(s)

[X] new [ ] updated or [ ] previous  
[ ] zero [X] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Paul A. Frick Do Pass  
Chairman signature and recommendation

[ ] Committee Backup Attached

# Alaska State Legislature

INTERIM OFFICE  
1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 274-2843

IN SESSION:  
POUCH V  
JUNEAU, ALASKA 99811  
(917) 465-4714



Senator Mitch Abood  
CHAIRMAN

## Senate Committee on State Affairs

### LETTER OF INTENT

The Senate State Affairs Committee has considered CSSB 56 (State Affairs) "An Act making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2-18, Ch.99, SLA 1985; and providing for an effective date.

It is the intent of the Senate State Affairs committee that the Department of Revenue and the Department of Administration take steps to educate and inform the public about the annuity program and the changes to the permanent fund dividend program and the Alaska longevity bonus program that are made effective by this Act.

  
\_\_\_\_\_  
CHAIRMAN, SENATE STATE AFFAIRS COMMITTEE

3/2/87  
DATE