

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
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1 productive in that each acre of mental health trust land would produce
2 its fair market rental value annually;

3 (D) the mental health trust would not incur administrative
4 expenses;

5 (E) it would focus attention on questions related to the
6 state's mental health programs and the levels of appropriations for
7 those programs;

8 (26) reconstituting the mental health trust with state land that
9 has a substantial probability of remaining in state ownership in perpetuity
10 would result in the following benefits to the state generally:

11 (A) it would free all mental health land not in legisla-
12 tively designated areas for nontrust uses;

13 (B) the only significant expenditure of public funds that
14 would be required would be appropriations for appraisal of the land to
15 ensure equal value, an expenditure that would be required no matter
16 what form of trust reconstitution is selected; and

17 (C) it would establish an additional safeguard against
18 disposal of the newly designated mental health trust land, that is,
19 those in legislatively designated areas, in that, prior to such dis-
20 posal, equal value replacement land would have to be identified and
21 redesignated as trust land;

22 (27) the legislature will best serve the public interest by
23 reconstituting the mental health trust with land in legislatively des-
24 ignated areas, continuing to use that land for the legislatively designated
25 purposes, compensating the trust for the use of the land through annual
26 identification of an amount of general fund revenue equal to the fair
27 market rental value of the land and designation in the general fund of that
28 amount of funds as the special mental health trust income account, and
29 creating a board to assist and advise the legislative and executive

1 branches of government on matters relating to the mental health program of
2 Alaska.

3 (b) The purposes of this Act are

4 (1) to implement the intent of the Congress underlying sec. 202
5 of the Alaska Mental Health Enabling Act that mental health land be admin-
6 istered in a way that makes funds available for the support of Alaska's
7 mental health program;

8 (2) to the extent practicable, to eliminate the need for costly,
9 time-consuming and divisive litigation over the state's management of
10 mental health land;

11 (3) to ensure that the attention of the public and the govern-
12 ment is focused on mental health programs, as contemplated by the Congress,
13 and not on issues relating to the management of mental health land;

14 (4) to reconstitute a mental health land trust through identi-
15 fication of land in legislatively designated areas that is equal in value
16 to the land selected by and patented to the state under sec. 202 of the
17 Alaska Mental Health Enabling Act;

18 (5) to remove from trust status the land selected by and pat-
19 ented to the state under sec. 202 of the Alaska Mental Health Enabling Act
20 that is not in legislative designated areas, thereby freeing them for other
21 uses;

22 (6) to validate each deed, contract for sale, lease, easement,
23 right-of-way, permit, mineral lease disposal, reservation of land for
24 public use by statute, or land management actions, including use classi-
25 fications under AS 38.05.300 and interagency land management assignments by
26 the Department of Natural Resources, that may have been called into ques-
27 tion by the Supreme Court's decision in State v. Weiss, 706 P.2d 681
28 (Alaska 1985), returning mental health land to trust status;

29 (7) to identify a portion of annual state general fund revenue,

1 equal in amount to the fair market rental value of mental health land, as
2 compensation to the trust for the continued use of the land in legisla-
3 tively designated areas for the legislatively designated purposes; and

4 (8) to create a board to assist and advise the legislative and
5 executive branches of government on matters relating to the mental health
6 program of Alaska.

7 * Sec. 2. AS 37.14 is amended by adding a new section to read:

8 Sec. 37.14.011. MENTAL HEALTH TRUST INCOME ACCOUNT. (a) There
9 is established, as a separate account in the general fund, the mental
10 health trust income account.

11 (b) The amount determined under (c) of this section as the fair
12 market rental of the land constituting the mental health trust corpus
13 is the earnings of the trust and the commissioner of revenue annually
14 shall allocate that amount to the mental health trust income account.

15 (c) The fair market rental value of the land constituting the
16 mental health trust corpus is equal to eight percent of the fair
17 market value of the land. Following the initial determination of the
18 fair market value of the land selected by and patented to the state
19 under sec. 202 of the Alaska Mental Health Enabling Act, the com-
20 missioner of natural resources shall redetermine the fair market value
21 of the land constituting the mental health trust corpus at least every
22 five years, and provide the redetermined value to the commissioner of
23 revenue and the board established under AS 47.30.661.

24 * Sec. 3. AS 37.14 is amended by adding a new section to read:

25 Sec. 37.14.021. UTILIZATION OF THE MENTAL HEALTH TRUST INCOME
26 ACCOUNT. Money in the mental health trust income account established
27 in AS 37.14.011(a) shall first be appropriated by the legislature to
28 meet the necessary expenses of the mental health program of the state.
29 In making annual appropriations from the mental health trust income

1 account, the legislature shall consider the recommendations of the
2 Alaska Mental Health Board established under AS 47.30.661, including
3 recommendations regarding capital improvements. After the necessary
4 expenses of the state's mental health program have been funded, the
5 legislature may make appropriations from the mental health trust
6 income account for other public purposes.

7 * Sec. 4. AS 38.05 is amended by adding a new section to article 11 to
8 read:

9 Sec. 38.05.800. RECONSTITUTION AND ADMINISTRATION OF MENTAL
10 HEALTH LAND TRUST. (a) The commissioner of natural resources, under
11 procedures approved by the interim mental health trust commission,
12 shall determine the fair market value, as of the effective date of
13 this Act, of all land selected by and patented to the state under the
14 Alaska Mental Health Enabling Act. The commissioner shall report the
15 determination of that value to the board established under AS 47.30.-
16 661.

17 (b) The commissioner of natural resources, with the approval of
18 the interim mental health trust commission, shall identify land within
19 legislative designations that is equal in value to all land selected
20 by and patented to the state under sec. 202 of the Alaska Mental
21 Health Enabling Act that is not in legislative designations.

22 (c) All land selected by and patented to the state under the
23 Alaska Mental Health Enabling Act that is within legislative desig-
24 nations, together with all land identified by the commissioner under
25 (b) of this section, constitutes the corpus of the mental health lands
26 trust.

27 (d) Upon reconstitution of the trust under this subsection, land
28 selected by and patented to the state under sec. 202 of the Alaska
29 Mental Health Enabling Act that is not within legislative designations

1 is removed from trust status.

2 (e) The land within legislative designations that constitutes
3 the mental health land trust shall continue to be administered for the
4 legislatively designated purposes. The trust shall be compensated for
5 the continued use of the mental health trust land for the legisla-
6 tively designated purposes as provided in AS 37.14.011.

7 (f) Before the state may remove land that is part of the mental
8 health trust corpus from trust status, and in addition to any other
9 requirements of law, the commissioner of natural resources, consistent
10 with the state's trust responsibilities, shall identify replacement
11 land, equal in value at the time of replacement, within legislative
12 designations and incorporate them into the mental health trust corpus.
13 The commissioner of natural resources annually shall report any
14 actions under this subsection to the board established under AS 47.-
15 30.661.

16 * Sec. 5. AS 39.25.120(c)(9) is amended by adding a new subparagraph to
17 read:

18 (L) Alaska Mental Health Board;

19 * Sec. 6. AS 47.30 is amended by adding new sections to read:

20 Sec. 47.30.661. ALASKA MENTAL HEALTH BOARD. The Alaska Mental
21 Health Board is established. For budgetary purposes, the board is
22 located within the Department of Health and Social Services. The
23 board is the state planning and coordinating agency for the purposes
24 of federal and state laws relating to the mental health program of the
25 state. The purpose of the board is to assist the state in ensuring an
26 integrated comprehensive mental health program.

27 Sec. 47.30.662. COMPOSITION. (a) The board consists of the
28 commissioner of health and social services, or the commissioner's
29 designee, and not fewer than nine nor more than 12 other members,

1 appointed by the governor, with due regard for balanced geographic
2 representation of the state.

3 (b) At least one-third of the members shall be consumers of
4 mental health services, or parents or guardians of consumers.

5 (c) At least one-third of the members shall be either public or
6 private providers of mental health services.

7 (d) The remaining members shall be representatives of the public
8 at large.

9 Sec. 47.30.663. TERM OF OFFICE. (a) Board members serve
10 staggered terms of three years.

11 (b) A vacancy occurring in the membership of the board shall be
12 filled by appointment of the governor for the unexpired portion of the
13 vacated term.

14 (c) Members may be removed only for cause, including, but not
15 limited to, poor attendance or lack of contribution to the board's
16 work.

17 Sec. 47.30.664. OFFICERS AND STAFF. (a) The board, by a major-
18 ity of its membership, shall annually elect a chair and other officers
19 it considers necessary from among its membership.

20 (b) The board will have a paid staff provided by the Department
21 of Health and Social Services, including, but not limited to, an
22 executive director who shall be selected by the board from candidates
23 provided by the department. The executive director is in the partial-
24 ly exempt service and may hire additional employees in the classified
25 service of the state. The executive director and the staff of the
26 board shall be directly responsible to the board in the performance of
27 their duties.

28 Sec. 47.30.665. BYLAWS. The board, on approval of a majority of
29 its membership and consistent with state law, shall adopt and amend

1 bylaws governing its composition, proceedings, and other activities
2 consistent with state law and including, but not limited to, pro-
3 visions concerning a quorum to transact board business and other
4 aspects of procedure, frequency and location of meetings, and estab-
5 lishment, functions, and membership of committees.

6 Sec. 47.30.666. POWERS, DUTIES, AND RESPONSIBILITIES OF THE
7 BOARD. The board shall

8 (1) measure the extent of the mental health need and, as
9 necessary, conduct independent studies, evaluate the statewide mental
10 health information system, and review the current mental health pro-
11 gram of the state;

12 (2) provide a public forum for discussion of issues regard-
13 ing current and potential services to persons served by the mental
14 health program of the state;

15 (3) determine the needs, including those currently unmet,
16 of the persons to be served by the mental health program of the state;

17 (4) review reports from the Department of Natural Resources
18 regarding the valuation of the mental health land trust and the status
19 of mental health trust land, from the Department of Revenue regarding
20 allocations to the mental health income account, and from other de-
21 partments regarding the current and projected revenue for the support
22 of the mental health program of the state;

23 (5) subject to disclosure restrictions imposed by state or
24 federal confidentiality or privacy laws, have access to information in
25 the possession of state agencies;

26 (6) in conjunction with the Department of Health and Social
27 Services, prepare and annually update a long-term comprehensive state
28 mental health plan, to include the projected need and the services,
29 facilities, and resources for the mental health program of the state

1 to meet that need;

2 (7) in conjunction with the Department of Health and Social
3 Services, develop, prepare, adopt, and periodically review and revise
4 as necessary an annual state implementation plan to meet the needs of
5 persons served by the mental health program of the state;

6 (8) in conjunction with the Department of Health and Social
7 Services, and before developing the annual state implementation plan,
8 evaluate the effectiveness of the prior year's implementation plan and
9 evaluate program performance and recommend improvements, set priori-
10 ties, and establish criteria to utilize in funding allocations;

11 (9) report at least annually to the legislature, governor,
12 and commissioner of health and social services, and meet with appro-
13 priate legislative committees, concerning the board's activities,
14 including its evaluation of the effectiveness of the prior year's
15 implementation plan, and its recommendations to meet the necessary
16 operating and capital expenses of the mental health program of the
17 state;

18 (10) serve as an advocate before the executive and legisla-
19 tive branches of government and the public on behalf of those served
20 by the mental health program of the state;

21 (11) discourage duplication of services and promote effi-
22 cient and coordinated use of federal, state, and private resources in
23 the provision of mental health services; and

24 (12) review applicable statutes, regulations, and policies
25 and recommend appropriate changes.

26 Sec. 47.30.669. DEFINITION. In AS 47.30.661 - 47.30.669,
27 "board" means the Alaska Mental Health Board established in AS 47.30.-
28 661.

29 * Sec. 7. Section 1(b), ch. 132, SLA 1986, is amended to read:

1 (b) The commission established under (a) of this section con-
2 sists of three [FIVE] members, including the commissioner of natural
3 resources, or the commissioner's designee [AND THE COMMISSIONER OF
4 HEALTH AND SOCIAL SERVICES, OR THEIR DESIGNEES], and two [THREE]
5 members and two [THREE] alternates [APPOINTED BY THE GOVERNOR] as
6 follows:

7 (1) a member and an alternate representing the plaintiffs
8 who were [,] appointed by the governor from a list of three names
9 submitted to the governor by the plaintiffs in Weiss v. State, 4 FA
10 82-2208 Civil;

11 (2) a member and an alternate representing the intervenors
12 who were [,] appointed by the governor from a list of three names
13 submitted to the governor by the intervenors in Weiss v. State, 4 FA
14 82-2208 Civil [; AND

15 (3) A MEMBER AND AN ALTERNATE REPRESENTING THE GOVERNOR'S
16 MENTAL HEALTH ADVISORY COUNCIL, APPOINTED BY THE GOVERNOR FROM A LIST
17 OF THREE NAMES SUBMITTED TO THE GOVERNOR BY THE GOVERNOR'S MENTAL
18 HEALTH ADVISORY COUNCIL].

19 * Sec. 8. Section 1(c), ch. 132, SLA 1986, is amended to read:

20 (c) The members of the commission shall elect a presiding offi-
21 cer. A majority of the commission constitutes a quorum. The affirma-
22 tive vote of two [THREE] members is required to take official action.
23 A vacancy does not impair the power of the remaining members to exer-
24 cise the powers of the commission.

25 * Sec. 9. Section 2, ch. 132, SLA 1986, is repealed and reenacted to
26 read:

27 Sec. 2. RESPONSIBILITIES OF THE COMMISSION. (a) The commission
28 shall review procedures proposed by the commissioner of natural re-
29 sources to determine the fair market value, as of the effective date

1 of this Act, of all land selected by and patented to the state under
2 sec. 202 of the Alaska Mental Health Enabling Act, and review the
3 final determination of the fair market value determined under those
4 procedures.

5 (b) The commission shall review the identification by the com-
6 missioner of natural resources under AS 38.05.800 of land within
7 legislative designations that is equal in value to all land selected
8 by and patented to the state under sec. 202 of the Alaska Mental
9 Health Enabling Act that is not in legislative designations.

10 (c) In the exercise of the commission's responsibilities under
11 this section, the commission and its staff may review the records of
12 the Department of Natural Resources that are made confidential by law
13 or regulation. An individual who acquires information made confiden-
14 tial by law or regulation in the performance of functions authorized
15 by this Act and discloses it without proper authority violates AS 11.-
16 56.860.

17 * Sec. 10. Section 6, ch. 132, SLA 1986, is repealed and reenacted to
18 read:

19 Sec. 6. This Act is repealed on the certification of the commis-
20 sioner of natural resources that the mental health land trust has been
21 reconstituted under AS 38.05.800 to

22 (1) the Alaska Mental Health Board established under
23 AS 47.30.661;

24 (2) the lieutenant governor; and

25 (3) the revisor of statutes.

26 * Sec. 11. TRANSITIONAL PROVISIONS. Beginning in fiscal year 1989, and
27 continuing until the commissioner of natural resources certifies to the
28 commissioner of revenue that the mental health land trust has been recon-
29 stituted under AS 38.05.800, as enacted in sec. 4 of this Act, the

1 commissioner of revenue shall make allocations to the mental health trust
2 income account so that the total of allocations during the year equals five
3 percent of all revenue received by the state's general fund during that
4 fiscal year.

5 * Sec. 12. Notwithstanding AS 47.30.663(a), as added by sec. 6 of this
6 Act, of the initial appointees to the Alaska Mental Health Board appointed
7 under AS 47.30.662, as added by sec. 6 of this Act, one-third shall serve
8 for one year terms, one-third shall serve for two year terms, and one-third
9 for three year terms.

10 * Sec. 13. AS 37.14.010, 37.14.020, 37.14.030, 37.14.040, 37.14.050;
11 AS 47.30.605; and sec. 3, ch. 132, SLA 1986, are repealed.

12 * Sec. 14. This Act takes effect July 1, 1987.

13
14
15 present lands appraised
16 new lands of equal value put in trust
17 99% ^{annually} of value of the land will be put into special ^{general} fund ^{to be} account
18 Sets up board to review legislative appropriation
19 + to advocate mental health
20 1/3 member providers
21 1/3 recipients
22 5 yr. mandatory Reappraisal
23
24 Untill Mental Health Trust is reconstructed
25 5% off of all Revenues ~~to~~ to general fund
26
27
28
29

IN THE HOUSE

1 CS FOR HOUSE BILL NO. 92

2 IN THE LEGISLATURE OF THE STATE OF ALASKA

3 FIFTEENTH LEGISLATURE - FIRST SESSION

4 A BILL

5 For an Act entitled: "An Act relating to the Alaska Mental Health Trust;
6 and providing for an effective date."

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

8 * Section 1. FINDING AND PURPOSE. (a) The legislature finds:

9 (1) the United States Congress passed the Alaska Mental Health
10 Enabling Act of 1956, Pub. L. No. 84-830, 70 Stat. 709, "[t]o confer upon
11 Alaska autonomy in the field of mental health, transfer from the Federal
12 Government to the Territory the fiscal and functional responsibility for
13 the hospitalization of committed mental patients, and for other purposes;"

14 (2) in section 202 of the Alaska Mental Health Enabling Act,
15 Congress granted the territory the right to select up to one million acres
16 of federal land to serve as a source of funds to support the territory's
17 mental health program;

18 (3) in subsection 202(e), Congress specifically provided that
19 the lands so granted, as well as any income therefrom and proceeds from
20 dispositions thereof, were to be administered as "a public trust and such
21 proceeds and income shall first be applied to meet the necessary expenses
22 of the mental health program of Alaska," that "[s]uch lands, income, and
23 proceeds shall be managed and utilized in such manner as the Legislature of
24 Alaska may provide," that the lands may be "sold, leased, mortgaged, ex-
25 changed or otherwise disposed of in such manner as the Legislature of
26 Alaska may provide, in order to obtain funds or other property to be in-
27 vested, expended or used by the Territory of Alaska," and that the Alaska
28 legislature must exercise this broad authority "in a manner compatible with
29

1 the conditions and requirements imposed by this Act;"

2 (.) in requiring that the proceeds and income of the one million
3 acre land grant "first be applied to meet the necessary expenses of the
4 mental health program of Alaska," it was the intent of Congress that addi-
5 tional public funds be appropriated by the legislature to supplement the
6 proceeds and income from the land grant if those proceeds and income are
7 insufficient to meet the necessary expenses of the mental health program of
8 Alaska;

9 (5) if the proceeds and income from the one million acre land
10 grant exceed the necessary expenses of the mental health program of Alaska,
11 the Congress authorized the legislature to appropriate the excess proceeds
12 and income for other public purposes;

13 (6) because of the highly desirable location and character of
14 many of the lands selected by the state under the Act (e.g., in and around
15 major population centers, suitable for parks and game refuges, etc.) and
16 the difficulties associated with disposing of or dedicating these lands for
17 purposes which would not result in the receipt of funds which could be used
18 for mental health purposes (e.g., satisfaction of municipal entitlements,
19 placement in parks and game refuges, etc.) without compensation to the
20 trust, the Tenth Alaska Legislature enacted ch. 181 and 182, SLA 1978 which
21 (among other things) redesignated all mental health lands as general grant
22 lands;

23 (7) both ch. 181 and 182, SLA 1978 also created the Mental
24 Health Fund into which, as compensation to the trust, a sum equal to one
25 and one-half percent of all revenues received from the management of state
26 lands was to be deposited and from which only the income could be appro-
27 priated exclusively for mental health purposes;

28 (8) a significant difference between ch. 181 and 182, SLA 1978
29 was that ch. 182 made the deposit of one and one-half percent of all public

1 land revenues into the Mental Health Fund "subject to legislative appropri-
2 ation of sufficient funds;"

3 (9) since ch. 182, SLA 1978 became law after ch. 181, SLA 1978
4 became law, the provisions of ch. 182, SLA 1978 -- and specifically the
5 provision that deposits to the Mental Health Fund would be "subject to
6 legislative appropriation of sufficient funds" -- have been considered
7 controlling;

8 (10) the legislature has never appropriated any funds to the
9 Mental Health Fund;

10 (11) a class-action lawsuit, Weiss v. State, 4FA-82-2208, was
11 filed on November 26, 1982, seeking a judicial determination that the
12 Alaska Mental Health Enabling Act had established a "public trust" under
13 which the state had received the one-million acre land grant, that the 1978
14 legislation redesignating mental health lands as general grant lands was a
15 breach of that trust, and that the appropriate remedy was to invalidate the
16 1978 legislation and return mental health lands to trust status;

17 (12) in State v. Weiss, 706 P.2d 681 (Alaska 1985), the Alaska
18 Supreme Court held that the Alaska Mental Health Enabling Act established a
19 public trust, that the 1978 legislation redesignating mental health lands
20 as general grant lands was a breach of that trust, and that the appropriate
21 remedy was to return mental health lands still in state ownership to trust
22 status and, for mental health lands which the state had "sold" between 1978
23 and the date of the court's decision, to compensate the trust for the fair
24 market value of mental health lands so "sold" as of the date of their
25 "sale," subject to a set-off for state mental health expenditures during
26 the same period;

27 (13) while the Court returned mental health lands to trust sta-
28 tus, it did not specify the nature of the state's obligations with respect
29 to managing those trust lands, leaving significant questions unanswered

1 which may require additional costly and time-consuming litigation;

2 (14) continued costly and time-consuming litigation over mental
3 health trust land management is not in the public interest because it
4 diverts attention from the goal Congress sought to achieve through the
5 Act's land grant, the funding of a mental health program;

6 (15) continued costly and time-consuming litigation over mental
7 health trust land management is not in the public interest because it has
8 the potential to be extremely divisive, pitting the advocates of stringent
9 mental health trust land management against those who envision state-owned
10 mental health lands managed for their highest and best use (including
11 conveyance to municipalities in satisfaction of municipal entitlements,
12 placement in parks and game refuges, etc.) without a major expenditure to
13 compensate the mental health trust for the fair market value of the lands;

14 (16) continued costly and time-consuming litigation over mental
15 health trust land management is not in the public interest because advo-
16 cates of stringent mental health trust land management may seek the in-
17 validation of state conveyances of mental health lands to third parties,
18 particularly municipalities and Native corporations organized pursuant to
19 the Alaska Native Claims Settlement Act, a course of action which at best
20 will place a cloud on the third parties' title to those lands and at worst
21 will result in those third parties losing title to their lands, causing
22 economic and other harm and further dividing those who advocate stringent
23 mental health trust land management from those who believe all state-owned
24 lands, including mental health lands, should be managed for their highest
25 and best use;

26 (17) continued costly and time-consuming litigation over mental
27 health trust land management is not in the public interest because advo-
28 cates of stringent mental health trust land management may seek the in-
29 validation of legislative designations of mental health lands as state

1 parks, state game refuges, state forests, etc., placing the future use of
2 those lands for the designated purposes in doubt and further dividing those
3 who advocate stringent mental health trust land management from those who
4 believe all state-owned lands, including mental health lands, should be
5 managed for their highest and best use;

6 (18) the failure of the Alaska Legislature to deal with the
7 current situation by properly reconstituting the mental health trust at
8 this time will lead to continued costly, time-consuming and divisive liti-
9 gation, which is not in the public interest;

10 (19) the same problems which led to the 1978 redesignation of
11 mental health lands as general grant lands -- e.g., the desirability of
12 managing mental health lands for their highest and best use, including the
13 satisfaction of municipal entitlements, inclusion in parks and game ref-
14 uges, etc. -- will continue to pose difficulties in the state's efforts to
15 accommodate the public's needs generally with the obligation to administer
16 mental health lands as a trust;

17 (20) under article VIII, section 2 of the Alaska Constitution, as
18 construed by the Alaska Supreme Court in State v. University of Alaska, 624
19 P.2d 807 (1981), the legislature has the authority to remove lands from
20 trust status if the trust is compensated for the fair market value of the
21 lands;

22 (21) the state is not now, and in the foreseeable future will not
23 be, in a position to compensate the mental health trust in money for the
24 fair market value of mental health lands;

25 (22) even if the state were able to compensate the mental health
26 trust in money for the fair market value of mental health lands, there is a
27 substantial legal question whether that compensation, as the corpus of the
28 trust, could be preserved in perpetuity or whether the prohibition on
29 dedicated funds in article IX, section 7 of the Alaska Constitution would

1 require that those funds be made available for appropriation by the legis-
2 lature under the terms of the Alaska Mental Health Enabling Act;

3 (23) under article VIII, section 2 of the Alaska Constitution and
4 section 202(e) of the Alaska Mental Health Enabling Act, the legislature
5 has broad authority over all state lands, including mental health lands,
6 and can permissibly remove mental health lands from trust status if, con-
7 sistent with its trust responsibilities, it simultaneously designates other
8 state lands of equivalent value as mental health lands;

9 (24) Congress' goal of funding a mental health program, and the
10 public interest in having attention focused on the problems of the mentally
11 ill and not questions regarding mental health trust land management, will
12 be best served by establishing a mechanism for generating revenues from
13 mental health lands which minimizes the number and complexity of related
14 land management decisions;

15 (25) reconstituting the mental health trust with state lands
16 which have a substantial likelihood of remaining in state ownership in
17 perpetuity, and compensating the mental health trust for state use of those
18 lands through annual identification of an amount of state general fund
19 revenues equal to the fair market rental value of those lands as a separate
20 account in the general fund, would minimize the number and complexity of
21 land management decisions and would result in the following benefits to the
22 mental health trust:

23 (i) it would ensure that the mental health trust corpus
24 will be preserved in perpetuity;

25 (ii) it would reconstitute a mental health trust corpus
26 equal in value to the original one million acre mental health trust
27 corpus, with no reduction (in the nature of a set-off) for state
28 mental health expenditures;

29 (iii) it would make the entire mental health trust corpus

1 productive in that each acre of mental health trust land would produce
2 its fair market rental value annually;

3 (iv) the trust would not incur any administrative expenses;

4 (v) it would focus attention on questions related to the
5 state's mental health programs and the levels of appropriations for
6 those programs;

7 (26) reconstituting the mental health trust with state lands
8 which have a substantial probability of remaining in state ownership in
9 perpetuity would result in the following benefits to the state generally:

10 (i) it would free all mental health lands not in legisla-
11 tively designated areas for non-trust uses;

12 (ii) the only significant expenditure of public funds which
13 would be required would be appropriations for appraisal of the lands
14 to ensure equal value, an expenditure which would be required no
15 matter what form of trust reconstitution is selected; and

16 (iii) it would establish an additional safeguard against
17 disposal of the newly designated mental health trust lands (i.e.,
18 those in legislatively designated areas) in that, prior to such dis-
19 posal, equal value replacement lands would have to be identified and
20 redesignated as trust lands;

21 (27) the legislature will best serve the public interest by
22 reconstituting the mental health trust with lands in legislatively des-
23 ignated areas, continuing to use those lands for the legislatively des-
24 ignated purposes, compensating the trust for the use of those lands through
25 annual identification of an amount of general fund revenues equal to the
26 fair market rental value of those lands and designation in the general fund
27 of that amount of funds as the special mental health trust income account,
28 and creating a board to assist and advise the legislative and executive
29 branches of government on matters relating to the mental health program of

1 Alaska.

2 (b) The purposes of this Act are:

3 (1) to effectuate the intent of Congress underlying section 202
4 of the Alaska Mental Health Enabling Act that mental health lands be admin-
5 istered in such a way as to make funds available for the support of
6 Alaska's mental health program;

7 (2) to the extent practicable, to eliminate the need for costly,
8 time-consuming and divisive litigation over the state's management of
9 mental health lands;

10 (3) to ensure that the attention of the public and the govern-
11 ment is focused on mental health programs, as contemplated by Congress, and
12 not on issues relating to the management of mental health lands;

13 (4) to reconstitute a mental health lands trust through identi-
14 fication of lands in legislatively designated areas which are equal in
15 value to those selected by and patented to the state under section 202 of
16 the Alaska Mental Health Enabling Act;

17 (5) to remove from trust status those lands selected by and
18 patented to the state under section 202 of the Alaska Mental Health En-
19 abling Act which are not in legislative designated areas, thereby freeing
20 them for other uses;

21 (6) to remove from trust status lands selected by and patented
22 to the state under section 202 of the Alaska Mental Health Enabling Act
23 which are not in legislatively designated areas and to validate each deed,
24 contract for sale, lease, easement, right-of-way, permit, mineral lease
25 disposal, reservation of land for public use by statute, or land management
26 actions, including use classifications under AS 38.05.300 and interagency
27 land management assignments by the Department of Natural Resources, that
28 may have been called into question by the Supreme Court's decision in State
29 v. Weiss, 706 P.2d 681 (Alaska 1985), returning mental health land to trust

1 status; and

2 (7) to identify a portion of annual state general fund revenues,
3 equal in amount to the fair market rental value of mental health lands, as
4 compensation to the trust for the continued use of the lands in legisla-
5 tively designated areas for the legislatively designated purposes; and

6 (8) to create a board to assist and advise the legislative and
7 executive branches of government on matters relating to the mental health
8 program of Alaska.

9 * Sec. 2. AS 37.14 is amended by adding new sections to read

10 Sec. 37.14.011. MENTAL HEALTH TRUST INCOME ACCOUNT. (a) There
11 is established, as a separate account in the general fund, the mental
12 health trust income account.

13 (b) The amount determined under (c) of this section as the fair
14 market rental of the lands constituting the mental health trust corpus
15 is the earnings of the trust and the commissioner of revenue annually
16 shall allocate that amount to the mental health trust income account.

17 (c) The fair market rental value of the lands constituting the
18 mental health trust corpus shall be equal to 8 percent of the fair
19 market value of the lands. Following the initial determination of the
20 fair market value of the lands selected by and patented to the state
21 under section 202 of the Alaska Mental Health Enabling Act, the com-
22 missioner of natural resources shall redetermine the fair market value
23 of the lands constituting the mental health trust corpus at least
24 every five years, and provide the redetermined value to the commis-
25 sioner of revenue and the board established under AS 47.30.661.

26 Sec. 37.14.021. UTILIZATION OF THE MENTAL HEALTH TRUST INCOME
27 ACCOUNT. Money in the mental health trust income account established
28 in AS 37.14.011(a) shall first be appropriated by the legislature to
29 meet the necessary expenses of the mental health program of Alaska.

1 In making annual appropriations from the mental health trust income
2 account, the legislature shall consider the recommendations of the
3 Alaska Mental Health Board established under AS 47.30.661, including
4 any recommendations regarding capital improvements. After the neces-
5 sary expenses of the state's mental health program have been funded,
6 the legislature may make appropriations from the mental health trust
7 income account for other public purposes.

8 * Sec. 3. AS 38.05 is amended by adding a new section to read:

9 Sec. 38.05.800. RECONSTITUTION AND ADMINISTRATION OF MENTAL
10 HEALTH LANDS TRUST. (a) The commissioner of natural resources, under
11 procedures approved by the interim mental health trust commission,
12 shall determine the fair market value, as of the effective date of
13 this Act, of all lands selected by and patented to the state under the
14 Alaska Mental Health Enabling Act. The commissioner shall report the
15 determination of that value to the board established under AS 47.30.-
16 661.

17 (b) The commissioner of natural resources, with the approval of
18 the interim mental health trust commission, shall identify lands
19 within legislative designations which are equal in value to all lands
20 selected by and patented to the state under section 202 of the Alaska
21 Mental Health Enabling Act which are not in legislative designations.

22 (c) All lands selected by and patented to the state under the
23 Alaska Mental Health Enabling Act which are within legislative desig-
24 nations, together with all lands identified by the commissioner under
25 (b) of this section, shall constitute the corpus of the mental health
26 lands trust.

27 (d) Upon reconstitution of the trust as provided in this sub-
28 section, lands selected by and patented to the state under section 202
29 of the Alaska Mental Health Enabling Act which are not within

1 legislative designations are removed from trust status.

2 (e) The lands within legislative designations which constitute
3 the mental health lands trust shall continue to be administered for
4 the legislatively designated purposes. The trust shall be compensated
5 for the continued use of the mental health trust lands for the legis-
6 latively designated purposes as provided in AS 37.14.011.

7 (f) Before the state may remove any lands which are part of the
8 mental health trust corpus from trust status, and in addition to any
9 other requirements of law, the commissioner of natural resources,
10 consistent with the state's trust responsibilities, must identify
11 replacement lands, equal in value at the time of replacement, within
12 legislative designations and incorporate them into the mental health
13 trust corpus. The commissioner of natural resources annually shall
14 report any actions under this subsection to the board established
15 under AS 47.30.661.

16 * Sec. 4. AS 47.30 is amended by adding new sections to read:

17 Sec. 47.30.661. ALASKA MENTAL HEALTH BOARD. There is created
18 the Alaska Mental Health Board. For budgetary purposes, the board is
19 located within the Department of Health and Social Services. The
20 board is the state planning and coordinating agency for the purposes
21 of federal and state laws relating to the mental health program of
22 Alaska. The purpose of the board is to assist the state in ensuring
23 an integrated comprehensive mental health program.

24 Sec. 47.30.662. COMPOSITION. (a) The board shall consist of
25 the commissioner of health and social services, or the commissioner's
26 designee, and not less than nine nor more than 12 other members,
27 appointed by the governor, with due regard for balanced geographic
28 representation of the state.

29 (b) At least one-third of the members shall be consumers of

1 mental health services (or parents or guardians of such persons).

2 (c) At least one-third of the members shall be either public or
3 private providers of mental health services.

4 (d) The remaining members shall be representatives of the public
5 at large.

6 Sec. 47.30.663. TERM OF OFFICE. (a) Board members' terms are
7 three years. Of the initial appointees, one-third shall be appointed
8 for one-year terms, one-third for two-year terms, and one-third for
9 three-year terms.

10 (b) A vacancy occurring in the membership of the board shall be
11 filled by appointment of the governor for the unexpired portion of the
12 vacated term.

13 (c) Members may be removed only for cause, including, but not
14 limited to, poor attendance or lack of contribution to the board's
15 work.

16 Sec. 47.30.664. OFFICERS AND STAFF. (a) The board, by a major-
17 ity of its membership, shall elect a chairman and other officers it
18 considers necessary from among its membership to serve on a yearly
19 basis.

20 (b) The board will have a paid staff provided by the Department
21 of Health and Social Services, including, but not limited to, an
22 executive director who shall be selected by the board from candidates
23 provided by the department. The executive director is in the partial-
24 ly exempt service and may hire additional employees in the classified
25 service of the state. The staff of the board shall be directly re-
26 sponsible to the board in the performance of their duties.

27 Sec. 47.30.665. BYLAWS. The board, on approval of a majority of
28 its membership and consistent with state law, shall adopt and amend
29 bylaws governing its composition, proceedings, and other activities

1 consistent with state law and including, but not limited to, pro-
2 visions concerning a quorum to transact board business and other
3 aspects of procedure, frequency and location of meetings, and estab-
4 lishment, functions and membership of committees.

5 Sec. 47.30.666. POWERS, DUTIES, AND RESPONSIBILITIES OF THE
6 BOARD. The board shall

7 (1) measure the extent of the mental health need and, as
8 necessary, conduct independent studies, evaluate the statewide mental
9 health information system, and review the current mental health pro-
10 gram of Alaska;

11 (2) provide a public forum for discussion of issues regard-
12 ing current and potential services to persons served by the mental
13 health program of Alaska;

14 (3) determine the needs, including those currently unmet,
15 of the persons to be served by the mental health program of Alaska;

16 (4) review reports from the Department of Natural Resources
17 regarding the valuation of the mental health lands trust and the
18 status of mental health trust lands, from the Department of Revenue
19 regarding allocations to the mental health income account, and from
20 other departments regarding the current and projected revenues for the
21 support of the mental health program of Alaska;

22 (5) subject to disclosure restrictions imposed by state or
23 federal confidentiality or privacy laws, have access to information in
24 the possession of state agencies;

25 (6) in conjunction with the Department of Health and Social
26 Services, prepare and annually update a long-term comprehensive state
27 mental health plan, to include the projected need and the services,
28 facilities, and resources for the mental health program of Alaska to
29 meet that need;

1 (7) in conjunction with the Department of Health and Social
2 Services, develop, prepare, adopt, and periodically review and revise
3 as necessary an annual state implementation plan to meet the needs of
4 persons served by the mental health program of Alaska;

5 (8) in conjunction with the Department of Health and Social
6 Services, and prior to developing the annual state implementation
7 plan, evaluate the effectiveness of the prior year's implementation
8 plan and evaluate program performance and recommend improvements, set
9 priorities and establish criteria to utilize in funding allocations;

10 (9) report at least annually to the legislature, governor,
11 and commissioner of health and social services, and meet with appro-
12 priate legislative committees, concerning the board's activities,
13 including its evaluation of the effectiveness of the prior year's
14 implementation plan, and its recommendations to meet the necessary
15 operating and capital expenses of the mental health program of Alaska;

16 (10) serve as an advocate before the executive and legisla-
17 tive branches of government and the public on behalf of those served
18 by the mental health program of Alaska;

19 (11) discourage duplication of services and promote effi-
20 cient and coordinated use of federal, state, and private resources in
21 the provision of mental health services; and

22 (12) review applicable statutes, regulations, and policies
23 and recommend appropriate changes.

24 Sec. 47.30.669. DEFINITION. In AS 47.30.661 -- 47.30.669,
25 "board" means the Alaska Mental Health Board established in AS 47.30.-
26 661.

27 * Sec. 5. Section 1(b), ch. 132, SLA 1986 is amended to read:

28 (b) The commission established under (a) of this section con-
29 sists of three [FIVE] members, including the commissioner of natural

resources, or the commissioner's designee, [AND THE COMMISSIONER OF HEALTH AND SOCIAL SERVICES, OR THEIR DESIGNEES] and two [THREE] members and two [THREE] alternates [APPOINTED BY THE GOVERNOR] as follows:

(1) a member and an alternate representing the plaintiffs who were[,] appointed by the governor from a list of three names submitted to the governor by the plaintiffs in Weiss v. State, 4 FA 82-2208 Civil;

(2) a member and an alternate representing the intervenors who were[,] appointed by the governor from a list of three names submitted to the governor by the intervenors in Weiss v. State, 4 FA 82-2208 Civil[;AND

(3) A MEMBER AND AN ALTERNATE REPRESENTING THE GOVERNOR'S MENTAL HEALTH ADVISORY COUNCIL, APPOINTED BY THE GOVERNOR FROM A LIST OF THREE NAMES SUBMITTED TO THE GOVERNOR BY THE GOVERNOR'S MENTAL HEALTH ADVISORY COUNCIL].

* Sec. 6. Section 1(c), ch. 132, SLA 1986 is amended to read:

(c) The members of the commission shall elect a presiding officer. A majority of the commission constitutes a quorum. The affirmative vote of two [THREE] members is required to take official action. A vacancy does not impair the power of the remaining members to exercise the powers of the commission.

* Sec. 7. Section 2, ch. 132, SLA 1986 is repealed and reenacted to read:

Sec. 2. RESPONSIBILITIES OF THE COMMISSION. (a) The commission shall review procedures proposed by the commissioner of natural resources to determine the fair market value, as of the effective date of this Act, of all lands selected by and patented to the state under section 202 of the Alaska Mental Health Enabling Act, and review the

1 final determination of the fair market value determined under those
2 procedures.

3 (b) The commission shall review the identification by the com-
4 missioner of natural resources, under AS 38.05.800, of lands within
5 legislative designations which are equal in value to all lands select-
6 ed by and patented to the state under section 202 of the Alaska Mental
7 Health Enabling Act which are not in legislative designations.

8 (c) In the exercise of the commission's responsibilities under
9 this section, the commission and its staff may review the records of
10 the Department of Natural Resources that are made confidential by law
11 or regulation. An individual who acquires information made confiden-
12 tial by law or regulation in the performance of functions authorized
13 by this Act and discloses it without proper authority violates AS 11.-
14 56.860.

15 * Sec. 8. Section 6, ch. 132, SLA 1986 is amended to read:

16 * Sec. 6: This Act is repealed upon certification by the commis-
17 sioner of natural resources to the Alaska Mental Health Board estab-
18 lished under sec. 4 of this Act that the mental health lands trust has
19 been reconstituted as provided in AS 38.05.800 [JULY 1, 1987].

20 * Sec. 9. TRANSITIONAL PROVISIONS. Beginning in fiscal year 1989, and
21 continuing thereafter until the commissioner of natural resources certifies
22 to the commissioner of revenue that the mental health lands trust has been
23 reconstituted as provided in sec. 2 of this Act, the commissioner of reve-
24 nue shall make allocations to the mental health trust income account so
25 that the total of allocations during the year equals five percent of all
26 revenue received by the state's general fund during that fiscal year.

27 * Sec. 10. The following laws are repealed: AS 37.14.010, 37.14.020,
28 37.14.030, 37.14.040, 37.14.050, AS 47.30.605, and sec. 3, ch. 132, SLA
29 1986.

* Sec. 11. Sections 5 -- 8 of this Act take effect July 1, 1987.

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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSSB 96(HESS)
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: An Act Relating to the Alaska
Mental Health Trust; and Providing for
an Effective Date.
Sponsor: Senate HESS Committee
Requestor: _____

Agency Affected: Administration
BRU: Personnel
Components: Personnel

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
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	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	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

Prepared By: Diana DeSimone *DD* Phone: 465-4430
Division: Personnel Date: April 23, 1987

Approved by Commissioner: Garrey Peska *[Signature]* Date: 4/24/87
Agency: Department of Administration

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

POSITION PAPER
CSSB 96(HSS)

Committee Substitute for Senate Bill 96 (Health and Social Services Committee) establishes the Alaska Mental Health Board.

Section 47.30.664 specifies that the board shall hire an executive director and other staff. The proposed language clearly and appropriately places the employees of the board in the classified service. This section also stipulates that the executive director is in the partially exempt service. This legislation requires an amendment to AS 39.25.120 in order to list the executive director in the partially exempt service.

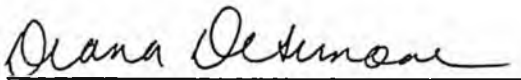
The following amendments are suggested:

1. On Page 12, Line 24 add "under AS 39.25.120" after the word "service."
2. Add another section to the bill which states:

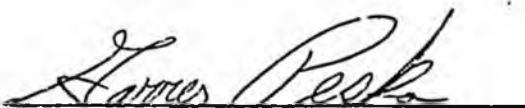
AS 39.25.120(9) is amended by adding a new paragraph to read:

(L) the executive director of the Alaska Mental Health Board.

The Department of Administration's position on this bill is neutral.


Diana DeSimone, Director
Division of Personnel

4/22/87
Date


Commissioner Garrey Peska
Department of Administration

4/24/87
Date

SB

116

3/2/87

BRIEF HISTORY OF ALASKA CORRECTIONAL INDUSTRIES

GENERAL: 1979 - State of Alaska financed "Alaska Corrections Master Plan" by Moyer and Associates, who recommend implementation of an Industries program. An Industries Manager, Wally Roman was hired October 16, 1981. In the spring of 1982, the Hammond Administration introduced and the Legislature passed HB 194 (enacted as AS 33.32.) which establishes the Alaska Correctional Industries program. In October of 1982, the Governor appointed the Correctional Industries Commission. In July, 1985, a Marketing and Sales Manager was added to the staff, and in September, 1985 the management of the Industries program (three individuals) was relocated from Juneau to Anchorage. Staff which did not transfer was replaced at the new location.

AGRICULTURAL OPERATIONS: Farming operations began as a camp work project at the Palmer Correctional Center over twenty years ago. In March, 1983, the Correctional Industries Commission approved the expansion of the operation as a correctional industry to provide produce for state institutions. Mechanized field and potato processing equipment was purchased for a sum in excess of \$100,000 including many surplus pieces of equipment which were rebuilt at the institution. Acreage under cultivation was increased to approximately 27 acres, and is yielding in excess of 200 tons of potatoes. Flowers are also grown for State projects, including the Anchorage International Airport. 8 to 15 inmates are employed based upon seasonal needs.

AUTO BODY REPAIR: This business also began in prior years sometime in the 1970's, at the Palmer Correctional Center. In March, 1983, upgrading and modernization of the existing auto body shop program was approved by the Correctional Industries Commission. Conversion of an existing shop building yielded a 2900 square foot shop which contains a paint booth, mixing room, tool room, welding facilities, and a state of the art frame straightening rack. The quality control was brought up to rigid commercial standards, and the shop now repairs virtually all State of Alaska vehicles in the southcentral region. This shop employs from 5 to 8 inmates.

COMMERCIAL LAUNDRY: In March, 1983, the Correctional Industries Commission approved the building of a commercial laundry facility at the Lemon Creek Correctional Center to provide service to the State of Alaska Marine Highway system's southeast runs, and all other state institutions in the Juneau area. At that time, the laundry needs of the Marine Highway system were being met in Seattle, Washington, and Prince Rupert, B.C., Canada. Laundry operators in the Juneau area declined this business due to high seasonal nature. Construction of the new facility was begun in the fall of 1983 and completed in December, 1984. Operations have been excellent with almost 3/4 of a million pounds of laundry processed annually, employing 18 to 35 inmates.

Private Sector Employees

COMMERCIAL BAKERY: In October, 1983, the Correctional Industries Commission approved the establishment of a commercial bakery at Lemon Creek Correctional Center to provide baked goods to the Marine Highway system and other state agencies throughout Alaska. This operation was designed to share the same building as the laundry operation, and went into operation in January, 1985. It has continued from that time to supply top quality baked goods to the Marine Highway system at prices at or less than previous suppliers in Seattle, Washington, and Prince Rupert, B.C., Canada. This operation has commission approval for commercial sales which are being developed. The bakery employs 5 to 8 inmates.

FURNITURE ASSEMBLY: July, 1983, the Correctional Industries Commission approved the establishment of a furniture and upholstery production and repair facility. A first consideration was to utilize a quonset hut at the Lemon Creek Correctional Center, but this idea was discarded and the proposed operation was moved to the Wildwood Correctional Center in Kenai, Alaska. The decision was based upon the availability of a building that could be renovated at a relatively low cost, an institutional work force of medium custody inmates, and proximity to the large southcentral market for furniture. In the spring of 1985, a contract was awarded to CPSI, a Boulder, Colorado consulting firm which gives assistance to correctional systems for furniture manufacturing. An agreement with four large national furniture companies provided pre-made components of standard furniture items for assembly at the new plant. Furniture manufacturing began in the Wildwood plant in January, 1986. A substantial dollar volume has been produced since start up of the plant, but further review is necessary due to much lower margins than originally expected, and a major collapse of the furniture market due to budget restrictions. The plant employs 15 to 25 inmates. After careful review of the current product lines, which are quite broad, this operation will probably be reduced to labor intensive oak/upholstered furniture and a few other complimentary lines which have proven very acceptable in our market place, and provide a more adequate profit margin.

METAL FABRICATION PLANT: In October, 1983, the Correctional Industries Commission approved the establishment of a metal fabrication plant to be located at the Wildwood Correctional Center. Plant operations began in January, 1986 and with the receipt of the large Spring Creek Correctional Center production order for bunks and desks, the plant has been running at full production level for the past 8 months with 20 to 30 inmates working full time. This plant produces a variety of products beyond cell furniture, including fish carriers for the Department of Fish and Game, barbeque pits for the Division of Parks, and several communities in Alaska, as well as custom fabricated "one off" specialities.

MT. MCKINLEY MEAT AND SAUSAGE PLANT: In May, 1986, the Division of Agriculture approached the Department of Corrections with the idea of using inmate labor to operate the failed meat plant in Palmer until the private sector was able to operate it again. The Agricultural Revolving Loan Fund purchased the plant and has signed an agreement with the Department of Corrections to operate the facility. Initial public hearings were held on February 6, 1987 and the Industries Commission decided to table the operational proposal until the next meeting, March 16, 1987, when the commission will hear additional public testimony regarding operation of the plant. At the present time the Department of Corrections plans to provide meat for its own consumption only. This facility will employ 20 inmates.

STATE OF ALASKA

DEPARTMENT OF CORRECTIONS

SOUTHCENTRAL REGION OFFICE

STEVE COWPER, GOVERNOR

2200 EAST 42ND AVENUE
ANCHORAGE, ALASKA 99508-5202
PHONE: (907) 561-4426

April 14, 1987

RECEIVED
APR 20 1987

Annabell Stevens
520 W. 24th Avenue
Anchorage, Alaska 99503

DEPARTMENT OF CORRECTIONS
CENTRAL OFFICE-JUNEAU

Dear Ms. Stevens:

The Commissioner has asked me to respond to your concern about plans to use inmates to provide services to private sector laundry companies in Juneau, since the industries program is under my supervision at this time.

The Alaska Correctional Industries Laundry operation in Juneau currently has four customers:

- 1) The Marine Highway system fleet, with the exception of the Le Conte.
- 2) The Lemon Creek Correctional Center.
- 3) The Johnson Youth Center.
- 4) The Juneau Recovery Unit.

Within the past few months, we have researched a proposal to provide wholesale services to Juneau area laundries. Under this plan, they would essentially "sub-contract" work to us by trucking laundry from their customers to us, having the Industries laundry at Lemon Creek Correctional Center wash the items and then picking up the clean laundry for return to their customers. This operation would only take place in Juneau, since that's the only place ACI operates a laundry.

At the ACI Commission meeting held on February 6, 1987, this idea was discussed and some public testimony was heard, but the Commission took no action on the issue. The DOC, although it recognizes that this idea has some merit, is also concerned about possible displacement of workers and has tabled this idea. If more research validated this concept, the entire public hearing process to establish "minimal negative impact" on the private sector would then begin. You will certainly be kept informed if at any time in the future this idea resurfaces, but I think it highly unlikely that it will.

Sincerely,
Vicki R. Williams
Vicki R. Williams, Director
Division of Facilities Management

VRW:tlc

cc: Susan Humphrey-Barnett, Commissioner, DOC
Wes Milton, Industries Manager, DOC
Joe Corbett, Production Manager, LCCC
Representative John Sund

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

REQUEST: _____

Bill Version: _____

Publish Date: _____

Revision Date: - 5/11/87

Agency Affected: Department of Corrections

Title: Continuing the Correctional

BRU: Administration and Support

Industries Program #773-87-0070

Sponsor: Governor

Components: Correctional Industries Admin.

Requestor: Dept. of Corrections

Correctional Industries Production Cost

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	554.1	547.3	1032.5	1230.1	1326.2	1372.3
TRAVEL	24.4	31.7	32.7	33.7	34.7	35.7
CONTRACTUAL	182.1	362.1	844.6	910.0	1011.8	1141.4
SUPPLIES	554.6	1030.7	1694.4	1860.0	2035.2	2229.6
EQUIPMENT	-0-	-0-	275.0	125.0	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	128.0	251.4	285.0	330.0	345.0	345.0
MISCELLANEOUS	1200.0*					
TOTAL OPERATING	1443.2	2223.2	4164.2	4488.8	4752.9	5124.0

CAPITAL						
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REVENUE	1175.0	2000.0	3315.0	3875.0	4240.0	4645.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	571.6	564.8	1050.5	1248.7	1345.3	1392.0
FEDERAL FUNDS						
OTHER CORR. IND.	871.6	1658.4	3113.7	3240.1	3407.6	3732.0
TOTAL	1443.2	2223.2	4164.2	4488.8	4752.9	5124.0

POSITIONS:

FULL-TIME	11.0	11.0	19.0	22.0	23.0	23.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

*NON ADD - This is amount of a loan from the Dept. of Natural Resources under an RSA to provide for start up costs of the Palmer Meat Plant. For detail of revenue estimates and staffing beyond 1988, see attached.

Salary costs are increased 3.5% per year over FY88 to accommodate merit increases; other line items are projected using a 3% cost-of-living increase annually.

Prepared by: Susie Riley Phone: 465-3376

Division: Program Budget Analyst Date: 1/14/87

Approved by Commissioner: William W. Loring Date: 1/15/87

Agency: Department of Corrections

Distribution (by preparer):

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

sh 116

Current file entry: 1533 hours, January 12, 1986

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Title: Continuing the Correctional Industries Program
773-87-0070

EXPENDITURES/REVENUE

OPERATING	FY87	FY88	FY89	FY90	FY91	FY92
PERSONAL SERVICES	11	14	19	22	23	23
Administrative						
Industries Mngr	1	1	1	1	1	1
Market/Sales Mngr	1	1	1	1	1	1
Accountant	1	1	1	1	1	1
Production Managers						
Juneau:						
Bakery - PMII	1	1	1	1	1	1
Laundry- PMI	1	1	1	1	1	1
Other - PMI	1	1	1	1	1	1
Palmer:						
Farm - PMII	1	1	1	1	1	1
Auto - PMI	1	1	1	1	1	1
Meat - PMII	1	1	1	1	1	1
Bakery - PMI			1	1	1	1
Signs - PMI			1	1	1	1
Kenai:						
Metal - PMII	1	1	1	1	1	1
Furnit - PMI	1	1	1	1	1	1
Mfg/Und- PMI			1	1	1	1
Mfg/Und- PMI					1	1
Fairbanks:						
Mail Sv- PMI			1	1	1	1
Undeter- PMII				1	1	1
Seward:						
Sewing - PMI			1	1	1	1
Mfg/Und- PMII			1	1	1	1
Mfg/Und- PMI				1	1	1
Nome:						
Mfg/Und- PMI			1	1	1	1
Bethel:						
Mfg/Und- PMI			1	1	1	1
Ketchikan:						
Mfg/Und- PMI				1	1	1

2/16

REVENUE	FY87	FY88	FY89	FY90	FY91..	FY92
Industries:						
Juneau:						
Bakery	\$ 125K	\$ 125K	\$ 125K	\$ 130K	\$ 135K	\$ 140K
Laundry	175K	195K	200K	210K	220K	225K
Mfg/Und		25K	35K	40K	45K	50K
Palmer:						
Farm	\$ 75K	85K	90K	90K	95K	100K
Auto Body	80K	90K	100K	100K	110K	125K
Meat Plant	200K	1,000K	1,200K	1,300K	1,400K	1,500K
Bakery			200K	400K	425K	450K
Sign Shop	20K		60K	75K	85K	90K
Kenai:						
Metal	\$ 380K	\$ 250K	\$ 400K	\$ 300K	\$ 300K	\$ 300K
Furniture	120K	180K	180K	180K	200K	240K
Mfg/Undeterm.			50K	75K	100K	100K
Mfg/Undeterm.					50K	75K
Fairbanks:						
Mail Servicing	\$	\$	\$ 400K	\$ 500K	\$ 500K	\$ 500K
Mfg/Undeterm.				50K	75K	100K
Seward:						
Sewing Ops	\$	\$ 50K	\$ 125K	\$ 150K	\$ 150K	\$ 200K
Mfg/Undeterm.			100K	150K	150K	175K
Nome:						
Mfg/Undeterm.	\$	\$	\$ 25K	\$ 50K	\$ 75K	\$ 100K
Bethel:						
Mfg/Undeterm.	\$	\$	\$ 25K	\$ 50K	\$ 75K	\$ 100K
Ketchikan:						
Mfg/Undeterm.	\$	\$	\$	\$ 25K	\$ 50K	\$ 75K
<hr/>						
REVENUE TOTALS:	\$1,175K	\$2,000K	\$3,315K	\$3,875K	\$4,240K	\$4,645K

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

2/11/87

February 9, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill continuing the correctional industries program created by ch. 53, SLA 1982. (The correctional industries program was enacted as AS 33.30.400 -- 33.30.490, but was renumbered in 1982 as AS 33.32.010 -- 33.32.090 by the revisor of statutes.)

The correctional industries program has been successful in expanding and showing a profit despite reduced funding. The program, which presently provides jobs for approximately 80 inmates, has reduced inmate idleness, provided meaningful jobs and marketable skills to inmates, and has provided inmates with earnings to help meet their obligations. The program showed a 10 percent profit in FY 86, returning money to the state general fund and thereby reducing the cost of incarceration in state institutions. Last year's enactment of AS 33.32.017 to provide for "free-venture" cooperative industries will provide for expanded markets and flexibility in developing new jobs for inmates and private-sector companies.

The bill repeals the section of ch. 53, SLA 1982, which would terminate the program on July 1, 1987. In light of the program's overall success, I urge your continued support and your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

FY88 Correctional Industries Request

Industry:	EXPENSES:				Total	Estimated
	Travel	Contractual	Supplies	Gratuities	Expenses	Receipts
Juneau Bakery	2.0	34.5	75.5	15.6	127.6	150.0
Juneau Laundry	2.0	23.0	45.0	40.0	110.0	185.0
Palmer Agriculture	1.0	24.0	20.4	13.6	59.0	85.0
Palmer Body Shop	1.2	15.3	32.9	13.6	63.0	90.0
Palmer Sign Shop	---	4.3	27.4	5.8	37.5	60.0
Palmer Bakery	1.0	27.7	85.5	38.8	153.0	180.0
Heat Plant	6.0	123.0	478.7	28.0	635.7	650.0
Kenai Metal Production	4.0	62.0	134.0	30.0	230.0	300.0
Kenai Furniture	4.0	18.0	75.5	30.0	127.5	150.0
Fairbanks Sewing	1.2	16.6	38.2	30.0	86.0	120.0
Fairbanks Other	.1	3.5	15.5	6.0	25.1	---
Seward Industry		4.0			4.0	30.0
TOTAL	22.5	355.9	1,028.6	251.4	1,658.4	2,000.0
FY87 Authorization	15.2	175.9	552.5	128.0	871.6	871.6
FY88 Increment Requested	7.3	180.0	476.1	123.4	786.8	

C5

**ADDITIONAL
EXPLANATION
FORM**

AGENCY Department of Corrections

BRU Administration and Support

COMPONENT Correctional Industries Product Cost

FY 88

Page 2 of 2

Revised Date: _____


DEAR SENATORS:

THE DISTRICT COUNCIL OF LABORERS OPPOSES SB-116.

THIS LEGISLATION SURPASSES THE INTENT OF THE LAW, .I.E. CONVICT LABOR SHOULD HAVE MINIMAL NEGATIVE IMPACT ON EXISTING ALASKAN PRIVATE INDUSTRY AND LABOR FORCE. IN FACT, CURRENT ACTIVITIES BY THE DEPARTMENT OF CORRECTIONS IN USE OF CONVICT LABOR SURPASSES IT'S CURRENT LAW.

THIS LEGISLATION CONDONES PUBLIC SUPPORTED CONVICT LABOR COMPETING WITH HONEST WORKING ALASKANS WITHIN OUR COMMUNITIES. AT A TIME WHEN NECESSARY STATE PROGRAMS ARE BEING CHOPPED FROM THE BUDGET, WORKERS ARE LOSING THEIR JOBS (BOTH IN THE PRIVATE AND PUBLIC SECTOR) AND BUSINESSES ARE FILING CHAPTER 11 ON A DAILY BASIS. IT IS HYPOCRITICAL TO SPEND OUR LIMITED FUNDS ON COUNTER-PRODUCTIVE CONVICT LABOR AS IS QUITE APPARENT IN THE ATTACHED FISCAL NOTE.

WE URGE THE COMMITTEE TO OPPOSE SB-116. THANK YOU.


Don Rouleau
District Council of Laborers
710 W. 9th St.
Juneau, AK 99801
586-3707

SB

119

FROM: Senator Jay Kerttula

DATE: March 1987

SUBJECT: Features of SB 119; an act relating to the public school foundation program

1. Teachers Retirement System - The school district contribution to TRS is excluded from DOE's definition of "basic need." This is not handled by any additions amendments or repeals of existing school formula language so it must be DOE's intent to cause a change to be made in the operating budget or some other chapter. DOE estimates the cost at about 3.4% of the typical school district's budget or 23 to 26 million total for FY 87-88.

RECOMMENDATION: On page 1, line 29, add: "The employers' contribution to the Teachers Retirement System continues to be a state responsibility and is funded under a separate program." Appropriate an additional 23 to 26 million.

ANALYSIS: DOE's formula will work much better for Mat-Su and Ketchikan if the 3.4% in state funding for TRS is retained as a staff responsibility. If Mat-Su and Ketchikan have to pick up this additional expense, they may not be able to continue their existing education program without bumping against the 5.5 mill lid on local tax effort. These are the numbers for Mat-Su. Ketchikan's situation should be similar:

Mat-Su budget for FY 86-87 excluding debt service and transportation (after Gov. Sheffield's cuts of July '86)	\$46,515,220
Cost to Mat-Su of assuming TRS at 3.4% of \$46,515,220	1,581,516
Mat-Su budget with TRS	<u>\$48,096,736</u>
Maximum that can be raised for above purposes under SB 119 at 5.5 mills (current Mat-Su mill levy equivalent 7.2 mills)	\$46,924,734
Shortfall-mandated state reduction in Mat-Su education program	<u>\$ 1,172,002</u>

The \$46,515,220 budget the Mat-Su school district is now operating under is a lean budget and about 3 million less than what was assumed to be available in May 1986 when the Assembly approved an approximate \$49 million budget - the \$49 million was cut back by about \$3 million in July 1986 in the aftermath of a fall in oil prices. State funding was cut back by about \$3 million.

If the state continued to fund TRS for the Borough at an approximate cost to the state of \$1.6 million, the current Assembly - and subsequent assemblies - could, with a mill levy not exceeding 5.5 mills, appropriate sufficient monies to maintain a program at 1986-87 levels. With a 5.5 mill levy limit, and with an additional \$1,581,516 liability to be paid by borough property taxes, the Borough would be able to achieve FY 86-87 program levels (unless enrollments increased or assessed valuations decreased).

The current and subsequent assemblies may not see fit to maintain funding at FY 86-87 levels, but, if they should want to, the combination of the 5.5 mill lid and the transfer of TRS responsibility would deny them the opportunity to make this decision.

TRS should stay with the state, at least for the fiscal year. The governor could make recommendations to the legislature on the handling of TRS funding for the FY 88-89 fiscal year.

A transfer of TRS responsibility at this time complicates analysis of the affect of SB 119 school finances.

This is the way the DOE change looks at first glance:

Apparent funding:

	Basic Need at 60,000 Per Unit	Deduct Required Local Effort at 4 mills	Deduct 90% Deductible PL 874	FY 88 Proposed State Aid
Mat-Su	\$42,849,600	\$10,867,024	\$18,221	\$31,964,355
Actual funding deduct TRS	<u>1,581,516</u>	<u>10,867,024</u>	<u>18,221</u>	<u>31,964,355</u>
	41,268,084			

Apparent differences in 1986-87 funding and 1987-88 funding:

1987-88	31,964,355	
less TRS	<u>1,581,516</u>	
Adjusted	30,382,839	
1986-87	<u>27,349,497</u>	
	3,043,342	(about 10% actual gain)

\$42,849,600 is within striking distance of the FY 86-87 \$46,515,200 Mat-Su Borough expenditure level; \$41,268,084 is too low to qualify for the term "basic education. The term "basic need" should not be used to describe a unrealistically low level of expenditure.

2. Raising the \$60,000 basic need amount - To further narrow the gap between the state defined "basic need" of \$41,268,084 (\$42,849,600 if TRS stays with the state) and a fairly lean FY 86-87 budget of \$46,515,220, it would be desirable to increase the basic need to \$63,000 per unit and to cover the additional cost by increasing the mandated mill levy to 4.5 mills. If this were done, this is what would happen:

	Basic need at \$63,000 per unit 714.16 units	Additional Revenue with add on of .5 mills (4.5 mills)
Mat-Su	\$44,992,080	\$12,200,402 (4.5 mills)
original basic need aid	<u>\$42,849,600</u>	<u>\$10,867,024</u> (4 mills)
Additional funding	\$ 2,142,480	\$ 1,333,378 (additional revenue)

Because of Mat-Su's poor tax base, 5 mill does not raise much; only half as much per pupil as a .5 Anchorage mill levy would raise. In Anchorage, .5 mills would raise about \$9.5 million - enough to cover the increases in basic need.

Anchorage and Fairbanks are underfunded with a basic need set at \$60,000. The state established "basic need" for those districts should be more realistic. The March 4, 1987, issue of Anchorage Daily News reports that, "The Anchorage School Board Tuesday night officially passed a 1987-88 budget for \$243 million - 13 million of which it doesn't have - and left to the Anchorage Assembly and school employees the task of making up the shortfall..."

Finally, it will be necessary to raise the \$60,000 per unit if TRS payments are included within the definition of "basic need." There is not enough money in a \$60,000 unit to cover the cost of TRS.

3. Political Features - There are two features in SB 119 that appear to be purely political. They are:

(a) Retention by districts of 10% of PL 874 monies: This is a \$7 million item (out of a \$602.5 million school foundation pie) - about 1%. This \$7 million has supposedly been allocated to give school districts an incentive to ferret out pupils who can generate federal PL 874 monies. Seven million dollars is a very large amount of money to pay out as an incentive - no such incentive appeared to be necessary before 1981. Before 1981, the state deducted 100%.

Excluding the 10% from the formula will mislead the reader of DOE's tables as to the amount of money available to individual school districts for school operations. The amount available to Lower Yukon REAA is not \$13,424,400, the amount shown as Lower Yukon's "basic need" at \$60,000 per instructional unit. The amount available to Lower Yukon is:

Local effort	0
state	8,790,699
PL 874 (90% in formula)	4,633,701
PL 874 (10% not in formula)	514,859
Total	<u>\$13,939,259</u>

An extra half million dollars (\$514,859) for a school district is significant and should be shown as money available to the school district. Otherwise, comparisons of the school district with other school districts will be misleading. A change in state funding which is reported as a deduction may well refer to a situation where there has been an increase in total funding available to the school district.

RECOMMENDATION: Insist that the PL874 monies not in the formula which are available to the school district for general school purposes be listed in tables showing monies available for unrestricted school district expenditure. (Pupil transportation, school debt reimbursement, Johnson-O'Malley, etc., should not be listed as they are for restricted programs.)

(b) 4 mill levy or 35% of basic need, whichever is less. The policy to fund a minimum of 65% of the basic need of each school district exempts Anchorage, the largest school district in the state, from paying an amount equal to a 4 mill property tax levy. Four mills in Anchorage would raise \$77,373,427. Sixty five percent of Anchorage's \$184,337,400 basic need is \$64,518,090. There is a \$12,855,337 gap, more than a half mill's difference, between what Anchorage would contribute at 4 mills and at 35%. This is approximately \$13 million out of a \$602 million dollar school funding pie - about 2%. With a 60% minimum state match, Anchorage would have to contribute about 73.6 million. Anchorage currently contributes about 64 million so the desire probably was to keep Anchorage's contributions constant.

4. Heavy funding of smaller schools - In the larger school districts there is a fairly close correspondence between number of certificated personnel and number of instructional units - in Anchorage there are about 4% more units than certificated personnel. This is true of both classroom teachers and administrators (one category) and special program personnel - special education, bilingual and vocational educations (can be considered as a separate category).

This relationship breaks down in the smaller communities - generally communities with less than 600 pupils. In Lower Yukon, there are about 24% more units than certificated personnel. The formula for smaller communities such as those in Chatham (\$6,395 in state dollars per pupil) has apparently been established to generate more money for headquarters and non-personnel costs. The new DOE formula is vastly more fair than the old, but there may still be an excessive recognition of small school costs. Here is where the extra money would be generated:

SB 119, p. 4, line 15

<u>ADM</u>	<u>Units</u>
1-10 2	

COMMENT: This is probably realistic; it is very hard to operate a small remote school with just one teacher, regardless of how small the district is. Married couples often teach.

RECOMMENDATION: The range should be expanded: two teachers can handle 15 pupils. The 1962 Foundation Act funded one teacher unit for 8 - 16 pupils.

11-20 2 + (ADM - 10)

COMMENT: This portion of the formula would generate a partial teacher 2/10ths of a teacher, 4/10ths of a teacher, etc., who would not in fact be hired. Fifteen pupils would generate 3.5 units more than one unit for each five pupils. This is too much. The funding for the partial teachers would go to district headquarters, non-salary costs, etc.,

The argument for these partial units is that the arrival or departure of one pupil should not be the occasion for a district incurring a \$60,000 gain or loss. A pupil might be held over for a grade just so the district could break into a higher entitlement category for an additional \$60,000 unit. This could sometimes happen. However, the cost of creating transition funding is very expensive. In the case of a two teacher, 11-20 pupil school, a premium of up to 90% (3.8 units divided by two teachers) is excessive.

RECOMMENDATION: The solution is to put in an intermediate step for a three teachers school as follows:

<u>ADM</u>	<u>UNITS</u>	<u>TEACHER-PUPIL RATIO</u>
1-16	2	2:1 to 1:8 Average 1:14
17-30	3	1:57 to 1:10 Average 1.7.8
31-60	4 + <u>(ADM-20)</u>	1:78 to 1:10 10 Average 1.8.9
61-120	6 + <u>(ADM-60)</u>	1:10 to 1:11 12 Average 1:10.5
121-525	11 + <u>(ADM-120)</u>	1:11 to 1:13.8 15 Average 1:12.4

There are very good teacher-pupil ratios and much better than ratios funded in the 1960's.

The above allocations, if they were for teachers only, would put more teachers in the classroom than actually exists today. The excess funding will provide additional monies for district headquarters personnel, travel, and minimum costs of operating in separate facilities.

Average staffing for smaller schools in FY 1984-85 was:

1 - 16	1:5.5	compared to proposed 1:14
17 - 24	1:8.7	
25 - 40	1:6.8	
41 - 70	1:11	compared to proposed 1:89 for 31-60
71 - 120	1:10	
121 - 200	1:9.7	

There are arguments for allocating more instructional units to smaller schools than certificated persons assigned to them. A ten pupil classroom costs about the same to heat, light, and maintain as a 20 pupil classroom. This means that these non-salary costs would be about double per pupil in the small classroom than in the larger classroom.

However, this has already been taken into account. Where a smaller school generates one instructional unit for a 10 pupil classroom while a larger school generates one unit for a 20 pupil classroom, there will be twice as much instructional unit funding behind each small classroom pupil as there is behind each large classroom pupil. This means there will be twice as much non-salary funding behind each small classroom pupil as there is behind each large classroom pupil. Expressed another way, the number of dollars available for non-salary costs will be the same for the 10 pupil classroom as for the 20 pupil classroom.

The other argument is that the smaller schools are generally in high costs of living areas. This is true. However, DOE's instructional unit differential takes care of this. A unit for the Aleutians does not generate \$60,000; it generates 84,000 per unit - 40% extra.

DOE, in arriving at an average daily membership driven formula for small schools, has probably done something similar to what the 1986 legislature did in passing SB 75. It did not ask how much do the school districts with small schools need to operate their small schools. Rather, it asked how a formula can be devised to continue funding for small schools at close to previous levels, while ironing out obvious inequities among districts with small schools. Since previous legislatures had been generous in funding small schools, DOE accepted this as a fact of life. If DOE were writing on a blank slate, their formula for small schools would have probably been less generous.

DOE is working on a budget that was cut about 10% in July, 1986 for all school districts, including districts with small schools. The latter districts were the districts that were accumulating fund balances so rapidly in the late 1970's and from 1980 to 1985. They now have 10% leaner budgets and less margin for non-essential spending.

Equity in SB 119 formula: Except for the 10% windfall to PL 874 receiving districts, the \$13 million windfall to Anchorage (65% or 4 mills, whichever is the lesser) and the tilt toward smaller schools, the DOE formula is fair. Almost certainly, any amendments proposed by school districts which would lose money under SB 119 will make SB 119 less fair and more arbitrary. By relying on the Average Daily Membership of individual schools, DOE has gotten around school districts boundaries and has treated each school the same regardless of which school district the school lies in and regardless of which legislative district the school is in. The bizarre disparities between funding for similar school districts such as Sand Point and King Cove, Skagway, and Haines, Galena and Yukon-Koyukuk, are gone. This is great progress.

Both SB 45 and SB 119 should yield about the same results since dollars are generated by number of pupils in different sized schools. With amendments, either bill can tilt toward or away from the small school. SB 45 places a floor beneath school districts which historically have had high non-personnel costs. This means that the instructional unit, which is a device intended primarily to fund teachers salaries, does not have to be used as a blunt instrument to adequately fund high non-salary costs districts by overfunding low non-salary cost districts.

Training and Experience

SB 119 would be a better bill if it gave full or partial recognition to training and experience (T & E).

SB 45 includes T & E.

T & E is an actual cost of doing business just as utility rates and freight rates are an actual part of doing business. If an instructional unit approach is used, you would not want to give any more than about 70% credit for T & E. as approximately 30% of the average instructional unit is going for expenditures other than salaries of certificated persons - for classified employee salaries and non-salary costs.

The following amendments to SB 119 would add a T & E factor:

SB 119, p. 6, line 27, after Sec. 9 add a new Section 10 and renumber succeeding sections.

Sec 9, section AS 14.17.049 is added to read:

AS 14.17.049. TRAINING AND EXPERIENCE INDEX. The number of instructional units generated by AS 14.17.041, AS 14.17.043, AS 14.17.045, and AS 14.17.047 shall be adjusted to reflect the average training and experience of the certificated persons in the school district.

To calculate teacher salaries, the department shall annually prepare a training and experience index for each school district based on the average years of experience, not to exceed 15, and the average number of postbaccalaureate degree credits, not to exceed 54. The index shall range from a basic unit of 1.00 to a maximum unit of 2.00. The basic unit of 1.00 shall be calculated as the equivalent of \$26,078 and the multiples to be applied to the Training and Experience Index for the school district shall be .5.

The foregoing language would give recognition to most of a school district's T & E costs, but not complete recognition. The school district would still have an incentive to keep personnel costs down by hiring less trained and less experienced teachers.

Alaska has never used a T & E index. Some states, including New Mexico, give full recognition to T & E. The state DOE had given consideration in 1985 to giving 30% credit toward instructional units - the instructional unit would be multiplied by 30% of the T & E factor for the district.

Larry Huxel, the Law and Finance Director of the Department of Education, described the formula in about September 30, 1985. The training and experience index reflects the relative degree of training and experience of personnel paid from the teacher salary schedules in each district (base 1.0, maximum 2.0). Ratios of district salaries to base salary from designated points on each district's teacher salary schedule were calculated. From these ratios a state ratio schedule for training and experience was derived. The number of district personnel paid from the teacher salary schedule was utilized to calculate the district's Training and Experience Index. It is proposed that this index be used as an adjustment factor in the formula.

A T & E Index is likely to be controversial because it is fairly expensive. To the extent that money must be allocated to school districts with more senior and more trained teachers, to that extent money has to be taken away from districts with less senior and trained (less costly) teacher. Copper Valley, an REAA with an unusually senior staff (who are higher in the pay ranges) would benefit. A school district with rapid turnover would probably not benefit.

RECOMMENDATION: Explore informally with others interested in partially recognizing T & E costs. If there is interest, ask DOE to cost out a program based on 50% of the T & E index applied to number of instructional units. DOE already has the methodology to apply a T & E factor. Even if an amendment could not be retained for .5 of the T & E times the unit, it would be a good idea to get the T & E concept embedded in the formula at this time, even if it is only a token recognition of this cost at this time - 20%, 30%, etc.

Copy & Comy all these members 1/10/01

March 1.

... Local Gov't ...

for News - on an order.

How Schools Fare Under New Formula

The administration's version of a new School Foundation Act is due for introduction soon, and will join State Sen. Jalmar Kertulla's bill, which is already active in the Senate. The new state formula, as it is reviewed in the Legislature, will also be judged in context with other required local effort of 4-mills (but not to exceed 6-mills).

- **Instructional unit approach, with a unit pegged to \$60,000.
- **Separate facilities is no longer recognized as the base for unit calculation.
- **K-6 and secondary is not recognized until school population exceeds 200 in each funding community. Increased funding for secondary is available above the 200 population base.
- **Special education and similar programs are recognized by special schedules.
- **Area differentials are set using geographic differentials established for state salaries in a recent arbitrators' decision.
- **PL-874 (federal funds) will be considered and deducted in equalizing the formula.
- **A hold harmless clause at 90% of previous year formula will be in place for three years.

Looking at some districts:

Anchorage: Based on 38,874 pupil base a basic need is established at \$182.9 million, dividing into \$118.9 million in state effort and \$63.6 million in local effort. The district would get \$3,052 per ADM compared with \$2,923 this year. But the impact of TRS match transfer to local districts will mean a 4% reduction, and in addition larger districts will bare the brunt of cuts in pupil transportation and debt service.

Fairbanks: Based on 13, 158 pupil base a basic need would be \$64.9 Million, dividing into \$42.2 Million state aide and \$18.9 million local aid. The district would get \$3,498 per pupil, compared with \$3,231 this year. On a 100 index last year, Fairbanks would be 108% under the new formula, but this would be offset 4% by TRS match shift costs.

Ketchikan: Based on ADM of 2,450 students basic need is \$11.8 million, requiring \$7.6 million state aid and \$3.6 million required local effort. Ketchikan would get \$3,351 per pupil compared with \$2,973 this year. Up over current year 100% base to 113%.

Kenai: Using 8,414 ADM basic need would be \$44.3 million, state aid \$28.8 million, required local effort \$15.4 million, for an ADM cost of \$3,413 compared with \$3,349 currently. Up on current year 100% base at 102%.

Mat-Su: Using 8,950 ADM basic need would be \$42.7 million, state aid \$27.7 million, required local effort \$10.6 million, for an ADM cost of \$3,557 compared with \$3,087 now. 115% based on last year.

Unalaska: With a 170 ADM base Unalaska basic need would be \$1.55 million, state aid \$1.01 Million, local effort \$382,000, for an ADM cost of \$5,912 compared with current ADM of \$7,270. Unalaska would be down to 81% of current year funding, requiring hold harmless funds.

Tanana: With an ADM of 108, Tanana basic need would be \$1.04 million, with \$676,000 state aid and \$47,021 local effort. New ADM cost \$8,960 compares with current ADM cost \$12,468. Tanana would be at 71% prior year funding, requiring hold harmless funds.

Lower Kuskokwim: ADM 2,521 with basic need \$28.2 million, REAA with no local effort. New ADM cost \$8,849, compared with current \$8,301. Up at 107% current base.

Yukon Flats: ADM 373 with basic need \$5.4 million, REAA no local effort. New ADM \$12,752 compared with current \$12,387. Up at 103% current base.

Funding Pattern: One of the goals of the formula is to prove equity, and moot possible legal action against state school funding. The new formula does this quite well. However, several patterns and related school issues emerge.

Generally larger borough districts hold their own as long as only funding within the formula is concerned. REAAs generally do okay, with exception of several small districts. The down area tends to be small city districts such as Craig, Klawock, Dillingham, and Tanana. A problem outside the formula is the impact of cuts for pupil transportation and school debt service on districts. For example, a budget senario in the Kenai Borough projects a 10 mill tax next year, 6-mills over the current year level of 4-mills. A large share of this increase would be due to cuts in debt service and pupil transportation, and possible increases in local school effort due state required local effort. The point here is, that despite the fact that these costs are technically outside the State Foundation Act, impacted districts will argue their very real impact on schools and local taxes.

FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT
P.O. Box 1250, Fairbanks, Alaska 99707-1250 (907) 452-2000



MCKINLEY ALTERNATIVE JUNIOR HIGH
Jerry Hartsock, Head Teacher
(907) 356-1582

MAR 9 1987

March 4, 1987

KENNETH STEPHEN BURNLEY, Ph.D.
Superintendent of Schools

Senator Paul Fischer
Capitol Bldg. Room 508
P.O. Box V
Juneau, Ak. 99811

Dear Sir:

I enjoyed meeting with you when I was in Juneau on February 20-21 representing the Alaska Council for Social Studies at the Curriculum Cabinet meeting. I especially appreciated the opportunity to discuss with her issues of importance to the Fairbanks North Star Borough School District as well as needs of social studies teachers state-wide.

I would like to summarize the concerns I shared with you and ask for an update on the legislation we discussed. Senate Bill 119 as introduced on February 10 and referred to the HESS and Finance committees is of particular importance to Fairbanks. Specifically Sec. 14.17.025 (b) LOCAL EFFORT requiring local contributions would limit the amount that Fairbanks could contribute to the school district's operating fund to the equivalent of a 5.5 mill tax levy on the full and true value of the taxable real and personal property of the district....According to Mr. Mack Easton, the School District Finance Officer, this 5.5 mill equivalent ceiling could cause a problem for Fairbanks schools since our proposed school budget for FY88 would require a local contribution in excess of the 5.5 mill equivalency.

Also subsection (c) of Section 14.17.025 which requires that the amount a district receives for state tuition payments, etc. must be included in the local district's contribution would further reduce the amount of local support allowed under the formula. Fairbanks would be particularly affected because we have such a high percentage of on-base students in our district, and last year we received \$4.5 million in state tuition payments. Counting state tuition payments as part of our local contribution would mean that Fairbanks could in reality only assess itself a 4.5 mill equivalency.

Historically Fairbanksans have enthusiastically supported their public schools, and as our community has begun the painful process of budget review, it has become obvious that we do not want to give up the quality of education we have become accustomed to, and we will have to pay for it. How ironic if we vote to assess ourselves and then are limited by the Foundation Formula in how much we can support our own school system.!

A second piece of legislation we discussed was Senate Bill 115 which was referred to the rules committee on February 19. I shared my concern that the Senate Bill had grown from a \$5.8 million supplemental appropriation to a \$12.5 million appropriation. Certainly Fairbanks would benefit if the Senate version of the Bill passed. However, we are very concerned that the appropriation not become so overloaded that it fails to pass altogether.

As you may know our district signed a long-term bus transportation contract with TMS (approved by DOE) saving the state over one million dollars over the previous contract. Instead of receiving the full 100% reimbursement from the state we have received only 65% which leaves us and other districts in the red. While it is possible to freeze spending for textbooks, repairs, and capital equipment it is not possible to renege on a binding contract.

If the Senate version of the bill does pass I understand that the House would probably amend its bill to agree with the Senate legislation. Do you believe that Governor Cowper will sign such a bill?

The third item we discussed briefly was the level of support for the Department of Education in Governor Cowper's proposed FY 88 budget. As a representative of social studies teachers state-wide I would like to support the \$1.5 million line item for the Instructional Materials Center within the Department of Education.

The IMC has been responsible for developing curriculum guidelines for the state from pre-school to grade 12 at the direction of the State School Board. In developing the state model curriculum guides the department received input from teachers across the state, and they developed guidelines which can be used by the largest urban and smallest rural districts. Furthermore, they have been actively involved in curriculum development projects. I know that some of the economic activities in the Kenai area are included in the social studies curriculum guide objectives and suggested activities.

Both former Governor Sheffield and Governor Cowper have targeted Alaska and its Pacific Rim Trading Partners as keys to developing Alaska's economy. Teaching about Alaska's trading partners requires specialized training and materials in geography, economics, anthropology, sociology, as well as foreign languages. The department has been instrumental in developing an Alaska and the Pacific Rim curriculum which was K-12 and multidisciplinary and which was infused into all the state model curriculum guides. Ms. Sammy Crawford who is a teacher at Soldotna High School helped develop the Alaska-Pacific Rim curriculum and the model social studies guides.

Furthermore, the department has aggressively sought and received outside funding to develop materials and training opportunities for teachers. In the last six months alone the Instructional Materials Center has received \$291,000 in funding from outside sources such as Mellon, National Geographic, and National Association of School Boards. The curriculum kits which have been developed so far have been shared with teachers across Alaska through the 13 state professional curriculum associations such as ACSS. This work could not be effectively done by one district and then shared extensively with others. It needs to be done at the state level and then shared through the network which has developed.

I would urge you and the other senators to support the proposed level of funding (\$1.5 million) for the Instructional Materials Center and to allow the department as much flexibility as possible in determining how their allocation will be spent. In the last two years their budget has been cut 50%, but they have been able to maintain the high quality of service by creatively using staff and resources. One of their strategies has been to use the volunteer help of teachers and their professional curriculum organizations to enhance the department's work. You stressed the importance of the volunteer in education, and I believe the IMC successfully taps this volunteer network.

I was pleased by your verbal commitment to education and hope that you will continue to work for passage of legislation which is crucial to maintaining the quality of our schools, not only in Fairbanks, but for our state. Please let me know if there is anything further I can do to support your efforts on our behalf. I plan to be in Juneau June 2-7 for the Alaska State Medical Association Meeting with my husband, Don, who is the ASMA president. I hope to win our bet and collect that cup of coffee (if Fairbanks passes a local tax to support education) and the \$1.00 (if the legislature passes an income tax bill).

Sincerely yours,

Gayle Y. Thieman

Gayle Y. Thieman
President-Elect, Alaska Council of
Social Studies
Teacher, FNSB School District

ASSOCIATION OF ALASKA SCHOOL BOARDS

316 W. 11th St. • Juneau, Alaska 99801-1510 • (907) 586-1083

TO: SENATOR JACK COGHILL
REP: DICK SCHULTZ

FROM: ALASKA GATEWAY SCHOOL DISTRICT
RALPH RUDIZK, INTERIM SUPT.

SUBJECT: FOUNDATION FUNDING

VIA: ELECTRONIC MAIL THROUGH AASB

CONCERNS RE: S.B. 119 and H.B. 126

Sec. 1 includes community schools as part of the foundation support. With the decline of revenue by the district, community schools will not be able to survive.

Sec. 4 (D) What are the DOE regulations that affect interest earnings if they cannot be used for operating expenditures?

Sec. 5 "Funding communities" will need a definition. What are the geographic and attendance area factors that DOE will use in determining the definition of FUNDING COMMUNITIES? (TOK VS. TANACROSS?)

Sec. 7 Vocational ed. Instructional Units. This section is developed along the line of "Courses". The weighting factor developed by DOE is done by "programs." How do these two terms align or differ? The 87 funding formula allowed more total dollars to the district for vocational ed. than does S.B. 119, HB. 126. The FY 87 formula did not provide enough money for vocational ed. to support or improve it and S.B. 119 provides even less. If S.B. 119 has a goal to promote less vocational ed., that goal will be reached. The district will do its best to meet the vocational needs of students-but let's not hide behind the fact that less will not produce the same or more!

Section 8, Special Ed: Funding is like vocational. The values in S.B. 119 reduce the revenue to the district by \$100,000.00 as compared to the 87 formula.

Sec. 9, Bilingual: This program will be reduced by \$60,000.00 compared to 87.

In these three programs, there seems to be a double weighting factor. One weighting factor is in S.B. 119 and there seems to be another one developed by DOE. On what basis?

Section 10, Area Differential: The definition given in DOE reviews indicate that this is due primarily to personnel costs. State employee area differentials seem to be the basis. What does that have to do with educational costs? Alaska Gateway is set at 1.16 differential. How many state employees are located in Eagle, Tetlin, Northway, Mentasta, Dott Lake, Tanacross or Tok for that matter? How easy is it to travel to, maintain and support these sites? Roads? Driving time costs money. Planes? There are no commercial flights. Charters cost money. Freightage is sporadic and costs money. Tok is the center for the district but is still located 330 miles from Anchorage, 210 miles from Fairbanks. Time consuming which is money. Nenana has a 1.20 cost differential is on a main road system between Anchorage and Fairbanks and close to Fairbanks. Railbelt is 1.20,

Tanana=1.30 and Delta Greeley is 1.16, the same as Ak. Gateway. It does not seem that the differential is based on realities when comparisons are made.

Section 13, Fund Balance: This bill says that the fund balance will be defined by DOE. The District will need to know the full impact. The 5% may not provide the buffer needed because of the following: Insurance, fuel cost, (mild or extreme winters) the length of cold periods, freeze ups, generator repair or replacements, prorating of bus transportation by DOE, prorating of foundation by DOE.

Section 20. Construction and implementation: (B) There appears to be a conflict between language providing for proration and language that guarantees "hold Harmless" provisions at 90% and a limit on fund balance of 5%. The bill appears to be inconsistent in these areas. Alignment is needed if the section requiring districts to operate with a balanced budget is to be included in the bill.

Because of my concern for education generally and especially education in Alaska Gateway School District, I could not support S.B. 119 as it would be implemented now. Some changes are needed. Additional decreases in revenue to the district will have an impact on programs to students.

Sincerely,

Ralph Rudzik, Interim Supt.
Alaska Gateway School District



RAILBELT SCHOOL DISTRICT

Drawer 129, Healy, Alaska 99743 • (907) 683-2278
James W. Paul, Superintendent

March 4, 1987

MAR 9
1987

Senator John B. Coghill
Alaska State Legislature
Box V
Juneau, Alaska 99811

Dear Jack:

I have carefully reviewed Senate Bill 119, both personally and with our school board at a work session. On the surface it appears that the overall fiscal impact on us would be between neutral and minus 5% (due to the state portion of the Teachers' Retirement System becoming the district's responsibility, and projected pupil transportation funding shortfalls).

It will tend to hurt our correspondence program (and other district's that have a correspondence program) - and I feel that is unfortunate because I sincerely believe we do a better job educating those people living off the road on all that state landsale property than does the State Centralized Correspondence Program.

I'm not a fan of categorical vocational education funding, but accept the political reality that we will probably have to live with it.

The above is the effect it would have on our district. Following are some additional thoughts about the bill:

- A.) I really worry when the state no longer is a partner in teacher retirement. It is a lot easier to convince a legislator to vote for something that doesn't come out of his pocket than otherwise.
- B.) It doesn't seem reasonable that we are spending all this effort to make funding equitable - when short funded pupil transportation immediately makes things inequitable again, i.e. districts that must pay the transportation shortfall out of their general fund, as a result of their geography - not because of any management or governance decision.



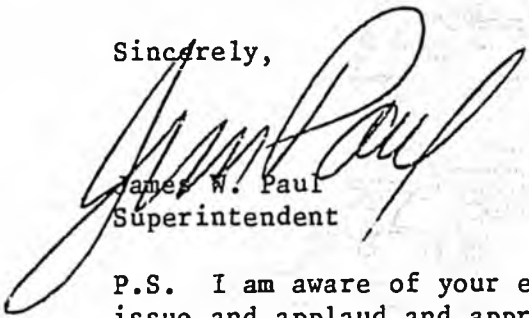
RAILBELT SCHOOL DISTRICT

Senator John Coghill
Page 2
March 4, 1987

C.) I am concerned about the cost of the hold harmless provision and hope that clause would get fully funded. Otherwise I effectively see that getting funded and the remainder prorated.

Thanks for the opportunity to comment.

Sincerely,



James W. Paul
Superintendent

P.S. I am aware of your efforts relative to the pupil transportation issue and applaud and appreciate them.



Delta/Greely School District REAA #15

Glen Chowning, Superintendent
P.O. Box 527
Delta Junction, Alaska 99737

907-895-4658
895-4659

28 February 1987

Senator Jack Coghill
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Senator Coghill:

You asked us to review Senate Bill No 119 regarding the foundation funding proposal as introduced by the Rules Committee at the request of the Governor. We are still working on determining the amount of money which would become available to us if the bill was passed and signed into law.

At this point in time we have two concerns:

(1) The Delta/Greely community is counted as one funding community whereas, Fairbanks is broken down into Salcha, North Pole, Eielson, Fort Wainwright etc. We believe the Delta/Greely School District should be broken into two separate communities and for us it would mean about 7 additional units. The communities of Delta and Greely don't look upon themselves as a unified community and certainly access to the Fort is restricted in that you must stop and get a pass to get on the facility.

(2) The other concern that we have discovered is the reimbursement for high cost vocational programs. Home Economics, according to our information, is a low cost course. With the purchase of groceries and other supplies we don't agree with that classification. Further, we are having a great deal of concern determining how VocEd classes are to be funded. I don't think the DOE has furnished to us a list of what courses we offer are costed out at what level.

We'll get further information to you as we continue our review of the bill.

Sincerely,

M. Bruce Slama, Ed.D.
Superintendent

ALASKA GATEWAY SCHOOL DISTRICT

P.O. Box 226
907-883-5151
Tok, Alaska 99780

MAR 11 1987

March 6, 1987

Ms. Laurel Tatsuda
State of Alaska
Dept. of Ed.
Box F
Juneau, AK. 99811

Dear Laurel:

The purpose of this letter is to let you know how SB119 affects the B/B, and Special Education Programs in Alaska Gateway School District and to propose some changes in those funding formulas.

The Alaska Gateway school District has an enrollment of 121 students in the Bilingual/Bicultural Program, representing seven different cultural/language backgrounds. The students are served with programs appropriate for their identified needs in 7 different communities. Last year, the program generated 3 instructional units, \$143,456.25. Cutting the program down to the absolute minimum still cost us more than that. The program cost \$148,018 with the added cost coming from the foundation. This was basic cost of staff with ALL supplies, travel, equipment, or other instructional media cut out. This year under SB119, the program will generate \$68,652. The bilingual/bicultural students have urgent needs for assistance in order to succeed academically. Even though the student need is there, and documented, the district will not be able to adequately provide needed services for these students. With the needs documented and regulations requiring that they be served, how can the state not provide at least the minimum necessary to run the program. Anything less than this minimum, will not give the students the service they need. In order to run a basic quality program, which will provide the necessary service to students, the .042 weight should be increased to .138. Another idea might be to place weights on the type of program that is provided for students. In this district we find that an SESC program costs less than ESL or LOESL. B/B, Transitional B/B, and High Intensity are the most expensive. If you have to adjust the weight probably this would provide the most rational base for it.

ADM x .042 x Lau Category Wt. x Program Wt.

Program Weight

B/B	1.8
T B/B	1.7
ESL	1.6
HILT	1.6
SESC	1.4
LOESL	1.6

(These weights represent the approximate comparative costs of the different types of programs in Alaska Gateway.)

The overall special education program in Alaska Gateway is cut by 24% from last year's funding level under SB119.

The Extended Learning (Gifted & Talented) Program cost the district \$85,292 during the current year. With the new formula the district program would have to be cut by about 64%.

The district feels strongly that this program is developing the promise of the future. Without this program, several students will not be receiving the specialized training, support, and direction they need to achieve their potential in areas different from or beyond the regular school curriculum.

In order to maintain the quality of the program we now have, we recommend that the weight for gifted and talented students be increased from .025 to .056 the same as for Resource Services. In this district, the costs for each of these is very similar.

Thanks for your consideration.

Sincerely,

Sharon Sonnenberg
Director of Special
Services
Alaska Gateway School
Dist.

cc: Rep. Dick Shultz
Sen. Jack Coghill

SS/bh

Southeast Island School District

1621 Tongass Ave., Suite 301 - P.O. Box 8340 - Ketchikan, Alaska 99901 - (907) 225-9658 or 225-9659



March 9, 1987

Senator Paul Fischer
Alaska State Senate
P. O. Box V
Juneau, Alaska

Dear Mr. Fischer:

Enclosed you will find a copy of a letter sent to Governor Cowper with respect to SB 119/HB 126, the public school foundation legislation.

I believe that, from a school finance perspective, the proposal represents a substantial improvement over current statute. It does, however, need some modification. One change I am suggesting with respect to the calculation of area differentials appears to have a positive impact upon a number of districts throughout the State, including the Kenai School District. I believe that this suggestion, as well as others outlined in my letter, may be worth your review and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Bob Weinstein".

Robert Weinstein
Superintendent

RW:cm

Southeast Island School District

1621 Tongass Ave., Suite 301 - P.O. Box 8340 - Ketchikan, Alaska 99901 - (907) 225-9658 or 225-9659



March 6, 1987

The Honorable Steve Cowper
Governor of the State of Alaska
P. O. Box A
Juneau, Alaska 99811

Dear Governor Cowper:

This is to comment upon SB 119/HB 126 (An Act relating to the public school foundation program; and providing for an effective date).

In general, I believe that the Department of Education and your office have done a commendable job of proposing a restructuring of the school foundation program. In my opinion, the new program is appropriately grounded in accepted school finance requirements, and much more closely meets certain legal tests for treatment of P. L. 874 receipts and equalization of wealth.

1. The deduction of 90% of P.L. 874 for all districts appears to end the current disparate treatment, whereby only REAA's have P.L. 874 aid deducted from State aid (previously explicit, the practice continues implicitly by calculation of instructional unit allotments under SB 408).

2. The establishment of a 4 mill requirement up to 35% of basic need, with the State equalizing for those districts in which 4 mills is less than 35%, is a major correction to current statute, under which an opposite, and legally bothersome, concept of equalization is at work under the guise of a secondary distribution program. The current program, which in effect increases the disparity between wealthy and less wealthy communities, cannot meet its demise too soon. The proposed method of equalization is certainly a great leap forward in terms of equalizing expenditures for a free public education.

I do, however, have several concerns with the proposal.

I. Section 10 - AREA COST DIFFERENTIAL

The proposed area differentials need further review and some adjustment. The proposed differentials are based upon an award in a matter of arbitration between the State and its unions. The arbitrator, in turn, based his recommendations upon data contained in a state-sponsored study entitled the "Alaska Geographic Differential Study," which was commissioned by the Department of Administration and completed by the McDowell Group and associates in April, 1985. The use of the data in this study for establishment of area differentials for public school funding presents a dilemma in several respects.

The Honorable Steve Cowper
Governor of the State of Alaska
March 6, 1987

1. The results of the study are comprehensive, fairly up-to-date, and statistically defensible. At the same time, the author cautioned not to use a study based upon household consumption patterns around the State to "determine pay levels," which are "determined through the process of classification, negotiation, and legislative decision-making."
2. The results of the study (and the arbitrator's award) were used to establish regional pay differentials for State employees. This is very different from establishing regional cost differentials for the operation of school districts due to the obvious major differences between household patterns of expenditures and school district expenditure requirements.
3. The study did not collect data from a number of communities. For example, the "Ketchikan/ Prince of Wales district" consisted of households in Ketchikan, Craig, and Klawock. However, this data is being used to project costs for the Southeast Island School District, none of whose 17 more remote communities are represented in the data base. The same pattern is repeated throughout the study for different areas of the State.
4. The housing category consists of three subcategories - shelter (mortgage payment, rent, condo fees, taxes, etc.), home fuels, and utilities, based upon a cost per square foot of living space.

Several problems are evident in this area, both in the study as well as in its application to school districts. First, the study took all shelter subsidies into account, including employer subsidies, property tax forgiveness for the elderly, Native housing programs, low income projects, etc. Such subsidies were not included as a cost of shelter in such a household. The result is that if a particular study district has substantial subsidies in any of the above categories, has a substantial number of homes upon which the owners owe no money (such as I understand to be the case in Petersburg), and so on, the housing differential would be reduced for that district relative to the base in Anchorage. This has little to do with school districts, and school district funding.

One might argue, for example, that a school district in an area of high subsidies should receive a higher cost differential factor in order to provide a housing subsidy benefit to its employees. The current proposal would prevent such equity because it would provide the reverse, i.e. less funds, and so in effect penalizes a school district based upon general population subsidies.

Second, as the author noted, "the majority of buyers tend to purchase the largest size housing they can afford.... In Anchorage, where home fuels and utilities cost less" than other areas of the State, "homeowners can afford to spend more on shelter."

Third, due to the above reasons and/or other sampling errors, several oddities appear in the data itself. One is that the cost of shelter is 25 $\frac{3}{4}$ higher in Anchorage than in Fairbanks (an average monthly cost of \$885, or \$.61 per square foot, versus \$804, or \$.49 per square foot). In addition, the monthly housing cost for the "Wade Hampton district" (Chevak,

The Honorable Steve Cowper
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March 6, 1987

Mountain Village, Scammon Bay, St. Mary's, Emmonak) was \$188.60, or \$.24 per square foot. In the calculation of the housing differential, the weight given to the data in the shelter sub-category, relative to fuel and utilities, has a skewing effect, so that Anchorage is maintained at an artificially high level and communities in the Wade Hampton district are maintained at an artificially low level. In other words, despite every study district outside of Southcentral Alaska having substantially higher fuel and utility indices than the base, a number have been assigned lower overall "housing" indices due to the weight given to the "shelter" sub-category. Again, especially given the fact that the study made no "allowance for quality in housing," e.g. "the average square foot of housing in Anchorage is clearly superior to the average square foot in Bethel," this is not appropriate for public school funding.

5. Transportation: The study reviewed the proportion of household expenditure allocated to transportation, with the price differential "significantly affected" by the share of the household transportation dollar going to personal air travel. The personal travel component was determined by evaluating the percentage difference between flying from the study district in question to Seattle in comparison to the base district - Anchorage.

Again, this has little to do with school district funding, as school-related travel is largely in-district and in-state. For example, this district spends approximately \$140,000 annually just on transportation in the district for basic instructional services such as special education, administrative functions, school board meetings, and maintenance-related activities. This figure includes no student activities, such as athletics, which, in the case of this district and other districts not on a road system, generally requires travel by air. On a per student basis, these costs far exceed the base. Yet the Ketchikan area, into which this district is lumped, is rated at .86 of the base mainly based upon the price of tickets to Seattle and the frequency that one goes there.

RECOMMENDATION

- a. Use the data in the study as the basis for determination of area differentials, with adjustments of housing and transportation factors as noted below.
- b. For any district whose transportation index was below 1.00, increase to 1.00, so that each school district is put on at least an equal footing with the base district on this factor.
- c. Eliminate the high and the low shelter factors. This has the effect of reducing the skewing created by use of the Anchorage shelter cost as the high and the Wade Hampton as the low.
- d. The resulting area differentials are noted in Attachment A. Anchorage remains the base district, and is not impacted.

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Based upon my personal knowledge of some of the costs associated with school district operations, area differentials adjusted on this basis:

1. More accurately reflect the cost of doing business relative to the base, and therefore provide a better "rational basis" in the sense of achieving a legitimate state aim and surviving a review of equal protection with respect to the establishment of area cost differentials..
2. Are more in line with the data in the study itself, as opposed to only the arbitrator's award.

II. Section 2 - STATE FOUNDATION AID

There is a potential problem with the language regarding deduction of P. L. 81-874 aid "received by the district during the prior fiscal year." The Federal government sometimes delays checks, and adjustments and amendments are frequently made, so that payments are sometimes received in a current year but represent a payment against the District's prior Federal fiscal year's entitlement. This is compounded by the fact that the State regulations (chart of accounts) requires a district's prior Federal fiscal year payment to be treated as revenue in the current year, regardless of when the payment is actually received.

For example, if the language is not modified, the result is that a district might receive a late Federal FY 86 payment in school year FY 87. This would be treated by State regulation as an FY 87 revenue (because it is part of the FY 86 entitlement, and is deferred until FY 87), but would also be deducted at a rate of 90% from FY 88 State aid even though it is not available for expenditure in FY 88 (because the State otherwise required it to be treated as an FY 87 revenue). I realize that this may be confusing, but it does represent a real problem. I have discussed this with Larry Huxel and Nat Cole, both of whom I believe felt that some change was needed to clarify the intent of this section and avoid problems of interpretation. I strongly urge this change to occur in statute, and not later by regulation.

RECOMMENDATION

Change the words "the amount of federal aid received by the district during the preceding fiscal year..." to "the amount of federal aid received by the district as payment for its entitlement during the preceding federal fiscal year" (or similar language).

This change will allow any changes in P. L. 874 payments to be treated in the same manner, whether an increase or decrease, as well as allow school districts to accurately project revenues from one year to the next.

III. Section 8 - SPECIAL EDUCATION

This section proposes a count being based upon the last day of the 20-day period used for counting of regular and elementary instruction.

The Honorable Steve Cowper
Governor of the State of Alaska
March 6, 1987

This is not an appropriate method for funding special education programs, especially in small schools, because:

1. A district can serve children in special education programs from the first day of school through the day immediately preceding the last day of the count period, and receive no revenue for this program because a child moved; or conversely,
2. A district may not serve a child until the last day of the 20-day count period, and thereby receive full funding.

Something like the latter happened to us this year, so that we received two instructional units more than we had anticipated. Despite this good fortune, we are still opposed to this method of funding special education programs, especially as the reverse could easily occur.

Additionally, under current and predecessor statutes, special education programs in regional districts have been funded as though all of the children being served were in a single community, resulting in a severe underfunding for such programs in at least this regional district. For example, with the above funding fluke, this year our special education revenues cover only approximately 69% of the cost of providing such mandatory programs in this district (without the 2 units, only 42%). The current proposed definition of funding community, with the proposed low floor, would continue this severe underfunding of special education in a district such as this one, and in effect would not provide equal protection to special education children in certain types of districts. I believe that the proposed funding floor per community, if revised, will offset this concern.

RECOMMENDATION

Alternate A: Keep the same 20-day counting period as used for elementary and secondary education, and/or give each district the option of using the 20-day count period or the single-day count period if more convenient. Increase the minimum for funding community from .25 to .45. This approach may be unnecessarily cumbersome; or,

Alternate B (preferred): Define "funding community" as any community defined as a funding community pursuant to the regulations proposed in Sec. 14.17.031 (Section 5 of the proposed legislation). In other words, if a district has 5 identified communities, that district would minimally receive the value of the floor per funding community multiplied by 5. Without this change, I believe that it will be virtually impossible to accurately project special education revenues in this and similar districts. If this is done, the funding minimum per community should be raised to .35 rather than the proposed .25.

These changes would allow a district to accurately plan its special education revenues and programs, and prevent significant underfunding of special education programs in districts with many remote schools served by itinerant personnel.

The Honorable Steve Cowper
Governor of the State of Alaska
March 6, 1987

IV. Section 7 - Vocational Education:

The same comments as above with respect to counting periods and funding communities apply in this section as well with respect to counting of vocational education ADM.

RECOMMENDATION

(a). Allow each district the option of using the full count period, or the last day of the count period; or, (b) define funding community as noted for special education above. This change again would help small districts to do more accurate planning and forecasting.

V. Section 15 - STUDENT COUNTING PERIOD

a. I still have not heard a good explanation as to why a 20-day period is superior to the former nine week period, especially when the latter provides more data over a longer period of time, and thus would tend to prevent wild fluctuations resulting from a sudden enrollment loss (or gain).

RECOMMENDATION

Revert back to the nine week count period (which was in effect for many years with, to the best of my knowledge, no complaints from school districts). If this change is made, obviously the above comments with respect to the 20-day period should be changed accordingly.

b. In addition, the proposal assumes that each school district operates on the same calendar. This is not true. In this district, we start some schools in early August, and resume after a long winter break. The required 20-day period ending on the fourth Friday is not appropriate for us, nor is the second count ending the second Friday in February. Legislative intent language for SB 408 recognized this difference by providing for alternative periods. This should now be a statutory provision. This concern has been reviewed with Larry Huxel, who I believe felt that a change would be appropriate.

RECOMMENDATION

Specifically state that a district may request alternate (earlier) count periods for the first count and alternate (later) count periods for the second count, and authorize the Commissioner to approve them.

VI. MITIGATION OF ENROLLMENT LOSS

Using a hold harmless provision, the proposal protects a district against the new formula via a transition period, but lacks a mitigation factor in the event that a school district experiences a significant loss in enrollment. This is especially crucial given recent legal rulings regarding certificated personnel under contract.

The Honorable Steve Cowper
Governor of the State of Alaska
March 6, 1987

RECOMMENDATION

Adopt language identical or similar to AS 14.17.031 (d), clearly referring to a drop in enrollment (which a loss of instructional units implies).

I believe that, with these changes, the proposed foundation legislation will result in an improved school funding program. In addition, at long last, all school districts will be able to concentrate on the education of children, not school funding mechanisms, next year and into the future.

Sincerely,

Bob Weinstein

Robert Weinstein
Superintendent

RW:cm

xc: Legislators
Pete Jeans
Marshall Lind
Larry Huxel

ATTACHMENT A

Area Differentials as Adjusted

- I. The attached sheet, in column d, shows area differentials when two adjustments are made as noted in the text of the letter. All school districts are kept in the same study district, even though an objective analysis might show that this needs some change based upon actual location of school districts.
- II. Data in columns a, c, i, j, and k are from the Department of Education sources. If any changes have occurred in Department-calculated units (column a), and required local effort (column i), then other columns would be correspondingly impacted.
- III. It should be noted that, based upon some personal knowledge, the following changes should be considered.
 - a. Wrangell and Petersburg should probably be in a 1.04 - 1.07 range. Unique shelter cost factors in the study are likely having a negative impact upon area differentials for these districts.
 - b. Chatham was in the Sitka district in the Study. It more properly belongs in the same area as Hoonah.
 - c. Kake was included in the Wrangell/Petersburg area. It probably belongs in the same area as Hoonah and Chatham. (It may be that all of rural Southeast Alaska belongs in the same differential category.)
 - d. Yukon/Koyukuk probably belongs in the same area as Yukon Flats. The same comment might apply to Iditarod as well.
 - e. Aleutian area (Adak, Aleutian, Sand Point, etc.) probably belong in at least the same area differential as Bristol Bay, Southwest Region, etc.
 - f. An analysis of this matter should be made by those with expert knowledge of relative costs in those parts of the State.
- IV. The totals do not include hold harmless aid for any district losing more than 10% of its State aid. However, increases in State aid in a number of districts, which otherwise would have been eligible for more aid under hold harmless provisions (such as Annette Island, Dillingham, and North Slope), in large part offset costs of this proposal.

District	(a) Total Units	(b) Area Diff (58 119)	(c) Units (58 119)	(d) Area Diff (adj)	(e) Units (adj)	(f) Basic Need (adj)	(g) 65% Basic Need	(h) 35% Basic Need	(i) Required Local Effort	(j) 35% 4 miles	(k) Deduct. FL 874	(l) State Entitle ment
Adak	52.21	1.27	66.31	1.29	67.25	4041054	2526625	1414369		1414369	1792633	2248421
Alaska Gateway	69.62	1.1e	80.76	1.17	81.46	4887324	3176761	1710563		1710563	626475	4260849
Aleutian	21.21	1.27	26.94	1.29	27.26	1641654	1067075	574579		574579	294602	1347052
Anchorage	3072.29	1.00	3072.29	1.00	3072.29	1843274001	11919310	84518090	63820630	0	25542811	119563582
Annette	39.90	1.00	39.90	1.07	42.69	2561580	1665027	896553		896553	1406836	1154744
Bering Strait	183.92	1.34	246.45	1.34	246.45	14787168	9611657	5175509		5175509	4199309	10587859
Bristol Bay	25.75	1.27	32.70	1.32	33.99	2039400	1325610	713790	406164	307626	253301	1379935
Chatham	46.09	1.00	46.09	1.04	47.93	2876016	1869410	1006606		1006606	782848	2093168
Chugach	24.58	1.11	27.28	1.12	27.53	1651776	1073654	578122		578122	182156	1469620
Copper River	66.96	1.11	74.33	1.12	75.00	4499712	2924813	1574999		1574999	397942	4101770
Cordova	39.52	1.11	43.87	1.12	44.26	2655744	1726234	929510	495929	433581	13925	2145690
Craig	24.75	1.00	24.75	1.07	26.48	1588950	1032818	556132	149219	406914	24325	1415406
Delta Greely	80.68	1.16	93.59	1.17	94.40	5663736	3681428	1982308		1982308	1042286	4621450
Dillingham	42.54	1.27	54.03	1.32	56.15	3369168	2189959	1179209	430063	749146	298915	2640190
Fairbanks	1042.91	1.04	1084.63	1.05	1095.06	65703330	42707165	22996166	15907656	4088510	0	46795674
Galena	19.60	1.30	25.48	1.31	25.68	1540560	1001364	539196	80428	458768	474167	985965
Haines	37.52	1.05	39.40	1.08	40.52	2431296	1580342	850954	390486	460468	34464	2006346
Hoonah	25.77	1.05	27.06	1.08	27.83	1669896	1085432	584464	116950	467514	190808	1362135
Hydaburg	15.74	1.00	15.74	1.07	16.84	1010508	656850	353678	53671	300007	0	956837
Iditarod	57.91	1.30	75.28	1.31	75.85	4551726	2958622	1593104		1593104	849587	3702139
Juneau	357.15	1.00	357.15	1.08	385.72	23143320	15043158	8100162	6755969	1344193	20801	16366550
Kake	22.90	1.00	22.90	1.00	22.90	1374000	893100	480900	48754	432146	267513	1057733
Kashu	22.86	1.30	29.72	1.31	29.95	1796796	1167917	628879		628879	498907	1297889
Kenai	744.08	1.00	744.08	1.02	758.96	45537696	29599502	15938194	15465124	0	112255	29487247
Ketchikan	198.10	1.00	198.10	1.07	211.97	12718020	8266713	4451307	3617536	833771	5272	9095212
King Cove	18.30	1.27	23.24	1.29	23.61	1416420	920673	495747	97566	398181	138005	1180849
Klawock	21.27	1.00	21.27	1.07	22.76	1365534	887597	477937	23364	454573	247431	1094739
Koljak	219.08	1.09	238.80	1.09	238.80	14327832	9313091	5014741	2209790	2804951	114845	12003197
Kusok	58.80	1.30	76.44	1.31	77.03	4621680	3004092	1617588		1617588	1212998	3408682
Lake & Pen	71.40	1.27	90.68	1.32	94.25	5654880	3675672	1979208		1979208	1036848	4618032
Lower Kusk	341.73	1.38	471.59	1.42	465.26	29115396	18925007	10190389		10190389	5930988	23184408
Lower Yukon	172.11	1.30	223.74	1.42	244.40	14663772	9531452	5132320		5132320	4633701	10030071
Mat-Su	714.16	1.00	714.16	1.00	714.16	42849600	27852240	14997360	10867024	4130336	18221	31964355
Nenana	18.46	1.20	22.15	1.21	22.34	1340194	871127	469069	72398	396671	4653	1263145
Ncoe	63.70	1.34	95.36	1.34	85.36	5121480	3328962	1792518	606540	1185978	72713	4442227
North Slope	131.74	1.42	187.07	1.48	194.98	11698512	7604033	4094479	4094479	0	1076069	6527964
NW Arctic	182.17	1.42	258.68	1.48	269.61	16176696	10514852	5661244	940181	4721663	3018788	12217727
Pelican	10.25	1.05	10.76	1.08	11.07	664200	431730	232470	59950	172520	0	604250
Petersburg	53.97	1.00	53.97	1.00	53.97	3238200	2104830	1133370	541422	591948	6151	2690627
Pribilof	22.55	1.27	28.64	1.29	29.09	1745370	1134490	610880		610880	602752	1142618
Railbelt	46.27	1.20	55.52	1.21	55.99	3359202	2183481	1175721		1175721	0	3359202
Sand Point	17.53	1.27	22.26	1.29	22.61	1356822	881934	474868	298564	176324	0	1058258
Sitka	131.51	1.00	131.51	1.04	136.77	8206224	5334046	2872178	1764700	1107478	78602	6362922
Skaagwaw	17.07	1.05	17.92	1.08	18.44	1106136	718988	387148	236146	151002	0	869990
SE Island	77.33	1.00	77.33	1.07	82.74	4964586	3226981	1737605		1737605	764212	4200374
Southwest	84.09	1.27	106.79	1.32	111.00	6659928	4328953	2330975		2330975	1645217	5014711
St. Mary's	15.12	1.30	19.66	1.42	21.47	1288224	837346	450878	17805	433073	255748	1014671
Tanana	13.33	1.30	17.33	1.31	17.46	1047738	681030	366708	47021	319687	186392	814325
Unalaska	20.42	1.27	25.93	1.29	26.34	1580508	1027330	553178	382258	170920	168433	1029817
Valdez	84.73	1.11	94.05	1.12	94.90	5693856	3701006	1992850	6773307	0	35633	3565373
Wrangell	46.41	1.00	46.41	1.00	46.41	2784600	1809990	974610	434682	539928	1664	2346254
Yakutat	21.23	1.05	22.29	1.08	22.93	1375704	894208	481496	72547	408949	56387	1246770
Yukon Flats	64.09	1.42	91.01	1.42	91.01	5460468	3549304	1911164		1911164	703267	4756601
Yukon Koyukuk	90.87	1.30	118.13	1.31	119.04	7142382	4642548	2499834		2499834	1454300	5688082
Yup'it	47.10	1.30	61.23	1.31	61.70	3702060	2406339	1295721		1295721	1043126	2658934
Total	9211.35		9962.74		10130.10	607806.0	355073.9	212732.1				432605142
						(in 1000's)						

STEPHEN V. YATES
Superintendent
907-832-5625

KENNETH SATRE
Principal
907-832-5164

NENANA CITY PUBLIC SCHOOLS

P.O. BOX 00010
NENANA, ALASKA 99760
907-832-5164

BILL SPEAR
Business Manager

February 26, 1987

Senator John B. Coghill
Alaska State Legislature
Box V
Juneau, Ak. 99811

Dear Senator,

I appreciate the opportunity to comment on SB 119 from the perspective of the Nenana City School District. I commend the authors for their efforts in equalizing educational spending in the State. However I do have some serious concerns about what this bill, as written, would do to our program.

Section 14.17.031 (a) defines funding communities. By this definition the highway children are counted differently than they are now. Using the proposed formula and our current student count of 196 children of which 123 are city children and 73 are Yukon Koyukuk, I calculate the following; 123 students would generate \$1,247,197 or \$10,139 per student. 196 students (city plus Yukon Koyukuk highway students) would generate 1,667,639. This means that the Yukon Koyukuk students generate only an additional \$5,759 per child. We cannot afford to educate and provide transportation services for \$5,759 per student. The following chart illustrates the recent history of funding for the highway students:

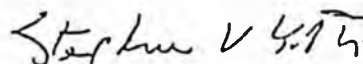
FY 1986	\$1,011,365
FY 1987	630,825
FY 1988	420,442 (SB 119)

As you can see, this represents a 58% decrease over the three years. There has not been a significant change in numbers of students served. I also question the appropriateness of taxing Nenana city people to pay for the education of highway students. It would seem to make more sense to leave the method of determining funding units as it is and let us continue with our contract with the Yukon/Koyukuk School District.

I have no problem with the rest of the proposal although I can see no advantage to either the State or School districts in changing the method of paying for the Teachers Retirement Service.

As always, we appreciate your efforts on our behalf in Juneau. I expect to be in Juneau March 16 and 17. I would like to meet with you if possible.

Sincerely,


Stephen V. Yates
Superintendent

SVY/ks

A REVIEW

Governor's Public School Foundation Funding Program SB 119 / HB 126

■ **SENATE BILL 119/HOUSE BILL 126**, Governor Steve Cowper's proposed Public School Foundation Program, is designed to enable the state to meet fiscal equalization criteria outlined in the federal PL-874 "disparity test." Alaska must meet the guidelines in order to utilize approximately \$60 million in PL-874 funds within the state foundation plan as general revenues. In addition, the Matanuska-Susitna Borough School District has filed suit against the State of Alaska for similar disparities in state funding distribution.

■ **PL 81-874 DISPARITY TEST**—The federal PL-874 disparity test measures the disparity in local student expenditures by instructional unit between school districts. The test takes into consideration how many dollars and equivalent in dollars are used as local revenues from local taxes, in kind services, interest earnings and state tuition payments. Under guidelines of the disparity test, the range of local revenues may not vary more than 25 percent between the school district that raises the lowest amount of local revenues per instructional unit and the district that raises the most per instructional unit. Since federal regulations allow states to eliminate five percent of the students at the top of the scale and five percent at the bottom, Alaska eliminates both of its oil rich school districts, Valdez and North Slope Borough, which contribute considerably more than 25 percent beyond the lowest amount. Since REAAs are not authorized to raise local taxes, five percent of the students at the bottom of the scale can be from any REAA. The disparity test uses \$60,000 per instructional unit as the base. Therefore, school districts able to raise revenue must keep local revenues at or below

\$15,000 per instructional unit, which represents a 25 percent disparity. This keeps maximum expenditures at or below \$75,000 per instructional unit, which is within 25 percent of \$60,000 base.

■ **THE PROPOSED FOUNDATION** program is based on the "instructional unit" method of funding. This is similar to the present foundation law, but SB 119/HB 126 proposes to simplify many other aspects of the program.

■ **SB 119/HB 126** requires city and borough school districts to pay up to 35 percent of "basic need," as determined under the bill, with the equivalent of what a 4 mill property tax would raise in their district. Since REAAs do not have tax raising authority, the state would pay for 100 percent of basic need, less the amount of deductible PL-874 funds.

The bill provides area cost differentials for school districts based on a 1986 arbitrator's decision that sets state employees' salary differentials for various regions of Alaska.

■ **THE DEFINITIONS** printed on the back of this page, when used with the two mathematical formulas below and the attached chart, provide a basis for understanding the terms and concepts in the governor's bill. The figures used in the accompanying chart are based on current data gathered and computed by the Department of Education to estimate the amount of funds generated by each of the 55 school districts under the bill.

THE FORMULA USED TO CALCULATE BASIC NEED:

$$\text{BASIC NEED} = (\text{Instructional Units}) \times (\text{Area Cost Differential}) \times (\$60,000)$$

THE FORMULA USED TO CALCULATE STATE FOUNDATION AID:

$$\text{STATE FOUNDATION AID} = (\text{Basic Need}) - (\text{Local Effort}) - (90\% \text{ Eligible PL-874})$$

COMBINED ELEMENTARY & SECONDARY INSTRUCTIONAL UNITS:

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

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

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

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

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

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

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

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

VOCATIONAL EDUCATION

FTE* X WEIGHTING FACTOR X .05 = VOCATIONAL EDUCATION FUNDING

* Full time equivalent

- | FACTOR | PROGRAM |
|--------|---|
| .2 | CATEGORY 1 contains 16 programs: health, consumer and homemaking, horticulture, commercial art, clothing and textiles, general marketing, food production, renewable and natural resources, forestry, agriculture services and supplies, transportation and travel, wildlife management, business management, child care management and surveying. The extra cost for these programs average 25 percent of those programs in Category 4. |
| .4 | CATEGORY 2 contains 7 programs: aircraft mechanics, communication technologies, commercial photography, agriculture mechanics, accounting and related, small engine mechanic and automotive body repair. The extra costs for these programs average 50 percent of those programs in Category 4. |

- | FACTOR | PROGRAM |
|--------|---|
| .6 | CATEGORY 3 contains 9 programs: agricultural production, welding, industrial education, woodworking, automobile mechanics, electrical technician, drafting, fisheries and diesel engine mechanics. The extra cost for these programs average 75 percent of those programs in Category 4. |
| .8 | CATEGORY 4 contains 3 programs: graphics, secretarial and word processing, and construction trades. <u>Equipment, utilities, maintenance, student supplies and instructional materials</u> make these the most costly vocational programs to operate. |

NOTE: The extra costs for the vocational programs were taken from the raw data collected for the Resource Cost Model. An amortization schedule of 7 years was used for the equipment.

SPECIAL EDUCATION

NUMBER OF STUDENTS X WEIGHTING FACTOR* = SPECIAL EDUCATION FUNDING

* Language dominance category weighting factor

FACTOR	PROGRAM	FACTOR	PROGRAM
.025	GIFTED AND TALENTED	0.1	SELF-CONTAINED
.056	RESOURCES	.333	INTENSIVE/HOSPITAL HOMEBOUND

BILINGUAL EDUCATION

WEIGHTING FACTOR X STUDENT COUNT X .042 = BILINGUAL EDUCATION

- | FACTOR | PROGRAM | FACTOR | PROGRAM |
|--------|--|--------|--|
| 1 | CATEGORY A: Students who speak a language other than English exclusively. | .2 | CATEGORY D: Students who speak mostly English but also speak a language other than English. |
| 1 | CATEGORY B: Students who speak mostly a language other than English, but also speak some English. | .1 | CATEGORY E: Students who speak English exclusively but whose manner of speaking reflects the grammatical structure of another language. |
| .2 | CATEGORY C: Students who speak a language other than English and English with equal ease. | | |



ANCHORAGE SCHOOL DISTRICT

4600 DeBarr Avenue
P.O. Box 196614
Anchorage, Alaska 99519-6614
AREA CODE [907] 333-9561

ALL LEGISLATORS

March 4, 1987

Jean Buchanan
President

William Frick
Vice President

Carol Stolpe
Clark

Betty Davis
Clerk Pro Tem
Immediate Past President

Martha Roderick
Treasurer

Darryl Jordan
Assistant Treasurer

Jim Robinson
Parliamentarian
Past President

E.E.(Gene) Davis, Ed.D.

The Honorable Mitch Abood
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Senator Abood:

The Anchorage School District has reviewed the Governor's Public School Foundation funding proposals that are contained in SB119/HB126. We believe that the bills are well drafted and accomplish many of the objectives that the State of Alaska is trying to achieve.

It is appropriate that the legislature understand that the object of the Anchorage School District is to obtain fair and equitable educational funding for our District.

Turning directly to the concerns of the Anchorage School District, this legislation would increase the District's revenues per pupil by approximately \$141 or 4.8 percent more than the present school year. When reviewing this increase, it should be brought to your attention that the District is also being asked to assume approximately \$186 per pupil of expense because the State of Alaska is transferring its third party obligation under the Teachers' Retirement System.

As we understand it, the reason for this transfer is to place the expense closer to the local source. It appears that on one hand the State of Alaska is increasing the per pupil revenue and on the other hand taking away more than is being given. It would be our recommendation that the legislature separate the issue of education funding and equity from the decision of making certificated retirement contributions closer to the local source. We believe that the merit of such a proposal should be evaluated more closely by you the members of the legislature.

We want to bring to your attention two other revenue entitlement proposals that will decrease the District's revenue for next year. The first proposal is Pupil Transportation, wherein the State is continuing to decrease its participation in funding to the 60 percent level for Anchorage. At a minimum, it would be our recommendation

that you continue funding Pupil Transportation at the 80 percent level which is comparable to the current year. The District continues to

CORRECTION

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

A REVIEW

Governor's Public School Foundation Funding Program SB 119 / HB 126

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■ **THE DEFINITIONS** printed on the back of this page, when used with the two mathematical formulas below and the attached chart, provide a basis for understanding the terms and concepts in the governor's bill. The figures used in the accompanying chart are based on current data gathered and computed by the Department of Education to estimate the amount of funds generated by each of the 55 school districts under the bill.

THE FORMULA USED TO CALCULATE BASIC NEED:

BASIC NEED = (Instructional Units) X (Area Cost Differential) X (\$60,000)

THE FORMULA USED TO CALCULATE STATE FOUNDATION AID:

STATE FOUNDATION AID = (Basic Need) — (Local Effort) — (90% Eligible PL-874)

TERMS AND CONCEPTS:

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

■ **BASIC NEED—**An amount of money determined by multiplying the area cost differential by the number of a school district's allowable instructional units times the instructional unit value, set annually by the legislature. The proposed foundation program sets the instructional unit value at \$60,000 for the 1987-88 school year.

■ **INSTRUCTIONAL UNIT—**A number composed of a group of students identified by grade levels and whether the students are enrolled in vocational, special or bilingual education programs.

■ **AREA COST DIFFERENTIAL—**A factor multiplied by a school district's instructional units to adjust for costs—primarily personnel costs—in various school districts. Factors vary between 1.0 and 1.42, depending usually on remoteness of the district. Area Cost Differentials are based on an October 1986 arbitrator's decision that sets area differentials in salaries of the state employees working in various regions across the state.

■ **INSTRUCTIONAL UNIT VALUE—**The amount of money each instructional unit is valued. The proposed amount under the new foundation formula is \$60,000 per instructional unit. That amount is calculated by dividing the total statewide basic need by the total statewide number of adjusted instructional units. Mathematically it works this way: \$597,765,000 total statewide basic need divided by 9,962.75 total adjusted instructional units equals \$60,000 per instructional unit.

Required Local Effort—Under the bill, city and borough school districts would be required to contribute the lesser amount of:

(1) the equivalent of funds generated by a four mill tax levy based on the full and true value of the taxable real and personal property in the school district; or

(2) 35 percent of a school district's basic need for the preceding school year.

School districts would not be allowed to contribute more than the equivalent of 5.5 mills in order to hold disparities in funding per instructional unit among school districts to no more than 25 percent. The amount of local effort, either in the 4 mill equivalent or 35 percent of basic need, is subtracted from a school district's basic need. Since Regional Educational Attendance Areas do not have authority to collect taxes, there is no deduction for the local contribution portion of basic need in these districts.

■ **PL-874—FEDERAL LAW PL-874,** impact aid to education, provides federal funds to school districts for children of parents living and/or working on federal property as an "in lieu of local tax" revenue. Alaska is expecting a total of approximately \$65 million in PL-874 aid for the 1986-87 school year, about \$60 million of which is used in the foundation plan. Under the foundation proposal, 90 percent of each school district's eligible PL-874 receipts will be subtracted from the district's basic need.

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

OTHER ISSUES IN SB 119/HB 126:

■ **HOLD HARMLESS—**The bill contains language that protects districts from losing more than 10 percent of the prior year's K-12 instructional units.

■ **COMMUNITY SCHOOLS—**The bill states that foundation funds may be spent on community schools programs.

■ **CENTRALIZED CORRESPONDENCE STUDY—**The bill provides a formula for computing funds for the states' Centralized Correspondence Study program. Instructional units are computed under the same formula used by elementary schools with more than 200 students and multiplied by 0.65.

■ **GATHERING/REPORTING STUDENT DATA—**The bill requires districts to report to the Department of Education by September 20 of each school year an estimate of its student population for the next school year. The Department of Education will use the estimates to determine the amount of state foundation aid to seek from the Legislature for the following school year.

■ **FUND BALANCE LIMITATION—**The bill disallows districts from accumulating an unreserved fund balance of more than five percent of its operating expenditures for the year. The Department of Education will deduct the amount exceeding five percent from the school district's succeeding year's foundation entitlement.

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

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

■ **TRANSITION MEASURES—**The bill provides hold harmless provisions that protect districts from losing an excessive amount of funding for three years after enactment of the bill.

COMBINED ELEMENTARY & SECONDARY INSTRUCTIONAL UNITS:

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

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

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

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

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

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

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

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

VOCATIONAL EDUCATION

FTE* X WEIGHTING FACTOR X .05 = VOCATIONAL EDUCATION FUNDING

* Full time equivalent

- | FACTOR | PROGRAM |
|--------|---|
| .2 | CATEGORY 1 contains 16 programs: health, consumer and homemaking, horticulture, commercial art, clothing and textiles, general marketing, food production, renewable and natural resources, forestry, agriculture services and supplies, transportation and travel, wildlife management, business management, child care management and surveying. The extra cost for these programs average 25 percent of those programs in Category 4. |
| .4 | CATEGORY 2 contains 7 programs: aircraft mechanics, communication technologies, commercial photography, agriculture mechanics, accounting and related, small engine mechanic and automotive body repair. The extra costs for these programs average 50 percent of those programs in Category 4. |

- | FACTOR | PROGRAM |
|--------|---|
| .6 | CATEGORY 3 contains 9 programs: agricultural production, welding, industrial education, woodworking, automobile mechanics, electrical technician, drafting, fisheries and diesel engine mechanics. The extra cost for these programs average 75 percent of those programs in Category 4. |
| .8 | CATEGORY 4 contains 3 programs: graphics, secretarial and word processing, and construction trades. <u>Equipment, utilities, maintenance, student supplies and instructional materials</u> make these the most costly vocational programs to operate. |

NOTE: The extra costs for the vocational programs were taken from the raw data collected for the Resource Cost Model. An amortization schedule of 7 years was used for the equipment.

SPECIAL EDUCATION

NUMBER OF STUDENTS X WEIGHTING FACTOR* = SPECIAL EDUCATION FUNDING

* Language dominance category weighting factor

FACTOR	PROGRAM	FACTOR	PROGRAM
.025	GIFTED AND TALENTED	0.1	SELF-CONTAINED
.056	RESOURCES	.333	INTENSIVE/HOSPITAL HOMEBOUND

BILINGUAL EDUCATION

WEIGHTING FACTOR X STUDENT COUNT X .042 = BILINGUAL EDUCATION

- | FACTOR | PROGRAM | FACTOR | PROGRAM |
|--------|--|--------|--|
| 1 | CATEGORY A: Students who speak a language other than English exclusively. | .2 | CATEGORY D: Students who speak mostly English but also speak a language other than English. |
| 1 | CATEGORY B: Students who speak mostly a language other than English, but also speak some English. | .1 | CATEGORY E: Students who speak English exclusively but whose manner of speaking reflects the grammatical structure of another language. |
| .2 | CATEGORY C: Students who speak a language other than English and English with equal ease. | | |



ANCHORAGE SCHOOL DISTRICT

4600 DeBarr Avenue
P.O. Box 196614
Anchorage, Alaska 99519-6614
AREA CODE [907] 333-9561

ALL LEGISLATORS

March 4, 1987

Jean Buchanan
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William Frick
Vice President

Carol Stolpe
Clerk

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Clerk Pro Tem
Immediate Past President

Martha Roderick
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Assistant Treasurer

Jim Robinson
Parliamentarian
Past President

E.E.(Gene) Davis, Ed.D.

The Honorable Mitch Abood
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Senator Abood:

The Anchorage School District has reviewed the Governor's Public School Foundation funding proposals that are contained in SB119/HB126. We believe that the bills are well drafted and accomplish many of the objectives that the State of Alaska is trying to achieve.

It is appropriate that the legislature understand that the object of the Anchorage School District is to obtain fair and equitable educational funding for our District.

Turning directly to the concerns of the Anchorage School District, this legislation would increase the District's revenues per pupil by approximately \$141 or 4.8 percent more than the present school year. When reviewing this increase, it should be brought to your attention that the District is also being asked to assume approximately \$186 per pupil of expense because the State of Alaska is transferring its third party obligation under the Teachers' Retirement System.

As we understand it, the reason for this transfer is to place the expense closer to the local source. It appears that on one hand the State of Alaska is increasing the per pupil revenue and on the other hand taking away more than is being given. It would be our recommendation that the legislature separate the issue of education funding and equity from the decision of making certificated retirement contributions closer to the local source. We believe that the merit of such a proposal should be evaluated more closely by you the members of the legislature.

We want to bring to your attention two other revenue entitlement proposals that will decrease the District's revenue for next year. The first proposal is Pupil Transportation, wherein the State is continuing to decrease its participation in funding to the 60 percent level for Anchorage. At a minimum, it would be our recommendation

that you continue funding Pupil Transportation at the 80 percent level which is comparable to the current year. The District continues to

competitively bid pupil transportation services with the private sector, and we will continue to negotiate wage and benefit concessions from our work force. The community is satisfied with the current level of service; however, if this community is to bear an increased share, the cost should be shifted gradually under a two or three year transition plan.

⑤ The second proposal that is affecting the Anchorage School District is the reduction in the reimbursement amount in the State Aid for the Retirement of School Construction Debt. We think that this reduction in reimbursement may be tied to reduction levels in municipal assistance and municipal revenue sharing.

For the District, since we, rather than the Municipality of Anchorage, actually pay the principal and interest on the general obligation bonded debt, the reduction in State revenues for this program would cause educational programs to be eliminated if municipal property taxes are not raised to provide the income necessary to liquidate this fixed obligation. For comparative purposes, a 30 percent proration of the District's entitlement for fiscal year 1988 is estimated to be approximately \$7.2 million. We request that you review funding levels for this important program and determine if reductions in funding equally effect all communities state-wide or is this reduction impacting the Anchorage area more severely. A transition plan over two or three years would also be appropriate for this program.

We have outlined above the various reduction proposals in revenues that the School District will face during FY 1988. Now we want to turn your attention specifically to the Governor's Public School Foundation Proposal.

Foundation
This funding proposal has met the objective of equalization so that the State of Alaska may utilize approximately \$60 million in Federal Impact Aid in the distribution of general education revenues. This bill requires cities, boroughs, and school districts to pay up to 35 percent of basic need as determined in the bill or the equivalent of what a 4.0 mill property tax rate would raise in their district. However, since certain attendance areas do not have tax raising authority, the State will continue to pay for 100 percent of basic need less amounts deducted for Federal Impact Aid for those areas. We recommend that, since basic State aid is 65 percent for cities and boroughs and 100 percent for Rural Education/Attendance Areas, that you consider reducing this disparity by 5 percent from 35 to 30 percent.

One of the continuing debates in educational funding is the issue of equity. We fully recognize that there are economies of scale associated with the district the size of Anchorage; however, the disparity of the amount of revenue per ADM for our District as compared to other districts in the State of Alaska is unacceptable. We hope that you will consider our recommendation as outlined above.

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The proposal also limits the amount of school districts' fund balances to 5 percent of their operating expenditures for that fiscal year. If the percentage is exceeded, the Department of Education will deduct all excess amounts from the district's state revenue entitlement. This provision of the bill should be deleted for those school districts that contribute approximately 30-35 percent of local revenues for educational purposes. If the State of Alaska is concerned about school districts not spending state funds on the educational program, then the legislation should be directed to those specific school districts by allowing the Department to propose regulations to solve specific problems and not penalize school systems with a higher percentage of local revenue contribution.

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A final issue that we would like to bring to your attention is the present practice by the State of using the full and true value of real and personal property as computed by the Department of Community and Regional Affairs. For the calendar year 1986, the Municipality of Anchorage real and personal property that was actually levied totaled approximately \$15.66 billion. The amount certified by the Department of Community and Regional Affairs was \$19.34 billion. There appears to be approximately 23 percent overstatement in the value of properties as reported and certified. The District would propose that the legislature consider using actual tax levies as opposed to computed amounts that are projected by a state agency.

We would like to thank you for reviewing our concerns about this legislation and other matters that we have outlined. We would be pleased to meet with you or provide additional information if requested. If you have further questions, please contact me at 269-2301.

Sincerely,



L. T. Freeman
Assistant Superintendent
for Business Management

c1
Attachment

cc Bill Miles, School District Lobbyist