

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5260 SHEB SB 119

882

ANCHORAGE SCHOOL DISTRICT
ALASKA PUBLIC SCHOOL FOUNDATION PROGRAM
COMPARATIVE REVENUE PER ADM
FOR THREE FISCAL YEARS

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1988</u>	<u>1988</u>
			CURRENT FORMULA 38,255 PER UNIT	CURRENT FORMULA 42,184 PER UNIT	GOVERNOR'S BILL/SB119
BASIC ENTITLEMENT	\$107,769,492	\$116,185,069	\$114,516,852	\$126,278,343	\$119,565,571
SECONDARY FORMULA	1,994,007	486,739	500,000 (1)	500,000 (1)	N/A
TOTAL	<u>139,764,099</u>	<u>116,671,808</u>	<u>115,016,832</u>	<u>126,778,343</u>	<u>119,565,571</u>
 AVERAGE DAILY MEMBERSHIP	 40,026	 39,748	 39,065	 39,065	 38,874 (2)
 REVENUE PER STUDENT (ADM)	 \$ <u>3,492</u>	 \$ <u>2,935</u>	 \$ <u>2,944</u>	 \$ <u>3,245</u>	 \$ <u>3,076</u>
 PERCENTAGE INCREASE/ (DECREASE)		 (15.9%)	 .3%	 10.6%	 4.8%

NOTES:

(1) Secondary Formula Account estimated for fiscal year 1988

(2) ADM does not include 176 pre-elementary and 15 adult basic education

(3) Schedule does not reflect the transfer of approximately \$7.1 million (\$186 per ADM) of Teacher Retirement contribution to the District from the State of Alaska

(4) Pupil Transportation reimbursement reduced to 60%, School Debt reimbursement reduced 30%

Hold to

Revised Area Cost Diff.

Governor's Public School Foundation Funding Proposal

HB 126/SB 119

3/30/87

Column explanations for attached data packet:

Data Sheets

Page 1 Projected FY88 average daily membership (ADM), instructional units, and area cost differential
Total adjusted units = total units x area cost differential

Page 2 State, Local, and Federal Shares of Basic Need

<u>Column</u>	<u>Description</u>
B	Basic Need = Columns E + I + K
E	Required Local Effort = Lessor of Column D (35% of Basic Need) or production of 4 mill tax levy (.004 times Column S, page 5)
I	Deductible PL 874 = 90% times Column H times Column G
K	State Aid = Basic Need (B) minus Required Local Effort (E) minus Deductible PL 874 (I)
L	Basic Need per unit. This column is equal to \$60,000 for each district since every unit is worth \$60,000. Column L = (Columns M + N + O)
M	Required Local Effort per unit
N	Deductible PL 874 per unit
O	State Aid per unit

Page 3 Calculation of State Aid

<u>Column</u>	<u>Description</u>
B	Total Adjusted Units (Page 1) x \$60,000 Column B = (Columns E + I + K)
C	65% of Column B
D	35% of Column B
E	Production of 4 mill tax levy or 35% of Basic Need (from Column D), whichever is less
F	Column D minus Column E; Column F represents State Aid required in addition to Required Local Effort to make up 35% of Basic Need
G	FY 86 PL 81-874 revenue excluding amount received for special education students
H	Percentage of eligibility of PL 81-874 revenue which legally can be deducted in State Funding Plan (Column E/Column Q)
I	90% times Column H times Column G
J	Column C minus Column I; Column J represents State Aid required in addition to deductible PL 874 to make up 65% of Basic Need
K	Total State Aid Column K = (Columns F + J)

Page 4 Hold Harmless Calculations

<u>Column</u>	<u>Description</u>
AA	FY 87 average daily membership (ADM)
BB	FY 88 projected ADM submitted by districts
CC	FY 87 Total Revenue for Hold Harmless is equal to sum of 1) FY 87 state foundation aid including 80% distribution of Secondary Formula Account to city/borough school districts (Column GG), 2) deductible PL 874 revenue (Column I), and 3) FY 87 local contribution limited to amount of 35% of Basic Need or 4 mill levy, whichever is lessor (Column P, p.5).
DD	Percentage figure equal to FY 88 Basic Need (Column B) divided by Column CC adjusted for ADM (Column BB/Column AA)

Page 4 Hold Harmless Calculations (Continued)

- EE 90% of Column CC adjusted for ADM. FY 88 Basic Need is compared to this figure
- FF Column EE minus Column B. Positive numbers indicate amounts where there is possible eligibility for Hold Harmless assistance
- GG FY 87 State foundation aid including 80% distribution of Secondary Formula Account for cities/boroughs
- HH Percentage figure equal to FY 88 State Aid (Column K) divided by Column GG adjusted for ADM (Column BB/Column AA)
- II 90% of Column GG adjusted for ADM. FY 88 State Aid is compared to this figure
- JJ Column II minus Column K. Positive numbers indicate amounts where there is possible eligibility for Hold Harmless assistance
- KK Hold Harmless amounts equal to lessor of amounts in Column FF or Column JJ. Only positive amounts are listed

Page 5 Disparity Information

<u>Column</u>	<u>Description</u>
P	FY 87 local contribution (including "in-kind," earnings on investments, and state tuition payments) capped at 35% of Basic Need or 4 mill levy, whichever is lessor
Q	Estimated FY 88 local revenue (including "in-kind," earnings on investments, and state tuition payments) with a minimum value of 35% of Basic Need or 4 mill levy, whichever is lessor, and maximum value of 2 mills or \$12,600 per unit, whichever is greater, over the Required Local Effort
E	Required Local Effort (See description on p.2)
S	100% full and true value of assessed property prepared by DCRA
T	Production of 1 mill per un ^t
U	Production of 1.5 mills per unit
V	Production of 2.0 mills per unit

Local Property Wealth and Fiscal Equalization

Columns, T, U, and V provide relevant data for calculating disparity percentages under PL 81-874 requirements. With the proposed foundation funding plan equalized at \$60,000 per unit, a maximum of \$15,000 disparity (25%; 15,000/60,000) is permitted under Federal PL 874 requirements between the districts at the 5th and 95th percentiles. Anchorage is at one extreme with \$12,565 per unit with a 2 mill maximum leeway. An amendment will be proposed to revise the maximum contribution to the equivalent of a 2 mill tax levy or 21% of the unit value (12,600), whichever is greater, in addition to the required local effort.

	<u>Equalized Per Unit</u>	<u>1.5 Mills Per Unit</u>	<u>2.0 Mills Per Unit</u>
North Slope	60,000	162,814	197,086
Valdez	60,000	98,784	111,713
Anchorage	60,000	69,424	72,565
...
...
...
REAA	60,000	60,000	60,000

188-EFSS

STATE OF ALASKA-DEPARTMENT OF EDUCATION
 GOVERNOR'S PUBLIC SCHOOL FOUNDATION FUNDING PROPOSAL
 CALCULATIONS USE THE PROJECTED ADM AS PHONE SURVEY 2/18/87
 REVISED 3/30/87 HB126/S8119

PAGE :

REVISED

SCHOOL DISTRICT	FY38 PROJECTED ADM	K - 12	81/81	SPECIAL EDUCATION	VOC ED	TOTAL UNITS	AREA COST DIFF.	ADJUSTED UNITS
ADAK	600	45.51	1.00	4.83	1.00	52.34	1.27	66.47
ALASKA GATEWAY	523	62.16	1.00	5.54	1.00	69.68	1.19	82.92
ALEUTIAN REGION	90	18.93	0.00	1.00	1.00	20.93	1.31	27.42
ANCHORAGE	38874	2,609.66	40.24	396.22	32.94	3,078.86	1.00	3,078.86
ANNETTE ISLAND	432	34.80	1.00	4.21	1.00	41.01	1.03	42.24
BERING STRAIT	1251	156.81	11.69	12.74	2.19	183.43	1.39	254.96
BRISTOL BAY	231	23.40	1.00	2.22	1.00	27.62	1.27	35.08
CHATHAM	310	41.29	0.00	3.47	1.00	45.76	1.03	47.13
CHUGACH	132	22.04	0.00	1.00	1.00	24.04	1.14	27.41
COPPER RIVER	561	63.77	1.00	5.71	1.00	71.48	1.14	81.49
CORDOVA	431	34.73	0.00	3.86	1.00	39.59	1.11	43.95
CRAIG	219	20.60	0.00	1.84	1.00	23.44	1.03	24.14
DELTA GREELY	1027	74.10	0.00	8.91	1.53	84.56	1.16	98.07
DILLINGHAM	469	37.27	1.00	3.60	1.00	42.87	1.27	54.44
FAIRBANKS	13158	905.98	5.90	123.81	12.61	1,048.30	1.04	1,090.23
GALENA	172	17.47	0.00	1.14	1.00	19.61	1.30	25.49
HAINES	360	32.96	1.00	2.96	1.00	37.92	1.05	39.81
HOGANAH	235	21.67	0.00	2.79	1.00	25.46	1.08	27.49
HYDABURG	108	13.00	1.00	1.65	1.00	16.65	1.03	17.15
IDITAROD	392	56.24	1.00	3.97	1.00	62.21	1.33	82.74
JUNEAU	4244	287.24	1.26	52.23	5.14	345.87	1.00	345.87
KAKE	178	17.87	0.00	3.37	1.00	22.24	1.03	22.90
KASHUNANITUT	189	18.60	2.27	2.53	1.00	24.40	1.33	32.65
KENAI	8414	645.39	10.03	77.16	12.85	745.43	1.00	745.43
KETCHIKAN	2450	170.58	1.00	23.42	3.10	198.10	1.00	198.10
KING COVE	133	14.87	0.00	2.44	1.00	18.31	1.27	23.25
KLAMOCK	168	17.20	0.00	3.07	1.00	21.27	1.03	21.91
KODIAK	2319	192.25	1.93	29.55	2.35	226.08	1.03	246.43
KUSPUK	371	53.53	1.50	3.67	1.04	59.74	1.33	79.46
LAKE & PENINSULA	369	62.62	1.00	3.52	1.10	68.24	1.31	89.39
LOWER KUSKOKWIM	2682	288.96	54.95	28.21	3.06	375.18	1.42	532.76
LOWER YUKON	1343	148.81	6.80	17.98	2.46	176.05	1.35	237.66
MAT-SU	8940	639.69	1.10	65.40	9.83	716.02	1.00	716.02
MEMANA	208	19.87	1.00	2.19	1.00	24.06	1.20	28.87
NOME	759	56.47	1.00	5.80	1.00	64.27	1.34	86.12
NORTH SLOPE	1231	120.05	5.30	9.20	2.00	136.55	1.45	197.99
NORTHWEST ARCTIC	1637	166.49	7.14	15.23	1.73	190.59	1.45	276.35
PELICAN	54	8.25	0.00	1.00	1.00	10.25	1.08	11.07
PETERSBURG	597	45.80	1.00	6.17	1.00	53.97	1.00	53.97
PRIBILOF	152	19.44	1.00	2.05	1.00	23.49	1.30	30.54
RAILBELT	344	39.66	0.00	2.12	1.00	42.78	1.23	52.62
SAND POINT	135	15.00	0.00	1.53	1.00	17.53	1.27	22.26
SITKA	1637	113.77	1.00	17.59	1.62	133.98	1.00	133.98
SKAGWAY	136	15.07	0.00	1.00	1.00	17.07	1.05	17.92
SOUTHEAST ISLAND	435	72.42	0.00	3.16	1.00	76.58	1.04	79.64
SOUTHWEST REGION	491	67.47	9.08	3.66	1.00	81.21	1.31	106.38
ST. MARY'S	125	14.33	1.00	1.11	1.00	17.44	1.30	22.68
TANANA	86	11.17	1.00	1.00	1.00	14.17	1.30	18.42
UNALASKA	170	17.33	1.00	1.09	1.00	20.42	1.27	25.94
VALDEZ	697	52.62	0.00	5.32	1.06	59.00	1.11	65.49
WRANGELL	497	38.89	0.00	6.52	1.00	46.41	1.00	46.41
YAKUTAT	147	15.80	0.00	1.72	1.00	18.52	1.08	20.00
YUKON FLATS	390	58.76	1.00	4.22	1.00	64.98	1.46	94.87
YUKON-KOTYUKUK	556	77.95	1.00	5.57	1.15	85.67	1.34	114.80
YUPIIT	281	35.32	6.61	2.58	1.00	45.51	1.41	64.16

TOTALS 102,142 7,931.69 186.80 1,003.85 134.76 9,257.10 10,109.60

DEPARTMENT OF EDUCATION
GOVERNOR'S PUBLIC SCHOOL FOUNDATION FUNDING PROPOSAL
SB119/HB126 REVISED MARCH 30, 2011

SCHOOL DISTRICT	F108 PROJECTED REQUIRED		DEDUCTIBLE		F108 PROPOSED STATE AID	BASIC NEED REQ. LOCAL		DEDUCTIBLE STATE AID	
	BASIC NEED 160,000	LOCAL EFFORT	PL07A	PER UNIT		PER UNIT	PER UNIT	PER UNIT	
ADAK	13,988,200		11,792,632	160,000	12,195,568	160,000	10	126,969	133,031
ALASKA GATEWAY	14,975,200		1626,551	160,000	14,348,649	160,000	10	17,556	152,444
ALEUTIAN REGION	11,645,200		1294,651	160,000	11,350,549	160,000	10	110,746	149,254
ANCHORAGE	1184,731,600	164,656,060	1330,078	160,000	1119,745,512	160,000	121,000	1107	138,893
ANNETTE ISLAND	12,534,400		11,406,836	160,000	11,127,564	160,000	10	133,306	126,034
BERING STRAIT	115,297,600		115,098,291	160,000	11,098,291	160,000	10	17,390	143,530
BOSTON BAY	12,104,600	1606,164	1259,254	160,000	11,629,382	160,000	111,578	16,710	153,290
CHATHAM	12,827,800		1782,972	160,000	12,044,828	160,000	10	116,613	143,387
CHUGACH	11,644,600		1183,932	160,000	11,460,668	160,000	10	16,710	153,290
COPPER RIVER	14,889,400		1398,113	160,000	14,491,287	160,000	10	14,885	155,115
COROVUA	12,637,000	1695,929	115,603	160,000	12,125,468	160,000	111,284	1355	148,361
CRAG	11,448,400	1149,219	132,973	160,000	11,266,208	160,000	16,181	11,366	132,453
DELTA GREELY	15,884,200		11,042,286	160,000	14,841,914	160,000	10	110,628	149,372
DILLINGHAM	13,246,400	1430,063	1354,651	160,000	12,481,666	160,000	17,900	16,515	145,566
FAIRBANKS	166,413,800	118,907,666	132,127	160,000	146,474,017	160,000	17,343	129	142,628
GALENA	11,529,400	180,428	1443,016	160,000	11,005,956	160,000	15,155	117,380	139,465
HAINES	12,388,600	1390,446	146,164	160,000	11,951,950	160,000	19,809	11,160	149,032
HOONAH	11,649,400	1116,950	1190,808	160,000	11,341,642	160,000	14,254	16,941	148,205
HOUDON	11,029,000	133,671	16	160,000	10975,329	160,000	13,130	10	156,870
IDITAROD	14,944,400		1849,651	160,000	14,114,749	160,000	10	110,269	149,731
JUNEAU	120,752,200	16,755,969	126,897	160,000	113,989,334	160,000	119,533	13	140,389
KAKE	11,374,000	148,754	1209,395	160,000	11,115,851	160,000	12,129	19,144	148,727
KASHANUITUT	11,947,000		1696,907	160,000	11,448,093	160,000	10	115,375	144,625
KEMAI	144,725,800	115,621,367	1190,124	160,000	128,914,309	160,000	120,956	1255	138,789
KETCHIKAN	111,886,000	13,617,536	16,205	160,000	108,262,259	160,000	14,261	131	141,708
KING COVE	11,395,000	197,566	1138,006	160,000	11,159,428	160,000	14,196	15,936	149,868
KLAWDOCK	11,314,600	123,364	1210,198	160,000	11,081,038	160,000	11,066	19,594	149,340
KOOTAIK	114,785,600	12,209,790	1166,749	160,000	112,629,261	160,000	18,967	1595	150,437
KUSPIK	14,767,600		11,213,011	160,000	13,554,589	160,000	10	115,266	144,734
LAKE & PENINSULA	15,363,400		11,036,848	160,000	14,326,552	160,000	10	111,599	148,401
LOWER KUSKOKWIM	131,965,600		15,933,153	160,000	126,032,447	160,000	10	111,137	148,863
LOWER YUKON	114,259,600		14,633,701	160,000	99,625,899	160,000	10	119,497	140,503
MAT-SU	142,961,200	110,667,024	119,026	160,000	132,075,150	160,000	115,177	127	144,796
NEENAH	11,732,200	172,398	16,566	160,000	11,653,236	160,000	12,508	1227	157,265
NOPE	15,167,200	1606,540	182,724	160,000	14,477,936	160,000	17,063	1961	151,996
NORTH SLOPE	111,879,400	14,157,790	11,059,034	160,000	106,662,576	160,000	121,000	15,349	133,651
NORTHEAST ARCTIC	116,581,000	1940,181	13,020,514	160,000	112,620,305	160,000	13,402	110,930	165,668
PELICAN	1664,200	159,950	10	160,000	1604,250	160,000	15,416	10	154,584
PETERSBURG	13,238,200	1341,422	18,155	160,000	12,688,523	160,000	110,032	1151	149,817
PRIBILOF	11,832,400		1602,751	160,000	11,229,649	160,000	10	119,736	140,264
RAILBELT	13,157,200		1116,468	160,000	13,040,732	160,000	10	12,213	157,787
SAND POINT	11,335,600	1298,544	10	160,000	11,037,056	160,000	113,413	10	114,597
SITKA	18,038,800	11,764,700	184,012	160,000	16,190,088	160,000	113,171	1627	146,202
SKAGWAY	11,075,200	1236,146	10	160,000	1039,054	160,000	113,178	10	146,822
SOUTHEAST ISLAND	14,778,400		1764,757	160,000	14,013,643	160,000	10	19,603	150,397
SOUTHWEST REGION	16,382,800		11,742,370	160,000	14,640,430	160,000	10	116,379	143,621
ST. MARY'S	11,360,800	117,805	162,613	160,000	11,230,382	160,000	1785	12,761	156,454
TANANA	11,105,200	147,021	1186,793	160,000	1071,386	160,000	12,553	110,161	147,307
UNALASKA	11,556,400	1302,258	1154,473	160,000	11,019,669	160,000	116,736	15,955	139,309
VALDEZ	13,929,400	11,375,290	19,495	160,000	12,544,615	160,000	121,000	1145	138,855
WARRELL	12,784,600	1433,682	12,037	160,000	12,347,881	160,000	19,366	144	150,590
YAKUTAT	11,200,000	172,547	156,386	160,000	11,071,067	160,000	13,627	12,819	153,553
YUKON FLATS	15,692,200		1703,866	160,000	14,988,334	160,000	10	17,419	152,581
YUKON-KOYUKUK	16,888,000		11,484,468	160,000	15,403,532	160,000	10	112,931	147,069
YUPIIT	13,349,600		11,043,126	160,000	12,806,474	160,000	10	116,258	143,742

TOTALS	1606,576,000	1135,935,290	138,734,385	1431,906,325	AVERAGE	113,446	13,859	142,695
STATEWIDE					PERCENTAGE	22.4%	6.4%	71.2%

STATE CORR STUDY -----))) 12,225,340
 VALDEZ CONTRACT -----))) 1600,000
 HOLD HARMLESS -----))) 12,462,489
 TOTAL STATE AID -----))) 14,287,829

A	B	C	D	E	F	G	H	I	J	K
SCHOOL DISTRICT	FY88 PROJECTED BASIC NEED \$60,000	65% OF BASIC NEED	35% OF BASIC NEED	REQUIRED LOCAL EFFORT	35% BASIC NEED MINUS REQ. LOC. EFF	FY86 PL874 LESS SP. ED.	PL874 PERCENTAGE	DEDUCTIBLE PL874	65% BASIC NEED LESS DEDUC. PL874	FY88 PROPOSED STATE AID
ADAK	\$3,988,200	\$2,592,330	\$1,395,870		\$1,395,870	\$1,991,814	100.00%	\$1,792,632	\$799,698	\$2,195,568
ALASKA GATEWAY	\$4,975,200	\$3,233,880	\$1,741,320		\$1,741,320	\$696,167	100.00%	\$626,551	\$2,607,329	\$4,368,649
ALUTIAN REGION	\$1,645,200	\$1,069,380	\$575,820		\$575,820	\$327,390	100.00%	\$294,651	\$776,729	\$1,350,549
ANCHORAGE	\$184,731,600	\$120,075,540	\$64,656,060	\$64,656,060	\$0	\$407,283	90.04%	\$330,028	\$119,745,512	\$119,745,512
ANNETTE ISLAND	\$2,534,400	\$1,647,360	\$887,040		\$887,040	\$1,563,151	100.00%	\$1,406,836	\$240,524	\$1,127,564
BERING STRAIT	\$15,297,600	\$9,943,440	\$5,354,160		\$5,354,160	\$4,665,899	100.00%	\$4,199,309	\$5,744,131	\$11,098,291
BOSTOL BAY	\$2,104,800	\$1,368,120	\$736,680	\$406,164	\$330,516	\$288,060	100.00%	\$259,254	\$1,108,866	\$1,439,382
CHATHAM	\$2,827,800	\$1,838,070	\$989,730		\$989,730	\$869,969	100.00%	\$782,972	\$1,055,098	\$2,044,828
CHUGACH	\$1,644,600	\$1,068,990	\$575,610		\$575,610	\$204,369	100.00%	\$183,932	\$885,058	\$1,460,668
COPPER RIVER	\$4,889,400	\$3,178,110	\$1,711,290		\$1,711,290	\$442,347	100.00%	\$398,113	\$2,779,997	\$4,491,287
CORDOVA	\$2,637,000	\$1,714,050	\$922,950	\$495,929	\$427,021	\$28,723	60.36%	\$15,603	\$1,698,447	\$2,125,468
CRAIG	\$1,448,400	\$941,460	\$506,940	\$149,219	\$357,721	\$36,636	100.00%	\$32,973	\$908,487	\$1,266,208
DELTA GREELY	\$5,884,200	\$3,824,730	\$2,059,470		\$2,059,470	\$1,158,096	100.00%	\$1,042,286	\$2,782,444	\$4,841,914
DILLINGHAM	\$3,266,400	\$2,123,160	\$1,143,240	\$630,063	\$713,177	\$394,056	100.00%	\$354,651	\$1,768,509	\$2,481,686
FAIRBANKS	\$65,413,800	\$42,518,970	\$22,894,830	\$18,907,656	\$3,987,174	\$49,181	72.58%	\$32,127	\$42,486,843	\$46,474,017
GALENA	\$1,529,400	\$994,110	\$535,290	\$80,428	\$454,862	\$539,956	91.16%	\$443,016	\$551,094	\$1,005,956
HAINES	\$2,388,600	\$1,552,590	\$836,010	\$390,486	\$445,524	\$52,737	97.26%	\$46,164	\$1,506,426	\$1,951,950
HOONAH	\$1,649,400	\$1,072,110	\$577,290	\$116,950	\$460,340	\$212,009	100.00%	\$190,808	\$881,302	\$1,341,642
HYDABURG	\$1,029,000	\$668,850	\$360,150	\$53,671	\$306,479	\$0	100.00%	\$0	\$668,850	\$975,329
IDITAROD	\$4,964,400	\$3,226,860	\$1,737,540		\$1,737,540	\$944,056	100.00%	\$849,651	\$2,377,209	\$4,114,749
JUNEAU	\$20,752,200	\$13,488,930	\$7,263,270	\$6,755,969	\$507,301	\$40,941	73.00%	\$26,897	\$13,462,033	\$13,969,334
KAKE	\$1,374,000	\$893,100	\$480,900	\$48,754	\$432,146	\$408,988	56.89%	\$209,395	\$683,705	\$1,115,851
KASHUNAMITUT	\$1,947,000	\$1,265,550	\$681,450		\$681,450	\$554,341	100.00%	\$498,907	\$766,643	\$1,448,093
KENAI	\$44,725,800	\$29,071,770	\$15,654,030	\$15,621,367	\$32,663	\$247,448	85.37%	\$190,124	\$28,881,646	\$28,914,309
KETCHIKAN	\$11,886,000	\$7,725,900	\$4,160,100	\$3,617,536	\$542,564	\$10,429	66.11%	\$6,205	\$7,719,695	\$8,262,259
KING COVE	\$1,395,000	\$906,750	\$488,250	\$97,566	\$390,684	\$153,339	100.00%	\$138,006	\$768,744	\$1,159,428
KLAMOCK	\$1,314,600	\$854,690	\$460,110	\$23,364	\$436,746	\$294,169	79.39%	\$210,198	\$644,292	\$1,081,038
KODIAK	\$14,785,800	\$9,610,770	\$5,175,030	\$2,209,790	\$2,965,240	\$163,055	100.00%	\$146,749	\$9,464,021	\$12,429,261
KUSLUK	\$4,767,600	\$3,098,940	\$1,668,660		\$1,668,660	\$1,347,790	100.00%	\$1,213,011	\$1,885,929	\$3,554,589
AKE & PENINSULA	\$5,363,400	\$3,486,210	\$1,877,190		\$1,877,190	\$1,152,053	100.00%	\$1,036,848	\$2,449,362	\$4,326,552
LOWER KUSKOKWIM	\$31,965,600	\$20,777,640	\$11,187,960		\$11,187,960	\$6,592,392	100.00%	\$5,933,153	\$14,844,487	\$26,032,447
LOWER YUKON	\$14,259,600	\$9,268,740	\$4,990,860		\$4,990,860	\$5,148,557	100.00%	\$4,633,701	\$4,635,039	\$9,625,899
NAT-SU	\$42,961,200	\$27,924,780	\$15,036,420	\$10,867,024	\$4,169,396	\$36,183	58.43%	\$19,026	\$27,905,754	\$32,075,150
NEENAH	\$1,732,200	\$1,125,930	\$606,270	\$72,398	\$533,872	\$7,295	100.00%	\$6,566	\$1,119,364	\$1,653,236
NOME	\$5,167,200	\$3,358,680	\$1,808,520	\$606,540	\$1,201,980	\$91,915	100.00%	\$82,724	\$3,275,956	\$4,477,936
NORTH SLOPE	\$11,879,400	\$7,721,610	\$4,157,790	\$4,157,790	\$0	\$3,951,590	29.78%	\$1,059,034	\$6,662,576	\$6,662,576
NORTHWEST ARCTIC	\$16,581,000	\$10,777,650	\$5,803,350	\$940,181	\$4,863,169	\$3,356,126	100.00%	\$3,020,514	\$7,757,136	\$12,620,305
PELICAN	\$664,200	\$431,730	\$232,470	\$59,950	\$172,520	\$0	100.00%	\$0	\$431,730	\$604,250
PETERSBURG	\$3,238,200	\$2,104,830	\$1,133,370	\$541,422	\$591,948	\$11,386	79.58%	\$8,155	\$2,096,675	\$2,688,623
PRIBILOF	\$1,832,400	\$1,191,060	\$641,340		\$641,340	\$669,724	100.00%	\$602,751	\$588,309	\$1,229,649
RAILBELT	\$3,157,200	\$2,052,180	\$1,105,020		\$1,105,020	\$120,409	100.00%	\$116,468	\$1,935,712	\$3,040,732
SAND POINT	\$1,335,600	\$868,140	\$467,460	\$298,564	\$168,896	\$0	100.00%	\$0	\$868,140	\$1,037,036
SITKA	\$8,038,800	\$5,225,220	\$2,813,580	\$1,764,700	\$1,048,880	\$162,224	57.54%	\$84,012	\$5,141,208	\$6,190,088
SKAGWAY	\$1,075,200	\$698,880	\$376,320	\$236,146	\$140,174	\$0	100.00%	\$0	\$698,880	\$839,054
SOUTHEAST ISLAND	\$4,778,400	\$3,105,960	\$1,672,440		\$1,672,440	\$849,730	100.00%	\$764,757	\$2,341,203	\$4,013,643
SOUTHWEST REGION	\$6,382,800	\$4,148,820	\$2,233,980		\$2,233,980	\$1,935,966	100.00%	\$1,742,370	\$2,406,450	\$4,640,430
ST. MARY'S	\$1,360,800	\$884,520	\$476,280	\$17,805	\$458,475	\$390,733	17.81%	\$62,613	\$821,907	\$1,280,382
TANANA	\$1,105,200	\$718,380	\$386,820	\$47,021	\$339,799	\$231,071	89.82%	\$186,793	\$531,587	\$871,386
UNALASKA	\$1,556,400	\$1,011,660	\$544,740	\$382,258	\$162,482	\$171,636	100.00%	\$154,473	\$857,187	\$1,019,669
VALDEZ	\$3,929,400	\$2,554,110	\$1,375,290	\$1,375,290	\$0	\$36,275	30.78%	\$9,495	\$2,544,615	\$2,544,615
WRANGELL	\$2,784,600	\$1,809,990	\$974,610	\$434,682	\$539,928	\$2,964	76.37%	\$2,037	\$1,807,953	\$2,347,881
YAKUTAT	\$1,200,000	\$780,000	\$420,000	\$72,547	\$347,453	\$62,652	100.00%	\$56,386	\$723,614	\$1,071,067
YUKON FLATS	\$5,692,200	\$3,699,930	\$1,992,270		\$1,992,270	\$782,074	100.00%	\$703,866	\$2,996,064	\$4,988,334
YUKON-KOYUKUK	\$6,888,000	\$4,477,200	\$2,410,800		\$2,410,800	\$1,649,409	100.00%	\$1,484,468	\$2,992,732	\$5,403,532
YUPIIT	\$3,849,600	\$2,502,240	\$1,347,360		\$1,347,360	\$1,159,029	100.00%	\$1,043,126	\$1,459,114	\$2,806,474

SCHOOL DISTRICT	AA	BB	CC	DD	EE	FF	GG	HH	II	JJ	KK
	FY87 ADM FINAL	FY88 PROJECTED ADM	FY87 TOTAL REV. FOR HARMLESS	FY88 BASIC NEED/FY 87 TOTAL REV.	FY87 90% BASIC COMPARISON	SUM FY87 HOLD HARMLESS	FY87 STATE & INCLUDES 20% SFACCOUNT	FY88 STATE/ FY87 STATE	FY87 90% STATE COMPARISON	STATE FY87 HOLD HARMLESS	FY88 HOLD HARMLESS
ADAK	601.7	600	\$3,787,818	105.6	\$3,399,405	(1588,795)	\$1,995,186	110.4	\$1,790,594	(1404,974)	
ALASKA GATEWAY	510.6	523	\$4,254,162	114.2	\$3,921,727	(11,053,673)	\$3,627,611	117.0	\$3,344,137	(11,004,512)	
ALEUTIAN REGION	90.5	90	\$1,535,676	107.7	\$1,374,472	(1270,728)	\$1,241,023	109.4	\$1,110,751	(1239,798)	
ANCHORAGE	39752.1	38874	\$181,562,951	104.0	\$159,797,101	(124,934,499)	\$116,576,863	105.0	\$102,601,575	(117,143,937)	
ANNETTE ISLAND	421.1	432	\$2,815,876	87.7	\$2,599,887	\$65,487	\$1,409,040	78.0	\$1,300,962	(173,398)	\$65,437
BERING STRAIT	1223.8	1251	\$14,497,905	103.2	\$13,338,120	(11,959,480)	\$10,298,596	105.4	\$9,474,742	(11,523,549)	
BRISTOL BAY	233	231	\$2,212,932	95.9	\$1,974,543	(1130,257)	\$1,851,146	78.4	\$1,651,730	(1212,348)	
CHATHAM	351.6	310	\$2,883,168	111.2	\$2,287,838	(1539,962)	\$2,100,196	110.4	\$1,666,538	(1378,290)	
CHUGACH	130	132	\$1,424,957	113.7	\$1,302,191	(1342,409)	\$1,241,025	115.9	\$1,134,106	(1326,562)	
COPPER RIVER	560.7	561	\$3,926,442	124.5	\$3,535,689	(1,353,711)	\$3,528,329	127.2	\$3,177,195	(1,314,092)	
CORDOVA	432.2	431	\$2,548,477	103.8	\$2,287,261	(1349,739)	\$2,036,945	104.6	\$1,828,161	(1297,307)	
CRAIG	231	219	\$1,515,733	100.8	\$1,293,294	(1135,106)	\$1,454,025	91.9	\$1,240,643	(125,565)	
DELTA GREELY	1018.7	1027	\$5,126,212	113.9	\$4,651,181	(11,233,019)	\$4,083,926	117.6	\$3,705,430	(1,136,434)	
DILLINGHAM	461.5	469	\$3,944,771	81.5	\$3,607,991	\$341,591	\$3,395,120	71.9	\$3,105,266	(1623,580)	\$341,591
FAIRBANKS	13116.8	13158	\$62,081,027	105.0	\$56,048,422	(19,365,378)	\$43,141,244	107.4	\$38,949,074	(17,524,941)	
GALENA	166.5	172	\$1,935,035	76.5	\$1,799,060	\$269,660	\$1,411,591	69.0	\$1,312,398	(1306,442)	\$269,660
HAINES	351.7	360	\$2,375,613	98.2	\$2,188,509	(1200,091)	\$1,938,963	98.3	\$1,786,249	(1165,701)	
HOONAH	234.3	235	\$1,730,262	95.0	\$1,561,888	(1187,512)	\$1,444,679	92.6	\$1,304,096	(1137,566)	
HYDABURG	107	108	\$830,740	122.7	\$754,654	(1274,346)	\$828,540	116.6	\$752,655	(1222,674)	
IDITAROD	383.8	392	\$5,386,074	90.2	\$4,951,034	(113,366)	\$4,536,623	88.8	\$4,170,010	(175,251)	
JUNEAU	4599.4	4744	\$21,444,712	104.9	\$17,808,893	(12,943,307)	\$14,661,846	103.3	\$12,176,020	(11,793,314)	
KAKE	196	178	\$1,537,036	98.4	\$1,256,292	(1117,708)	\$1,278,887	96.1	\$1,045,294	(1170,557)	
KASHUMAMTUT	172	189	\$1,835,395	96.5	\$1,815,120	(1131,880)	\$1,336,488	98.6	\$1,321,725	(1126,368)	
KENAI	8143.6	8414	\$45,287,112	95.6	\$42,111,742	(12,614,058)	\$29,475,621	94.9	\$27,408,896	(11,503,413)	
KETCHIKAN	2435.4	2450	\$11,126,948	106.2	\$10,074,288	(11,811,712)	\$7,503,207	109.5	\$6,793,369	(11,468,890)	
KING COVE	132.7	133	\$1,315,893	105.8	\$1,186,981	(1208,019)	\$1,164,887	99.3	\$1,050,769	(1108,659)	
KLAMUCK	162	168	\$1,343,439	94.4	\$1,253,876	(1160,724)	\$1,109,877	93.9	\$1,035,885	(1145,153)	
KODIAK	2221.6	2319	\$13,534,997	104.7	\$12,715,562	(12,070,258)	\$11,194,652	106.4	\$10,516,906	(11,912,355)	
KUSLUK	350.85	371	\$5,184,290	87.0	\$4,933,831	(1166,231)	\$3,971,279	84.6	\$3,779,422	(1224,833)	\$166,231
LAKE & PENINSULA	354.4	369	\$5,410,983	95.2	\$5,070,506	(1292,894)	\$4,374,135	95.0	\$4,098,900	(1227,652)	
LOWER KUSKOKWIM	2564.39	2682	\$27,181,406	112.4	\$25,585,218	(16,380,382)	\$21,248,253	117.1	\$20,000,481	(16,031,966)	
LOWER YUKON	1314.1	1343	\$12,240,228	114.0	\$11,258,476	(13,001,124)	\$7,606,527	123.8	\$6,998,430	(12,629,469)	
MAT-SU	8680.9	8940	\$38,194,588	109.2	\$35,393,713	(17,567,487)	\$27,300,538	114.1	\$25,303,843	(16,771,307)	
NEENAH	123	208	\$1,168,235	87.7	\$1,777,997	\$45,797	\$1,113,668	87.8	\$1,694,949	(1141,713)	\$11,713
NOME	781.8	759	\$5,679,829	97.1	\$4,788,016	(1379,184)	\$5,097,450	90.5	\$4,453,912	(124,024)	
NORTH SLOPE	1151.3	1231	\$13,513,743	82.2	\$13,004,322	\$1,124,922	\$8,296,919	75.1	\$7,984,154	(11,321,578)	\$1,124,922
NORTHWEST ARCTIC	1550	1637	\$14,239,358	110.3	\$13,534,739	(13,046,261)	\$11,008,844	108.5	\$10,464,084	(12,156,721)	
PELICAN	54.4	54	\$562,367	119.0	\$502,409	(1161,791)	\$538,241	113.1	\$480,855	(1123,395)	
PETERSBURG	601	597	\$3,096,954	105.3	\$2,768,708	(1146,492)	\$2,547,377	106.3	\$2,277,381	(1111,242)	
PRIBILOF	155.6	152	\$1,444,739	129.8	\$1,270,182	(1562,218)	\$841,988	149.5	\$740,256	(1189,393)	
RAILBELT	345.8	346	\$3,390,864	98.4	\$2,886,591	(1270,609)	\$3,274,396	98.2	\$2,787,444	(1253,288)	
SAND POINT	118.3	135	\$987,425	122.2	\$983,323	(1352,277)	\$851,916	106.7	\$874,960	(1162,076)	
SITKA	1610	1637	\$7,478,526	105.7	\$6,843,546	(11,195,254)	\$5,629,812	108.1	\$5,151,802	(11,038,286)	
SKAGWAY	137	136	\$698,163	155.1	\$623,760	(1151,440)	\$627,163	134.8	\$560,327	(1278,727)	
SOUTHEAST ISLAND	419.4	435	\$4,435,135	103.9	\$4,140,094	(11638,306)	\$3,670,378	105.4	\$3,426,212	(1587,431)	
SOUTHWEST REGION	472.1	491	\$5,751,835	106.7	\$5,383,893	(11998,907)	\$4,009,665	111.3	\$3,752,981	(1187,449)	
ST. MARY'S	101.2	125	\$1,451,953	75.9	\$1,614,078	(1253,278)	\$1,371,535	75.6	\$1,524,680	(1244,298)	\$244,298
TANANA	81	86	\$1,241,893	83.8	\$1,186,698	(1114,498)	\$1,008,079	81.4	\$963,275	(1191,889)	\$11,698
UNALASKA	159	170	\$1,387,667	104.9	\$1,335,302	(1221,098)	\$1,111,194	85.8	\$1,069,263	(1149,594)	\$127,089
VALDEZ	695	697	\$4,494,277	87.2	\$4,056,489	(1127,089)	\$3,109,492	81.6	\$2,806,597	(1261,982)	
WRANGELL	434	497	\$2,543,130	108.8	\$2,302,717	(11481,883)	\$2,106,611	110.8	\$1,907,283	(1140,598)	
YAKUTAT	157	147	\$1,246,559	102.8	\$1,050,444	(1149,556)	\$1,134,896	100.8	\$956,348	(1114,719)	
YUKON FLATS	372	390	\$5,303,295	102.4	\$5,003,915	(11648,285)	\$4,599,629	100.4	\$4,339,783	(1164,551)	
YUKON-KOYUKUK	612.6	556	\$7,269,553	104.4	\$5,938,107	(11949,893)	\$5,785,085	102.9	\$4,725,525	(11678,007)	
YUPIIT	294.6	281	\$4,433,987	91.0	\$3,806,366	(1143,234)	\$3,390,861	86.8	\$2,910,892	(1104,418)	
TOTALS	102,212.0	102,142	\$583,594,343		\$527,940,463		\$411,491,267		\$372,787,265		\$2,462,489

A	P	Q	E	S	T	U	V
SCHOOL DISTRICT	FY87 LOCAL LIMITED TO 358 OR 4 MILLS	ESTIMATED FY88 LOCAL REV	REQUIRED LOCAL EFFORT	ONE HUNDRED PERCENT ASSESSED VALUE	1 MILL / UNIT	1.5 MILLS / UNIT	2 MILLS / UNIT
ADAK							
ALASKA GATEWAY							
ALEUTIAN REGION							
ANCHORAGE	\$64,656,060	\$71,812,316	\$64,656,060	\$19,343,356,800	6,283	9,424	12,565
ANNETTE ISLAND					0	0	0
BERING STRAIT					0	0	0
BRISTOL BAY	\$102,532	\$406,164	\$406,164	\$101,541,000	2,895	4,342	5,789
CHATHAM					0	0	0
CHUGACH					0	0	0
COPPER RIVER					0	0	0
CORDOVA	\$495,929	\$821,642	\$495,929	\$123,982,300	2,821	4,231	5,642
CRAIG	\$28,735	\$149,219	\$149,219	\$37,304,700	1,545	2,318	3,091
DELTA GREELY					0	0	0
DILLINGHAM	\$195,000	\$430,063	\$430,063	\$107,515,700	1,975	2,962	3,950
FAIRBANKS	\$18,907,656	\$26,049,962	\$18,907,656	\$4,726,913,900	4,336	6,505	8,673
GALENA	\$80,428	\$88,224	\$80,428	\$20,106,900	789	1,183	1,578
HAINES	\$390,486	\$401,474	\$390,486	\$97,621,600	2,452	3,678	4,904
HOONAH	\$94,775	\$116,950	\$116,950	\$29,237,500	1,064	1,595	2,127
HYDABURG	\$2,200	\$53,671	\$53,671	\$13,417,800	782	1,174	1,565
IDITAROD					0	0	0
JUNEAU	\$6,755,969	\$9,255,132	\$6,755,969	\$1,688,992,300	4,883	7,325	9,767
KAKE	\$48,754	\$85,703	\$48,754	\$12,188,600	532	798	1,064
KASHUNAMIUT					0	0	0
KENAI	\$15,621,367	\$18,298,125	\$15,621,367	\$3,905,341,700	5,239	7,859	10,478
KETCHIKAN	\$3,617,536	\$5,472,063	\$3,617,536	\$904,384,100	4,565	6,848	9,131
KING COVE	\$13,000	\$97,566	\$97,566	\$24,391,600	1,049	1,574	2,098
KLAMOCK	\$23,364	\$29,428	\$23,364	\$5,861,100	267	400	533
KODIAK	\$2,193,596	\$2,209,790	\$2,209,790	\$552,447,600	2,242	3,363	4,484
KUSPUK					0	0	0
LAKE & PENINSULA					0	0	0
LOWER KUSKOKWIM					0	0	0
LOWER YUKON					0	0	0
NAT-SU	\$10,867,024	\$18,600,040	\$10,867,024	\$2,716,755,900	3,794	5,691	7,588
NEENAH	\$48,001	\$72,398	\$72,398	\$18,099,500	627	940	1,254
NOPE	\$299,655	\$606,540	\$606,540	\$151,635,000	1,761	2,641	3,521
NORTH SLOPE	\$4,157,790	\$13,962,700	\$4,157,790	\$13,570,786,300	68,543	102,814	137,086
NORTHWEST ARCTIC	\$210,000	\$940,181	\$940,181	\$235,045,250	851	1,276	1,701
PELICAN	\$24,126	\$59,950	\$59,950	\$14,987,600	1,354	2,031	2,708
PETERSBURG	\$541,422	\$680,323	\$541,422	\$135,355,600	2,508	3,762	5,016
PRIBILOF					0	0	0
RAILBELT					0	0	0
SAND POINT	\$105,509	\$298,564	\$298,564	\$74,641,100	3,353	5,030	6,706
SITKA	\$1,764,700	\$3,066,801	\$1,764,700	\$441,175,000	3,293	4,939	6,586
SKAGWAY	\$71,000	\$236,146	\$236,146	\$59,036,600	3,294	4,942	6,589
SOUTHEAST ISLAND					0	0	0
SOUTHWEST REGION					0	0	0
ST. MARY'S	\$17,805	\$100,000	\$17,805	\$4,451,200	196	294	393
TANANA	\$47,021	\$52,350	\$47,021	\$11,755,200	638	957	1,276
UNALASKA	\$122,000	\$382,258	\$382,258	\$93,564,500	3,684	5,526	7,368
VALDEZ	\$1,375,290	\$4,468,037	\$1,375,290	\$1,693,326,700	25,856	38,784	51,713
WRANGELL	\$434,682	\$569,192	\$434,682	\$108,670,500	2,542	3,812	5,063
YAKUTAT	\$55,277	\$72,547	\$72,547	\$18,136,700	907	1,360	1,814
YUKON FLATS					0	0	0
YUKON-NUNUKA					0	0	0
YUPIIT							

TOTALS \$133,368,689 \$179,945,517 \$135,935,290 \$51,044,006,850

Southeast Island School District

1621 Tongass Ave. Suite 301 - P O Box 8340 - Ketchikan, Alaska 99901 - (907) 225-9653 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% 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
Governor of the State of Alaska
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.

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

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,



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.

Unit value =

6000.00

District	(a) Total Units	(b) Area Diff (55 119)	(c) Units (55 119)	(d) Area Diff (adj)	(e) Units (adj)	(f) Basic Need (adj)	(g) 5% Basic Need	(h) 3% Basic Need	(i) Required Local Effort	(j) 25% 4 mills	(k) Deduct. PL 874	(l) State Entitle ment
Alaska Gateway	52.21	1.27	66.31	1.29	67.35	4041054	2626655	1414369	1414369	1792633	2248421	
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	1843374	117919310	64512090	63820630	0	233428119563582	
Annette	39.90	1.00	39.90	1.07	42.69	2531350	1665027	896553	896553	1406826	1154744	
Bering Strait	183.92	1.34	246.45	1.34	246.45	14757162	9511657	5175509	5175509	4199309	10587659	
Bristol Bay	25.75	1.27	32.70	1.32	33.99	2059460	1325610	713790	406164	307626	233301	1379935
Chatnam	46.09	1.00	46.09	1.04	47.93	2976016	1899410	1006606	1006606	723548	2093169	
Chugach	24.58	1.11	27.28	1.12	27.53	1651776	1073654	578122	578122	162156	1469620	
Cooper River	66.96	1.11	74.33	1.12	75.00	4499712	2924813	1574299	1574299	397942	4101770	
Cordova	39.52	1.11	43.67	1.12	44.26	2655744	1726234	929510	495929	433581	13925	2145290
Craig	24.75	1.00	24.75	1.07	26.48	1588950	1032319	556132	149219	406914	24325	1415406
Delta Greely	80.68	1.16	93.59	1.17	94.40	5663736	3681428	1982308	1982308	1042266	4621450	
Dillingham	42.54	1.27	54.03	1.32	56.15	3369168	2169959	1179209	430063	749146	298915	2640190
Fairbanks	1042.91	1.04	1084.63	1.05	1095.06	65703330	42707165	22996166	15907656	4069510	0	46795674
Galena	19.60	1.30	25.46	1.31	25.69	1540560	1001364	539196	80428	455769	474167	985965
Haines	37.52	1.05	39.40	1.08	40.52	2431296	1580342	850954	390466	460463	34464	2006346
Hoonah	25.77	1.05	27.06	1.06	27.83	1669896	1025432	584464	116950	467514	190808	1362139
Hydaburg	15.74	1.00	15.74	1.07	16.84	1010508	656830	353678	52671	300607	0	956837
Iditarod	57.91	1.30	75.29	1.31	75.65	4551726	2958622	1592104	1592104	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	622879	622879	496907	1297889	
Kenai	744.02	1.00	744.02	1.02	759.96	45537696	29599502	15933194	15465124	0	112255	29437247
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	393121	138005	1180649
Klawock	21.27	1.00	21.27	1.07	22.76	1365534	887597	477537	23364	454573	247431	1094739
Kodiak	219.08	1.09	239.80	1.09	239.80	14327832	9313091	5014741	2209790	2204951	114845	12003197
Kusokuk	58.20	1.30	76.44	1.31	77.03	4621680	3004092	1617588	1617588	1212998	3406682	
Lake & Pen	71.40	1.27	90.65	1.32	94.25	5854250	3575572	1979208	1979208	1036848	4519032	
Lower Kusk	341.73	1.38	471.59	1.42	465.26	29115396	18925007	10190369	10190369	5920958	23184406	
Lower Yukon	172.11	1.30	223.74	1.42	244.40	14663772	9531452	5132320	5132320	4633701	10030971	
Mat-Su	714.16	1.00	714.16	1.00	714.16	42849600	27852240	14997360	10867024	4130326	18221	31964355
Nenana	18.46	1.20	22.15	1.21	22.54	1340196	871127	469069	72395	396671	4653	1263145
Nome	63.70	1.34	85.36	1.34	85.36	5121400	3329962	1792518	606540	1185978	72713	4442227
North Slope	131.74	1.42	187.07	1.48	194.98	11692512	7604033	4094479	4094479	0	1076069	6527964
NW Arctic	182.17	1.42	258.68	1.48	269.61	16176696	10514652	5661244	940181	4721663	3018768	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	2104930	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	474658	299564	176324	0	1058259
Sitka	131.51	1.00	131.51	1.04	136.77	8206224	5334046	2872178	1764700	1107478	78602	6362922
Skagway	17.07	1.05	17.92	1.08	18.44	1106136	718988	397149	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	21.17	1288224	837346	450878	17805	433073	255748	1014671
Tanana	13.33	1.30	17.33	1.31	17.46	1047733	691030	366708	47021	319687	186392	814325
Unalakleet	20.42	1.27	25.93	1.29	26.34	1580508	1027330	533178	382259	170920	166433	1029817
Valdez	84.73	1.11	94.05	1.12	94.90	5693356	3701006	1992850	6773307	0	35633	3655373
Wainwright	46.41	1.00	46.41	1.00	46.41	2794600	1809990	974610	434682	539928	1664	2348254
Wetkat	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	702267	4756601	
Yukon Koyukuk	90.87	1.30	118.13	1.31	119.04	7142382	4642548	2499834	2499834	1454300	5688082	
Yupik	47.10	1.30	61.23	1.31	61.70	3702060	2406329	1295721	1295721	1043126	2658934	

Total 9211.35 9962.74 10130.10 607806.0 395073.9 212732.1 432605142
(in 1000's)

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	\$31,964,35
Actual funding deduct TRS	1,581,516			
	<u>41,268,084</u>	<u>10,867,024</u>	<u>18,221</u>	<u>31,964,35</u>

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

1987-88	31,964,355	
less TRS	1,581,516	
Adjusted	<u>30,382,839</u>	
1986-87	27,349,497	
	<u>3,043,342</u>	(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 an 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:

Mat-Su	Basic need at \$63,000 per unit 714.16 units	Additional Revenue with add on of .5 mills (4.5 mills)
	\$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 mil's 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.)

R. Effect of greater

(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.

027
4.5
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 DCE 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.

ST. MARY'S SCHOOL DISTRICT
P.O. Box 171
St. Mary's, Alaska 99658

MEMORANDUM

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

FROM: Larry Beans, Vice President
St. Mary's School Board

DATE: March 16, 1987

RE: SB-119

The St. Mary's School District is very concerned about funding for its educational programs. The District has been very conservative in the past. Currently, teacher and administrator salaries and benefits are among the lowest of any district in the region. Revenue from interest income has been reserved for use in program expansion at the time that St. Mary's Catholic High School closed its doors. It appears that St. Mary's is being penalized for saving its money. SB-119 would reduce State funding to St. Mary's by 45% over a three-year period. At the same time, it would reduce the fund balance to \$95,000 at the time when those funds are needed most due to the June closure of the Catholic school.

St. Mary's is proud of its first class city status. For twenty years the people of this city have exercised local control and assumed the responsibilities of their status, taxing themselves, as needed, to make programs work. SB-119 is not encouraging to small rural cities or boroughs. This bill needs some modification to make it workable. Attached are various concerns which, if addressed, would make this a more equitable piece of legislation. We would be happy to provide more information on each concern, if you so desire.

No property Tax

HB-126/SB-119
CONCERNS OF ST. MARY'S SCHOOL DISTRICT

Section 14.17.025(c) LOCAL EFFORT. Interest earnings are limited to a maximum of 5.5 mill equivalent, "in accordance with regulations adopted by the department." That clause leaves excess interest earnings in limbo. What can the District use the funds for? Is the District going to be penalized for exercising good cash management? Are students going to be penalized because interest income does not fit into a formula?

Clarification of how excess interest funds can be used needs to be an integral part of the bill. Districts that maintain effective cash management techniques shou' be able to reap those rewards rather than be penalized.

Section 14.17.031(b) ALLOWABLE INSTRUCTIONAL UNITS. This hold-harmless provision is based solely on changes in the total number of elementary and secondary instructional units, rather than the change in dollar value of those units. This does not equate to a hold-harmless on 90% of funding.

Section 14.17.041 ELEMENTARY AND SECONDARY INSTRUCTIONAL UNITS. The new formula has diminished the base value of all unit categories by three units. The net effect of this is that small, rural communities receive a greater reduction than larger communities. A community with 100 students is reduced from 16 units to 13 units (a 19% reduction), while a community with 500 students is reduced from 43 units to 40 units (a 7% reduction). In other words, those that are small get cut by nearly three times more than a district five times larger, and the ratio increases even more as the size of the district increases.

Section 14.17.051 AREA COST DIFFERENTIAL. The apparent method used in ascertaining the area cost differential is not reflective of the differences in cost of operating a school district. The McDowell report was based on costs of living for individuals in certain geographic areas. The cost of living of an individual is quite different from a school district. Likewise, those costs have changed in the last four years.

The cost differentials currently listed are reflective only of that portion of a district's budget that is made up of salaries and wages. The balance (anywhere from 30% to 60%) of the budget is supply, travel and plant operations costs. Isolation factors are much more reflective of the differences found in these costs.

A combination of factors as related to the percent of average budget needs to be used to calculate area differential. It is crucial for this to be done. Otherwise, there will never be equity within the distribution formula.

Section 14.17.082 FUND BALANCE. The first thing that needs to be clarified is the definition of fund balance. A clear definition will result in a calculation that will mean the same thing in every district audit. In the past, districts and auditors had so much discretion that it was not possible to accurately compare fund balances.

Second, districts that receive an appropriation from the city or borough should treat the full amount appropriated as an obligation of the city or borough. Unexpended obligations should not lapse back to the city or borough, therefore leaving the district with no fund balance. If you want to compare fund balances, make sure everyone is playing by the same rules.

Third, there are very valid reasons for having a fund balance. In the past, most districts were allowed a ten percent fund balance. Suddenly, that number has been dropped to five percent. In small districts, ten percent is more realistic than five, and a case can be made for retaining a balance even greater than ten percent. A district can accurately budget for most everything other than utilities, equipment failure and catastrophies. The cost of utilities is dependent on weather conditions. Equipment failure and catastrophic events that are not insurable cannot be accurately budgeted for, without creating a fund balance at year end.

Lastly, the question arises as to the propriety of the state penalizing a district for retaining what may be local funds. If a city or borough appropriates the maximum local effort allowed, and expends an amount equivalent to the minimum, why can't the district carry forward a fund balance that is made up of local dollars? The question of local control is being seriously tested.

Senator Coghill

work for Washington

A M E N D M E N T

To: Senate Bill 119

*Section 5, AS 14.17.031

Page 3, starting on line 18 delete the sentence:

"For the purpose of determining instructional units, students are counted in the district and the funding community from which they receive educational services."

and insert new sentence:

"For the purpose of determining instructional units, students receiving educational services from a district other than the district they reside in, shall be counted as a separate funding community in the district they live."

We would like to change the above language because in effect it is arbitrarily changing district boundaries by counting the students in the district they receive services and not in the district they live. Many districts contract services out with other districts. It would take kids from one district and automatically put them in another district. Some kids may live in a district with a higher area differential than the district they receive services, so the district serving these kids would generate less money than if they had a contract with the district where the kids live.

Nenana 630,000

District Annual Contributions

NO. 1

Dies

Senator Coghill

A M E N D M E N T

To: Senate Bill 119

*Section 10, AS.14.17.051

Page 7, Line 4 delete area cost differential of 1.16 for Alaska Gateway and change to 1.20

Page 7, Line 12 delete area cost differential of 1.11 for Copper River and change to 1.20

Page 7, Line 15 delete area cost differential of 1.16 for Delta/Greely and change to 1.20

We would like to change the area differentials because they were based on an October 1986 arbitrator's decision that sets area differentials in salaries of the state employees and not on the actual educational costs in the school districts.

No cost of Education Study

Arbitrators Decision

Passes

3/2

Senator Coghill

A M E N D M E N T

To: Senate Bill 119

*Section 13, AS 14.17.082
Page 9, line 22 delete five percent and insert ten percent.

Section would read:

(a) A district may not accumulate in any fiscal year an unreserved portion of its year-end fund balance in its school operating fund, as defined by department regulations, which is greater than ten percent of its expenditures for that fiscal year.

PL \$
Local \$
State \$

NO. 3

A M E N D M E N T

Offered in the SENATE

By Kerttula

TO: SB 119

Page 6, line 4, following "services,":

Insert "0.1 instructional units for a student of any age if the student attends a school that offers services ~~only~~ to developmentally disabled students,"

↓
EXCLUSIVELY

NO. 4

Pass over for now

A M E N D M E N T

Offered in the SENATE

By Josephson

TO: SB 119

Page 9, line 20, following "district":

Insert "that appropriates less than 30 percent of its revenue in a fiscal year to education"

Page 9, line 20:

Delete "any"

Insert: "that"

Page 9, lines 24 - 25, following "district":

Insert "subject to (a) of this section"

Page 9, following line 29, insert a new subsection to read:

"(c) The department shall adopt regulations applicable to school districts that are not subject to (a) and (b) of this section to ensure that funds allocated to those districts under this chapter are used for education."

NO. 5

W. what causes situation

A M E N D M E N T

Offered in the SENATE

By Josephson

TO: SB 119

Page 2, lines 19 - 20:

Delete "by the Department of Community and Regional Affairs"

Page 2, lines 28 - 29:

Delete "by the Department of Community and Regional Affairs"

Page 10, line 1, following "is", through line 28:

Delete all material

Insert "repealed and reenacted to read:

Sec. 14.17.140. DETERMINATION OF FULL AND TRUE VALUE. To determine the amount of local effort under AS 14.17.025, the department shall use the full and true value of taxable real and personal property actually levied against in each district, as determined by the district assessor under AS 29.45.110."

Some may not be taxable

Reasons.

1. Personal Property - DCRA Adds in

NO. 6

PROPOSED AMENDMENTS TO SB 119
BY THE DEPARTMENT OF EDUCATION

Page 1, line 22 following "district":

Insert "as of March 1 of that fiscal year as payment for its entitlement for the application submitted"

Page 1, line 23, following "fiscal year":

Insert", including advance payments and adjustments received since march 1 of the preceding fiscal year from prior year applications"

Page 3, line 6, following "department":

Insert "Payments received under P.L. 81-874 (20 U.S.C. 237-239), as amended, may not be counted under (a) or (b) of this section."

Page 4, line 10:

Delete "do not"

Page 4, line 11:

Delete "at least 200 in grades K-6 and at least"
Insert "less than 200 in grades K-6 or less than"

Page 5, line 27, following "UNITS."

Insert "(a)"

Page 6, line 9, following "only." Delete through line 13.

Insert a new subsection to read: "(b) Notwithstanding (a) of this section, in a district that offers a special education program, each funding community receives a minimum of 0.25 instructional units for special education or the district receives a minimum of 1.00 instructional unit for special education, whichever is greater."

page 9, line 6:

Delete "September 20"
Insert "October 15"

Page 10, line 9, preceding "district":

Insert "city or borough"

NO. 7

Page 10, line 9, following "district"

Delete "as defined in AS 14.17.250"

Page 11, line 26:

Delete "one-twelfth"
Insert "one-third"

Page 11, line 1, following "PERIODS."

Insert "(a)"

Page 11, following line 15:

Insert a new subsection to read: "(b) Upon written request and for good cause shown, the commissioner may permit a district to use a 20-school-day counting period other than the periods set out tin)a) of this section. However, the counting period must be 20 consecutive school days."

Page 14, line2:

Delete "(c) (7)"
Insert "(d) (2)"

Page 15, following line 21:

Insert a new subsection to read:

"(e) Notwithstanding AS 14.17.021 (a), in fiscal year 1988 amounts received by a district under P.L. 81-874 (20 U.S.C. 237-239), as amended, between March 1, 1987, and July 1, 1987, based upon applications submitted before or during fiscal year 1986 may not subtracted from the district's basic need under AS 14.17.021 (b)."

Page 5, line 24:

Delete "and"
Insert "or"

Page 5, line 25, following "units":

Insert ",whichever is greater"

Page 6, line 26:

Delete "and"
Insert "or"

Page 6, line 27, following "units":

Insert ",whichever is greater"

7-Cont.

SECTION BY SECTION
ANALYSIS OF SENATE
BILL 119 - SCHOOL
FOUNDATION PROGRAM

Prepared for the
State of Alaska
Senate Health and
Social Services
Committee by
Gary Thurlow

March 20, 1987

March 23, 1987

P.O. Box 3437
Palmer , Alaska 99645

Senator Jay Kerttula
P.O. Box V
Juneau, Alaska 99811

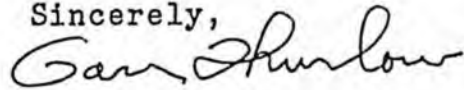
Re: Section by Section analysis of Senate Bill 119 -
School Foundation formula

Dear Senator Kerttula,

The attached section by section analysis of Senate Bill 119 is very similar to the earlier section by section analysis for Senate Bill 45 introduced by you and Senator Paul Fischer in January, 1987.

Both Senate Bill 119 and 45 are true foundation bills in that they take into account all or nearly all of the financial resources available to a school district and in that they deal with funding to establish a statewide system of school finance where the needs of all schools are looked at as a whole. Both bills are based on average daily membership (ADM) of school districts. Both bills give added weight to smaller schools in a similar manner. The fiscal results of the two bills would necessarily be similar.

Senate Bill 119 has been carefully thought out. It is about as fair and evenhanded in its apportionment of state, federal and local monies as an Alaska school finance bill can be.

Sincerely,

Gary Thurlow

SECTION BY SECTION ANALYSIS OF SENATE BILL 119
SCHOOL FOUNDATION BILL

AS 14.17.010 Public school foundation account - this is from existing law, originally enacted in 1962.

AS 14.17.021 State aid - this language establishes the framework for a foundation program. A foundation program is based upon two steps:

(1) first establish the total financial requirements for providing a minimum level of educational opportunity within every school district in the state, and

(2) deduct from the total financial requirements of the school district that amount which the State of Alaska, for one reason or another, is not willing to pay. The difference between what a school district requires for a "basic education" or "basic need" and what the state is willing to pay is the local share to be picked up by the local government. Another way of saying this is that after the financial needs of the school district are identified, and after an amount has been identified as being the financial responsibility of the local government, the state will make up the difference. The proposed AS 14.17.021 differs from the 1962 School Foundation Act in that there is no mandated level of local effort. The 1963 State Legislature mandated a minimum 3.5 mill levy effort or its equivalent on the part of every school district. To insure a minimum statewide program Senate Bill 119 mandates a minimum local effort of 4 mills or its equivalent or 35% of the "basic need" whichever is the lesser. SB 119 exempts Anchorage, North Slope Borough and Valdez from the 4 mill requirement as they can provide a minimum 35% contribution without a 4 mill effort.

How would foundation funding compare to a funding for "basic education?" The education provided by a foundation level of funding is the "basic education" every Alaska school child is entitled to. "Basic education" is not the level of education that can be provided by state dollars alone, but the education that would be available to every Alaska school child from state, federal and local monies. In the case of city, borough and other municipal school districts the program is funded by a combination of state, federal and local dollars - mostly state dollars and property tax dollars, and in the case of REAA schools, through federal and state monies, predominantly state monies.

Local government's share of "basic education". Since it is unlikely that Alaska will follow Hawaii's lead and fund 100% of the costs of a "basic education" with state and federal dollars, a formula is needed for determining how much the state share will be - how much the state will apply to the cost of a basic

education - and how much will come from other sources. It is not possible to keep the local share outside of a formula if that local share is being relied upon to provide a minimum level of educational opportunities throughout the state. See pages 11 through 17 of the attached "Analysis of Public School Finance Legislation in Alaska 1958 to 1987. (Attachment A)

SB 119 assumes that the mix will be:

State	429 million	71%
Local	135 million	22%
PL 874	<u>41 million</u>	<u>7%</u>
Total	605 million	100%

To make SB 119's 429 million comparable to the FY 86-87 funding of \$411,576,752, an approximate amount of 23-26 million must be subtracted from SB's 429 million reducing it to 403 to 406 million dollars compared to FY '86-87's 411 million. This is to reflect transfer of the employers share for Teachers Retirement System (TRS) from the state to the school districts.

Unrestricted Federal Public Law 874 monies of about \$46 million a year are a near constant. Certain Public Law 874 monies are restricted to categorical programs in the school district. They are not included in the formula. The Foundation formula only uses 90% of the unrestricted PL874 monies or about 41 million dollars in funding the basic need.

If a "basic education" as defined by the state costs, say, 605 million dollars that, too, is a constant. The remaining amount, the local share, is the variable. If the state, after looking at a 605 million dollar need, decides it can afford to pay only 429 million of the need, the remainder for city and borough school districts will be:

basic need	605
-less PL-874 revenues	- <u>41</u>
	564
-less state share	- <u>429</u>
balance (local share)	<u>135</u>

If "basic need," state dollars and PL 874 monies are constants the mechanism for changing the local share is changing the mandated 4 mill local effort and the 35% of total basic need effort requirement. The 1985 total assessed valuation of real and personal property by the state Department of Community and Regional Affairs was \$51,043,986,800, about 19 million of which was in Anchorage (this amount is subject to a major revision due to assessment problems) and about 13.6 million of which was in the North Slope. A statewide property tax on all real and personal property in cities and boroughs would have to be levied at 2.6 mills to raise 135 million. If any municipality were exempted from paying 4 mills, other municipalities would have to make up the difference by levying a higher property tax, in this case 4 mills.

These are the revenues that a 4 mill property tax or 35% of basic need contribution would raise in the larger city and borough school districts.

	(in millions) assessed valuation	4 Mills	Higher of 4 Mills or 35% of Basic Need	Actual Millage Required
Anchorage	\$19,343	77.4	64.0	3.3
North Slope	13,570	54.3	3.9	.3
Fairbanks	4,727	18.9	22.7	4.0
Kenai	3,905	15.6	15.5	4.0
Matsu	2,716	10.9	15.0	4.0
Valdez	1,693	6.8	2.0	1.2
Juneau	1,689	6.8	7.5	4.0
Ketchikan	904	3.6	4.1	4.0
Kodiak	552	2.1	5.0	4.0
Sitka	<u>441</u>	<u>1.8</u>	<u>2.8</u>	<u>4.0</u>
Total	\$49,540	198.2	129.6	2.6

About 130 million of the 135 million to be contributed by city and borough school districts would be contributed by the foregoing 10 districts. Anchorage currently raises about 64 million in school property taxes. Most probably, the 35% lid on the maximum that a school district is required to raise is derived from Anchorage's current local contribution of 64 million. If Anchorage is exempted from the mandatory four mill requirement, then Anchorage would not have to raise its present mill levy for school operations. If SB 119 used a 40% lid, Anchorage's share would be 73 million for a 3.8 mill equivalent, an increase of 13 million.

A flat percentage requirement for local contributions such as 30% of basic need will not work because poor city school districts cannot pay this amount. For example:

School District	Total Budget	30% local share	Amount one mill levy will raise	Property tax mill levy
Dillingham	\$4,365,215	\$1,310,000	\$107,516	12.2 mills
Kake	2,165,463	649,500	12,188	53.3
Hydaburg	873,283	261,900	13,418	19.5
Haines	2,849,882	855,000	97,622	8.8
St. Mary's	1,529,100	458,700	4,451	34.1
Tanana	1,361,841	408,000	11,755	34.7
Anchorage	201,258,278	88,335,000	19,943,357	4.4
North Slope	29,445,000	8,333,500	13,570,786	.6

Kake would have to have a mill levy 89 times that of North

Slope. State law limits the property tax mill levy to 30 mills (\$3000 a year on a \$100,000 house). Kake would be well over that limit.

Anchorage's tax base accounts for 39% of the local government real and personal property tax in the state. The 19 billion dollar tax base reported for Anchorage for 1986 by the Department of Community and Regional Affairs may be based on a 15,252,800.000 adjusted amount or a higher unadjusted amount. The tax base for Anchorage for calendar years 1987 and 1988, as adjusted by the Department of Community and Regional Affairs, may fall within a fairly wide range. With a foundation approach the amount that each city and borough must levy in taxes changes annually with changes in assessed valuation as adjusted further by the Department of Community and Regional Affairs.

Before 1976 most larger Alaska city and borough school districts had mill levies for education in excess of 10 mills. Anchorage's mill levy was about 11 mills. Matsu which had a lesser educational program, including an absence of kindergartens, was at about 12 mills for education. Anchorage is now at about 5 mills and Matsu, Juneau and Ketchikan at about 6 - 7 mills. Since 1976 the true mill levy has been somewhat camouflaged. Interest earnings on state capital appropriations and fund balances have been applied to school operations. Matsu applies most of the revenue sharing and municipal assistance monies it receives for the area outside of its cities to its education budget. (Anchorage applies none of its state revenue sharing and municipal assistance monies to education.)

If the state should decide that 135 million dollars is too much for city and borough school districts to pay - that a property tax mill levy for education of 4 mills is too high for Alaska municipalities, the state can reduce educational standards by redefining the term "basic need". The usual way of decreasing educational standards is to increase the number of pupils per teacher, by decreasing the number of teachers the state is willing to put into the classroom. A reduction of pupil teacher ratio standards would affect all school districts in the state, including REAA's. In the case of SB 119 the method for reducing standards would be to reduce the basic need from \$60,000 to a lower amount. Where teachers and class sizes are the basic building block for funding as it is in Senate Bill 45 and in the State of Washington, the method for reducing standards is to reduce the class size the state will pay for, say from 1 teacher to 20 pupils to 1 teacher to 23 pupils. In Anchorage, there are about 13% more instructional units (at \$60,000 per unit) than there are certificated personnel (persons with teaching degrees). Most probably a 5% reduction in the \$60,000 assigned to an instructional unit would increase class sizes in Anchorage by 5% - if the average class size is one teacher to 23 pupils, a five percent change would increase the class size to one teacher to 24 pupils.

The amount of the required local contribution is discussed at page 3. The need for a local contribution is obvious. The Alaska Constitution requires the state to maintain a system of public schools. The state is unwilling to fund 100% of the cost of a system of public schools. This means that city and borough school districts must pick up a percentage of the costs of a statewide system. The amount that each contributes must be based upon some rational basis such as ability to pay. And the amount that is to be paid has to be mandated; otherwise there will be two systems of public schools - one system that provides a reasonable level of educational opportunity (those who obtain enough money to handle the state defined "basic need") and another system of substandard schools where children receive a substandard education, probably as a penalty for the lack of wealth of "their parents and their neighbors." This second system of inferior schools would be the school districts which refuse to tax themselves sufficiently to raise enough money to fund their "basic need". A two system program violates the equal protection of law provisions of the Alaska Constitution and the education provisions of the constitution.

Equalizing tax effort among city school districts. SB 119
establishes two categories of school districts:

1. City and Borough school districts which are required by law to make a local contribution of 4 mills or its equivalent, and
2. City and borough school districts which are exempted from this requirement.

Before 1970 the need to make this distinction would not have occurred to anyone. The only reason for making the distinction in the 1980's is to take into account very wealthy school districts where a very little effort will generate a great deal of money. Any mandated local effort would drown a wealthy district in money. In Alaska there are two of these districts - North Slope, which a few years ago had an assessed valuation almost the same as Anchorage's, and Valdez, the terminus of the Alaska pipeline. Together these two districts account for 1.9% of the total enrollment of Alaska schools. (1985 pupils out of 102,331). Exempting districts with this number of pupils from a mandated local effort does not seriously affect the total funding.

Some other states have had to make special allowances for extremely wealthy school districts - in California the famous districts are Beverly Hills and the industrial cities with very few pupils and very large assessed valuations - Emeryville in the San Francisco Bay area and Irwindale, Industry and Commerce in the Los Angeles area. (Industry is 18 miles long and from two miles to 200 feet wide).

Alaska can put North Slope and Valdez into a special (favored) category without affecting the funding program as a

whole. If other districts enrolling a substantial percentage of Alaska city and borough pupils are taken out of the tax equalization part of the formula, the formula will be unfair to those remaining districts which are required to make a 4 mill effort. The reason for the discrimination would be hard to explain.

Exempting the first 100,000 from 4 mill levy equivalent requirement. The formula would be less fair if the first \$100,000 of the amount that a 4 mill levy would raise were exempted from the required local effort. However, a small exemption would help prevent a major diversion of revenue sharing and municipal assistance monies in small city school districts from traditional municipal functions to school operations. This is a feature in Senate Bill 45. There are 33 city and borough school districts in the state, so the cost of a \$100,000 exemption would be 3.3 million. Primary beneficiaries would be:

	From	To	Original Amount as % of Basic Need
Bristol Bay	406,164	306,164	20.7
Craig	149,219	49,219	10.0
Dillingham	430,063	330,063	13.3
Galena	80,428	-0-	5.3
Haines	390,486	290,486	16.5
Hoonah	116,950	16,950	7.2
Hydaburg	53,671	-0-	5.6
Kake	48,754	-0-	3.5
King Cove	97,566	-0-	7.0
Klawock	23,366	-0-	1.8
Nenana	72,398	-0-	5.4
Pelican	59,950	-0-	10.3
Sand Point	298,564	198,564	12.7
Skagway	236,146	136,146	22.0
St. Mary's	17,805	-0-	1.50
Tanana	47,021	-0-	4.5
Unalaska	382,258	282,258	24.6
Yakutat	72,547	-0-	5.4

A \$100,000 exemption would give Galena, Hoonah, Hydaburg, Kake, King Cove, Klawock, Nenana, Pelican, St Mary's, Tanana and Yakutat a status similar to that of the REAA's. REAA's do not make a local contribution; neither would the small city school districts. As a practical matter, first class city school districts would probably apply their revenue sharing and municipal assistance monies to school operations while neighboring second class cities would retain all such monies for traditional non-salary municipal purposes. St Mary's, for example, would probably meet its \$17,805 obligation from the state revenue sharing and municipal monies it receives.

AS 14.17.025 (b) Limitation on local mill levy AS 14.17.025 (b) places a 5.5 mill tax levy or equivalent lid on the amount that a district can contribute. If the only concern were

the establishment of a system of education that provides a reasonable minimum education opportunity to every pupil in the state and if the basic need is realistic, this lid could be reduced to 4 mills. If "basic need" means a true basic education, any education funded by a mill levy effort or equivalent in excess of 4 mills would be for nice things to have ("enrichment"), but not essential things. The governing body of at least one large school district has taken the position that if the legislation determines that 4 mills or its equivalent will fund an adequate education for all city and borough school districts, including that district, that is all the governing body will provide. In other words, the mandated 4 mill local effort as a matter of local policy is also the locally imposed expenditure lid - the local version of Anchorage's Proposition 24. The assembly or the city council would be willing to fund the basics as defined by the legislature, but not the "enrichment" that would have to be financed by a mill levy in excess of 4 mills. This view of educational finance may catch on in the other school districts.

Bruce DeMond, superintendent of the Matsu school board, states that a \$42,727,800 school operation budget (\$41,918,688 after a 4% downward adjustment to reflect transfer of TRS responsibility to the school district) will not fund a basic education in the Matsu district as that term has been traditionally defined (K-12, special education, reasonable class sizes). In other words SB11 does not, with a 4 mill local effort, fund a minimally adequate educational program in the tax levying school districts.

See the discussion on the adequacy of \$60,000 per instructional unit under AS 14.17.056.

The 5.5 mill tax levy ceiling on will not work at all if the employer's responsibility for Teacher Retirement System payments is transferred from the state to schools districts.

If the \$60,000 per unit is not increased or if the responsibility of TRS is transferred to the school districts AS 14.17.025 (b) may mandate a permanent reduction in the educational programs now offered by Matsu, Ketchikan, Juneau and Sitka. 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 3 million dollar cut of July '86)	\$46,515,220
Cost to Matsu of assuming TRS at 3.4% of \$46,515,220	1,581,516
Matsu budget with TRS	\$48,096,736

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 Matsu education
program \$ 1,172,002

The \$46,515,220 budget the Matsu 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 continues to fund TRS for the Matsu 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 for TRS to be paid by borough property taxes, the Borough would not be able to achieve FY 86-87 program levels unless assessed valuations increased.

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.

The 5.5 mill ceiling should be retained. However, in addition, AS 14.17.025 (b) should provide for a limitation on the amount any school district can spend over and above the basic need established by the state. This amount should be 25% or less. With this limitation there would be no problem in continuing to use PL 874 monies to fund the foundation formula. The 25% disparity test would not be exceeded. If North Slope levied a 5.5 mill tax on its tax base of \$13,570,000,000 it would generate revenues of \$74,635,000 million, considerably more than North Slope's 11,200,200 basic need; there are per capita taxing limitations affecting North Slope, but this gives the idea.

Deduction of federal PL 81-874 revenues. The deduction of 90% of Public Law 81-874 monies from the amount of money that the state would otherwise pay to a school district is a change from existing state law and a partial reversion to the state law that existed before 1981. Before 1981 100% of PL874 monies were deducted. Currently only 80% of the PL 81-874 entitlement of a school district is deducted from the amount that the state would otherwise pay to the district.

Alaska obtains 7.8% of its school revenues from the federal government, most of which are PL 874 monies. It would be difficult to fund a foundation program without the federal funds. The legislature would have to find an additional 41 million dollars. See Attachment B Memorandum of Limitation of on State of Alaska Use of Federal Public Law 81-874 Monies.

There are no good policy reasons for deducting only 90%. School districts which have substantial PL 874 revenues will, if they retain the 10% receive 100% of their need, plus an additional amount not based on need.

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 the Adak REAA is not \$3,978,600; it is \$4,177,784. The amounts available to Adak are:

		Per Pupil without 10% PL874	Per Pupil with PL874
Local Effort	0		
State	2,185,967		
PL 874 (90% in formula)	1,792,633		
PL 874 (10% not in formula)	<u>199,184</u>		
Total	\$4,177,784	\$6631	\$6963

Lower Yukon REAA would be a more typical example:

		Per Pupil without 10% PL874	Per Pupil with PL874
Local Effort	0		
State	8,790,699		
PL 874 (90% in formula)	4,790,699		
PL 874 (10% not in formula)	<u>514,859</u>		
Total	\$13,939,259	\$9,251	\$10,379

An extra two hundred thousand dollars or a half million dollars 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.

If the 90-10 division of PL 874 monies is retained PL 874 monies not in the formula which are available to the school district for general school purposes should be listed in DOE 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.)

Ninety percent (90%) of PL 874 is about \$4,597,000 (The SB 119 formula assumes a contribution of \$41,376,409 of PL 874 monies. At 100% this contribution would be about 45,973,000. According to DOE the \$4,597,000 million has been allocated to give school districts as an incentive to ferret out pupils who can generate federal PL 874 monies. This 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%. Most probably the number of federally connected pupils reported was the same in 1980 as they are today.

AS 14.17.041 Elementary and Secondary Instructional Units. The allocation of instructional units in SB 119 makes sense. There is a correlation of instructional units and

- (1) size of schools - it is possible to have larger average class sizes (higher teacher - pupil ratio) and fewer administrators per group of pupils in a large school than in a small school
- (2) cost of living differences in Alaska

In going through the largest city and borough school districts in Alaska it is easy to see why Anchorage generates the fewest instructional units per group of pupils, why Anchorage, Matsu, Juneau and Ketchikan generate almost the same number of instructional units (and per pupil dollars) as Anchorage and why other school districts generate more units.

<u>District</u>	Number of Pupils to Instructional Unit	Comment
Anchorage	12.7	Great majority of pupils in one funding community; very few funding communities; larger average class sizes.
Matsu	12.6	Same as above
Ketchikan	12.4	Same as above
Fairbanks	12.1	Same as above, except for 1.04 Area Cost Differential; Without the Area Cost Differential, Fairbanks's ratio would be 12.6, the same as Matsu and Juneau
Sitka	12.0	Same as Ketchikan

Kenai	11.4	Several large funding districts comprising most of the enrollment; a number of small funding communities.
Kodiak	9.7	One large funding community -Kodiak- comprising most of enrollment; many small funding communities. Without the 1.09 Area Cost Differential Kodiak's ratio would be 10.6, close to Kenai's.
Galena	6.9	One funding community, but a relatively high Area Cost Differential- 1.30. Without the Area Cost Differential Galena would be 9.0. Galena has been paired with Yukon Koyukuk as it formerly received more per pupil than Yukon-Koyukuk, even though the schools of the latter were smaller and in numerous funding communities
Yukon-Koyukuk	5.4	See Galena. Yukon-Koyukuk has many funding communities and a high area cost differential
Sand Point	6.0	One funding community with a high area cost differential -1.27. Without the cost differential the ratio would be about 7.6 instead of 6
King Cove	5.7	See Sand Point. SB 119 greatly narrows the former spread between King Cove and Sand Point by applying the same area cost differential.
North Slope	6.6	Most of the pupils are in one funding community -Nome. Without the high area cost differential-1.42- the ratio would be 9.4 pupils to a unit, a ratio close to the statewide average of 10.3

Statewide average
 102,131 pupils/
 9962.75 units

10.251

The 9962.75 units are probably about 70% of the number of certificated teachers in Alaska with teaching degrees and probably about 60% of the number of classroom teachers. If this is so the average classroom teacher ratio would be about 1:17

AS 14.17.041(a). Smaller funding community instruction units (less than 200 pupils in elementary or less than 200 in secondary).

The allocation of units to schools and funding communities of different sizes is realistic. It is realistic if it is assumed that there is an approximate 1 to .6 to 1 to .7 ratio between instructional units and number of teachers at the school.

Partial units are generated as the threshold between a two teacher school and a three teacher school is passed. Additional money is generated for an additional partial teacher even though no additional salary costs would be incurred until a third teacher is required. This may result in some slight additional funding for small school, but it should not be significant. The cure of abandoning partial units is worse than the problem. If a district entitlement increases by \$60,000 (one unit) as a school size goes from 19 to 20 (from 2 units to, say, 3 units), the district would have a great temptation to hold a pupil over. encourage a transfer of a pupil from one funding community to another, etc.

It is realistic to assign 2 units to a school with one to 10 pupils. This would not generate enough money for the cost of operating a school with two full-time teachers. However it would generate more than enough money for a one teacher school.

For other schools the teacher-pupil (TPR) ratio would probably look like this:

Pupils	Units	Teachers at .6 of unit	TPR	Teachers at .7 of unit	TPR	Actual TPR FY 84-85
11	2.2	1.3	1.8	1.5	1.7	1.5
12	2.4	1.4		1.7		(1-16)
13	2.6	1.6		1.8		
14	2.8	1.7	1.8	2.0	1.7	
15	4.0	1.8		2.1		
16	4.2	1.9	1.8	2.2	1.7	1.5 (1-16)

Pupils	Units	Teachers at .6 of unit	TPR	Teachers at .7 of unit	TPR	Actual TPR FY 84-85
17	4.4	2.0	1.9	2.3	1.7	1:9 (17-24)
18	4.6	2.2		2.5		
19	3.8	2.3		2.7		
20	4	2.4	1:8	2.8	1:7	
21	4.1	2.5		2.8		
22	4.2	2.5		3.0		
23	4.4	2.6		3.0		
24	4.5	2.7	1:9	3.1	1:8	1.9 (17-24)
25	4.6	2.8		3.2		
26	4.7	2.9	1:9	3.3	1:8	
61	9	5.4	1:11	6.3	1:10	1:11 (41-70)
121	14	8.4	1:14	9.8	1:12	1:1.10 (121-200)
200	19	11.4	1:18	13.3		
525	41	24.6	1:21	28.7	1:18	1:17 (200 plus)

See Attachment C- District by District Analysis of Pupils and Certificated Employees in Schools of Various Sizes for actual ratios in FY 84-85.

The numbers in the last column are the average teacher pupil ratios in schools of various sizes, excluding district headquarters certificated personnel, as reported in the Alaska Education Directory 1986 based upon enrollments for the 1984-85 school year. In 1984-85 the average teacher pupil ratio in schools with one to 16 pupils was 1.5 - one teacher to five pupils. It can be seen that SB 119 provides funding to support staffing levels very close to FY 84-85 actual levels. The column with .6 of unit for teachers is the most conservative column; the column with .7 of unit for teachers shows a possible level of staffing (teacher-pupil ratio) that the units would provide, but not the probable level.

The DOE formula gives the benefit of the doubt to the smaller schools (smaller funding communities).

AS 14.17.041 (b) Larger funding communities - more than 200 pupils in elementary and more than 200 in secondary.

For larger funding communities the formula set forth in AS 14.17.041 (b) works like this:

ELEMENTARY SCHOOL

Number of Pupils	Units	Teachers at .6 of unit	TPR	Teachers at .7 of unit	TPR	Actual TPR FY 84-85
200	15	9	1:22	11	1:18	1:17
300	21	13	1:23	15	1:20	
400	27	16	1:25	19	1:21	
600	39	23	1:26	27	1:22	

SECONDARY SCHOOL

200	18	11	1:18	13	1:17	1:17
300	26	16	1:19	18	1:17	
400	33	20	1:20	23	1:17	
600	46	27	1:22	32	1:19	
1200	92	55	1:22	64	1:19	

Again the units generated by SB 119 are in close relationship to actual staffing levels of schools of various sizes in FY 84-85.

The ratios for small schools are more generous than the pre-Prudhoe ratio.

SLA 1962, Ch 164, Sec 104c. The formula in effect from 1962-1970 provided for a slightly higher teacher-pupil ratio for secondary schools of under 100 than for elementary schools of under 100 as follows:

Elementary Schedule		Secondary Schedule	
Average daily membership	Allowable No. of teacher units	Average daily membership	Allowable No. of teacher units
8-15	1	Under 10	1
16-30	2	10-15	2
31-45	3	16-25	3
46-60	4	26-40	4
61-75	5	41-60	5
76-100	6	61-80	6
		81-100	7

From 1963 to 1970 funding for a "teacher unit" included enough money for teacher salaries, non-teacher salaries to back up the teacher and non-salary costs to back up the teacher, but not administrators who were funded separately. The Teacher Pupil Ratio for smaller elementary schools would have been:

Elementary Schedule	Teacher Pupil Ratio
8-15	1:8 to 1:15
16-30	1:8 to 1:15
31-45	1:10 to 1:15
46-60	1:11 to 1:15
61-75	1:12 to 1:15
76-100	1:13 to 1:17

The only per pupil expenditure amount of concern to the educator is the amount the district has available from all sources for education. These are the numbers:

District	Number of pupils to Instructional Units	Per pupil school district paying TRS (additional cost to district)	Per pupil adjusted downward 4% to reflect transfer of TRS responsibility	10% of PL874 monies retained by district	Total of previous two columns
Anchorage	12.7	\$4706	\$4517	0	\$4517
Fairbanks	12.1	4934	4736	0	4736
Matsu	12.6	4774	4583	0	4583
Kenai	11.4	5275	5064	0	5064
Juneau	12.6	4764	4485	6	4491
Kodiak	9.7	6178	5930	6	5936
Ketchikan	12.4	4830	4639	0	4639
Sitka	12.0	4975	4776	6	4782
Galena	6.9	8888	8532	262	8794
Yukon-Koyukuk	5.4	11,147	10,701	221	10922
Sand Point	6.0	9893	9497	0	9497
King Cove	5.7	10,488	10,068	105	10170
North Slope	6.6	9098	8734	276	9010

Anchorage, Matsu, Juneau and Ketchikan all fall within a narrow range of \$4517 to \$4639, less than a 3% spread.

In comparing monies available for expenditure in FY 86-87 with monies available for expenditure in FY 87-88 under SB 119, the only column of interest to the educator - the school superintendent and the teacher - is the number in the last column. For the person primarily concerned with a state system of education, the only numbers that are relevant are the numbers in the last column. Assemblypersons and city councilmen are also concerned with the last column, but may have a greater concern

with the local share which is not shown on the above table. The legislator will, understandably, be concerned about state share, also not shown.

AS 14.17.043-047- Vocational Education, special education and Bilingual. These provisions in earlier bills offered opportunities to manufacture additional units by counting the same pupil several times over for different programs so that the pupil generated far more revenue than the additional cost incurred by the school in serving the pupil. The school district might be able to serve a pupil in several programs with one classroom teacher plus the full time equivalent of, perhaps, a third of an additional teacher. If the pupil generated enough money to pay for the salaries of several teachers based upon the pupil being served by several programs, the school district would have a found a real money generator. SB 119 gives the State Department of Education the tools to police this type of abuse and to maintain the number of units in some general proportion to the amount of additional teacher time required for a pupil being served outside of the regular classroom. For example, there is a very wide spread between the cost of providing a resource room program for a special education pupil and the cost of an intensive program.

See Attachment A Analysis of Public School Finance Legislation in Alaska: 1958 to 1987, pp. 17-21 for an analysis of the abuses that occurred between 1970 to today.

AS 14.17.051 Area Cost Differential. These are realistic and the most authoritative cost differentials available in Alaska. They are a great improvement over last year's. The SB75 spread was minus 20 for Skagway to plus 85 for Yupiit. The spread is now, with two exceptions, contained in a 38 point range.

There is one area of unreality. The average teacher salary in many of the high cost differential districts is not much greater than it is in districts with a 1.00 to 1.05 range. See Attachment D for the actual 1984-85 average teacher salaries paid in districts in light of the teachers training and experience. Here are examples:

District	Area Cost Multiplier	Actual Salary	Salary based upon Anchorage plus multiplier
Anchorage	1.00	\$41,673	\$41,673
Kuspuk	1.30	45,214	54,175
Nome	1.34	47,966	55,842

The cost of living differentials measure real differences in the cost of doing business. They should be used. However, to measure the real cost of personnel services, which is the major portion of each district's costs, it is necessary to go one step

further and determine the costs of the teachers to the school districts based upon the standard salary differentials that accompany training and experience (seniority) throughout the state. Two indices are needed: (1) Area cost differentials and (2) Training and experience differentials.

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 introduced by Senators Kerttula and Fischer 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, there should be credit for no more than about 70% of the unit for T & E, as approximately 25% of the average instructional unit is 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 10, 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 cost, 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.

See Exhibit D for average actual salaries paid to Alaska teachers by school districts in FY 84-85 and their average training and experience.

Sec. 14.17.056 Instructional Unit Value.

Raising the \$60,000 basic need amount - The term "basic need" should not be used to describe an unrealistically low level of expenditure for Alaska schools. To narrow the gap between the state defined "basic need" of 176 million for Anchorage, 62 million for Fairbanks, 41 million for Matsu and 43 million for Kenai and fairly lean FY 86-87 budgets it would be desirable to increase the basic need to \$65,000 per unit. The increase can be funded by increasing the local share.

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.

Senate Bill 119 places the larger school districts in proper relationship to each other as far as basic need is concerned, but the basic need is consistently underfunded in light of the districts' FY 86-87 budgets.

For example:

	SB 119 Basic Need incl. TRS	SB 119 Need w/o TRS	Actual Minimum Need w/o TRS	Percentage Differential
Anchorage	\$182,957,400	\$175,639,100	193,202,900	10%
Fairbanks	64,933,200	62,335,072	68,566,000	10%
Matsu	42,727,800	41,018,688	45,000,000	10%
Kenai	44,388,000	42,612,480	47,347,200	10%

The FY 86-87 school districts already reflect a 10% cut made in July 1986. The amounts listed under "Actual Minimum Need without TRS" should in most cases be noticeably lower than the reduced FY 86-87 budgets. These amounts are exclusive of debt retirement, transportation and federally funded programs. The only way to be sure how these amounts compare with this years budgeted amounts (FY 86-87 reduced by 10%) is to contact the individual school districts for individual analyses. For example, the Superintendent and School Board for the Fairbanks School District can be asked if a total appropriation of \$62,335,072 will maintain Fairbanks present program and, if not, how the reduction would translate into teacher layoffs, increase in class sizes and dropping of programs.

THE \$60,000 PER INSTRUCTIONAL UNIT IS, IN FACT, TOO LOW. THE \$60,000 SHOULD BE RAISED TO A HIGHER AMOUNT AND THE INCREASE IN BASIC NEED SHOULD BE FUNDED EITHER BY:

1. INCREASING THE STATE CONTRIBUTION - RESCISSION OR DEFERRAL OF A TRANSFER OF RESPONSIBILITY FOR TEACHERS RETIREMENT SYSTEM (TRS) FROM THE STATE TO SCHOOL DISTRICT. THIS WOULD ADD 23-26 MILLION IN

REQUIRED STATE FUNDING, OR CONVERSELY, A TRANSFER OF STATE RESPONSIBILITY ACCOMPANIED BY A 4.5% INCREASE IN THE \$60,000 ALLOCATION TO \$62,400 WOULD REQUIRE AN ADDITIONAL STATE APPROPRIATION OF 24.2 MILLION DOLLARS, OR

2. INCREASING THE LOCAL CONTRIBUTION BY;

(A) INCREASING THE MILL LEVY FROM 4 MILLS TO 4.2 MILLS TO RAISE ANOTHER \$4 MILLION AND BY

(B) REDUCING THE MINIMUM PERCENT OF BASIC NEED THAT THE STATE WILL PAY FOR FROM 35% TO 45% TO RAISE ANOTHER \$19 MILLION.

The foregoing only addresses the shortfall in funding of Alaska schools caused by transfer of the responsibility for Teachers Retirement System (TRS) payments from the state to the school districts. Other than that it does not address the inadequacy of \$60,000 as the instructional unit amount.

TRS at about 23-26 million dollars is about 4% of a \$605 million dollar program.

To facilitate analysis of SB 119 on the proposed budgets of the various school districts. 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.

AS 14.17.082 Fund balance in School Operating Fund. The accumulation of excessive fund balances may or may not be a problem in FY 86-87 and subsequent years. The existence of fund balances and the reasons for accumulating them should always be in the possession of the legislature.

The Legislature should have a list of fund balances for each school district for the end of FY 84-85 (June 30, 1985) and the end of FY 86-87 (June 30, 1986) and for subsequent years. It also needs information on costs of classroom teachers, other certificated personnel, classified personnel and various categories of non-salary costs including reserves. Otherwise, information needed to judge the adequacy of SB 119, if SB 119 is enacted into law, will be lacking. In the past some school districts have been very reluctant to furnish information to the state department of education on such items as superintendents' salaries and legal costs. The state and the legislature needs this information not only because state dollars are involved, but also because, in Alaska, education is a state responsibility. It is impossible to determine how that responsibility is being discharged if the legislature is in the dark on how the money is actually being used.

AS 14.17.140 Determination of full and true value by
department of community and regional affairs. Minor clean up
language.

AS 14.17.190 Restrictions Governing Receipt and
Expenditures of Money from Public School Foundation Account The
department and legislature are entitled to full information on
how educational monies are spent.

Sec 24. Transition. The two tests of a good transition
provision are:

1. Are the costs reasonable?

Answer: Yes. The hold - harmless provisions cost
\$7,257,762 - 1.2% of the \$605 million program
cost.

2. Is the transition phased out over a reasonable
period of time?

Answer. Yes. See p. 14, lines 23-25. 90% the
first year, 80% the second year and 70% the third
year.

EXHIBIT B

District and REAA Pl 81-874 Revenues

Memorandum on Limitations on State of Alaska Use of Federal Public Law 81-874 Monies

If the State of Alaska did not take PL 81-874 monies into account in meeting the needs of Alaska school districts two severe problems would be created:

(1) The state school funding program would be underfunded by about 49 million dollars. This would result in either an approximate 10% reduction in monies available for school funding or require the state to seek this amount from other sources to make up for the lost funding.

(2) If each school district retained 100% of the PL 81-874 monies generated by federal lands and facilities within its boundaries existing disparities in district school expenditures would be greatly increased. Some school districts would become very wealthy; to the extent that the amount available for school funding is fixed, this transfer of wealth would have to be offset dollar by dollar by taking the money from the poorer school districts reducing their level of expenditures.

As a practical matter the state cannot afford to dispense with 49 million dollars for funding of a school foundation program.

If Alaska is to rely on PL 81-874 monies for its school foundation program, it must take into account 100%, or very nearly 100%, of the PL 81-874 monies generated by federal land and facilities in each school district - including only 80% will not work as the 20% retained by school districts will result in excessive expenditure disparities among Alaska school districts - disparities which exceed federal guidelines. The expenditure disparity among school districts cannot generally exceed 25%. The amount that the most wealthy school district spends cannot exceed by 25% the amount that which the poorest district spends.

In addition, each tax levying school district must make a comparable tax effort. One district cannot get by with a local property tax of one half of a mill (\$50 on a \$100,000 house), while another school district, to achieve the same educational goals, must tax itself ten times as much, say five mills (\$500 on a \$100,000 house.) This means that tax equalization must exist.

Where a school district can tax itself--city and borough school districts have this ability under the State Constitution and state law--they are required to do so to a reasonable extent. PL-874(d) (2) (B) (ii) requires that:

ii Such agency (school district) is making a reasonable tax effort and exercising due diligence in availing itself of state and other financial assistance; ...
(parenthetical note added)

Currently under state law cities and borough school districts can tax themselves for education, but are not required to do so.

The same requirement to tax does not exist for the "unorganized territory" i.e. the area outside of cities and boroughs. Under the Alaska Constitution only the state can levy taxes in the unorganized territory.

Before 1974, a number of state school funding statutes were struck down because P.L. 81-874 then prohibited states from using federal funds to replace state funds. Since 1974, P.L. 81-874 has contained a provision permitting states to consider the amount of federal impact aid a school district receives when the state is determining how to distribute state aid. This was after a series of state supreme court cases in the early 1970's requiring equalization of educational opportunity.

To use the exception to the general rule, the state must have an acceptable program of aid to equalize expenditures among school districts as determined under regulations of the Secretary of Education. This restriction is contained in P.L. 98-874 paragraph 5(d) codified as 20 U.S.C. 240(d). The exception is contained in subparagraph 1(A), which requires that the state have in effect -

"a program designed to equalize expenditures for free public education amount the local educational agencies of that state...."

The Secretary has adopted regulation to implement this exception to give the states direction in designing their state education aid formulas. As required by Congress, these regulations define both "state aid" and the term "equalize expenditures" as they relate to a state's consideration of federal funding in financing free public education.

To qualify as a program designed to equalize expenditures for free public education the program must meet four criteria set out in 34 C.F.R. 222.62. If the state's program meets this test a state may consider federal P.L. funds in allocating state monies to local educational districts.

The test consists of the following four parts:

A. Is the state program in effect for the fiscal year in question;

B. Does the state program provide for apportionment of state aid among local school districts to carry out the objectives of the state aid program.

C. Does the state program take into consideration the financial resources available to local school districts;

D. Does the state program meet either of the following standards:

1. Disparity standard (this requires that no more than 25% disparity in current expenditures exist between school districts)

2. Wealth neutrality test (requires no less than 85% of local revenues be wealth neutral)

3. Exceptional circumstances (a state, which cannot meet either test 1 or 2 can still qualify under this standard, which allows the secretary to justify a program due to exceptional circumstances within a state related to disparities in current expenditures for education)

The costs of delivering an education probably does vary more than 25% between the lowest cost Alaska school district necessarily and the highest cost Alaska school district. If so, the third test--exceptional circumstances--can be used to justify a greater disparity than 25%. However any disparity in excess of 25% would have to be based upon verified differences in actual costs and not just upon a political fiat that one district will receive more money than another.

Section 3(d) (3) (B) (iii) makes a special allowance for the local contribution rate for U.S. Territories, Alaska ("in which a substantial portion of the land is in unorganized territory"), and Hawaii ("any state in which there is only one local educational agency") so long as their policies and principles are consistent with the policies for determining local contribution rates in other states.

Even though the territories of the United States, Alaska and Hawaii are free of some of the more strict formulas regarding comparable tax efforts, they are nevertheless subject to the provision that their use of PL 874 monies shall be:

In accordance with policies and principles which will best achieve the purposes of this section and which are consistent with the policies and principles provided in this paragraph for determining local contribution rates

in states where it is possible to determine generally comparable school districts.

In Alaska, it is possible "to determine generally comparable school districts" with respect to city and borough school districts since they all have the power to tax.

The "purposes of this section" includes distribution of monies in a way to achieve equalization of educational opportunities through equalization of local tax effort and school district expenditures.

In summary, to be eligible for continued receipt of federal Public Law 81-874 monies, the state must either:

(1) disregard the Public Law 81-874 monies in making a determination of how much in state dollars each district shall receive, or

(2) equalize educational expenditures and bring about comparable mill levies for education in boroughs and cities.

TABLE 2E:

DISTRICT P.L. 81-874 REVENUE

SCHOOL DISTRICT	ADM	LOCAL ADM AS OF STATE ADM	FEDERAL REVENUE: P.L. 81-874	P.L. 81-874 PER ADM
ANCHORAGE	40,674	44.23%	\$0	\$0.00
BRISTOL BAY	241	0.26%	\$305,619	\$1268.13
CORDOVA	390	0.42%	\$11,848	\$30.38
CRAIG	186	0.20%	\$33,203	\$178.51
DILLINGHAM	465	0.51%	\$400,000	\$860.22
FAIRBANKS	13,431	14.61%	\$50,000	\$3.72
GALENA	146	0.16%	\$429,227	\$2939.91
HAINES	351	0.38%	\$30,000	\$85.47
HOONAH	214	0.23%	\$245,306	\$1146.29
HYDABURG	97	0.11%	\$0	\$0.00
JUNEAU	4,700	5.11%	\$36,000	\$7.66
KAKE	202	0.22%	\$455,250	\$2253.71
KENAI	8,548	9.30%	\$200,000	\$23.40
KETCHIKAN	2,439	2.65%	\$20,000	\$8.20
KING COVE	120	0.13%	\$57,040	\$475.33
KLAWOCK	156	0.17%	\$259,260	\$1661.92
KODIAK	2,278	2.48%	\$266,360	\$116.93
MAT-SU	9,366	10.19%	\$0	\$0.00
NENANA	126	0.14%	\$6,000	\$47.62
NOME	850	0.92%	\$80,000	\$94.12
NORTH SLOPE	1,155	1.26%	\$6,600,000	\$5714.29
NORTHWEST ARCTIC**	1,526	1.66%	\$3,730,416	\$2444.57
PELICAN	54	0.06%	\$0	\$0.00
PETERSBURG	597	0.65%	\$5,000	\$8.38
SAND POINT	115	0.13%	\$0	\$0.00
SITKA	1,654	1.80%	\$120,000	\$72.55
SKAGWAY	136	0.15%	\$0	\$0.00
ST. MARY'S	115	0.13%	\$200,000	\$1739.13
TANANA	78	0.08%	\$234,153	\$3005.81
UNALASKA	141	0.15%	\$190,000	\$1347.52
VALDEZ	791	0.86%	\$20,000	\$25.28
WRANGELL	451	0.49%	\$0	\$0.00
YAKUTAT	157	0.17%	\$60,000	\$381.7
TOTAL	91,950	100.00%	\$14,044,982	\$152.75

**TRANSITION DISTRICT (REF: AS14.17.210)

EXHIBIT B, p. 5

TABLE 4D:

REAA ESTIMATED P.L. 81-874 REVENUE

SCHOOL DISTRICT	ADM	P.L. 81-874 FY87 ESTIMATED REVENUE	P.L. 81-874 FY87 ESTIMATED REVENUE PER ADM	P.L. 81-874 AS % OF TOTAL REVENUE	P.L. 81-874 AS % OF FOUNDATION REVENUE
ADAK	607	\$2,104,016	\$3,466	47%	101%
ALASKA GATEWAY	516	\$775,872	\$1,504	17%	22%
ALEUTIANS	87	\$355,000	\$4,080	19%	26%
ANNETTE ISLAND	413	\$1,639,104	\$3,969	53%	120%
BERING STRAITS	1,233	\$4,141,068	\$3,359	26%	37%
CHATHAM	306	\$964,156	\$3,151	32%	49%
CHUGACH	129	\$140,000	\$1,085	9%	10%
COPPER RIVER	575	\$135,000	\$235	3%	4%
DELTA GREELY	1,084	\$1,252,226	\$1,155	19%	26%
IDITAROD	399	\$1,038,030	\$2,602	19%	25%
KASHUNAMIUT	166	\$750,000	\$4,518	35%	53%
KUSPUK	408	\$1,440,106	\$3,530	27%	40%
LAKE AND PENISULA	370	\$1,322,008	\$3,573	21%	28%
LOWER KUSKOKWIM	2,675	\$7,100,000	\$2,654	23%	30%
LOWER YUKON	1,286	\$5,413,552	\$4,210	39%	73%
PRIBILOF ISLANDS	169	\$748,781	\$4,431	41%	73%
RAILBELT	357	\$100,000	\$280	3%	3%
SOUTHEAST ISLANDS	458	\$849,550	\$1,855	20%	29%
SOUTHWEST	486	\$2,155,859	\$4,436	32%	51%
YUKON FLATS	377	\$714,000	\$1,894	12%	14%
YUKON KOYUKUK	596	\$1,721,696	\$2,889	23%	32%
YUPIIT	285	\$0	\$0	0%	0%
TOTAL	12,982	\$34,860,024	\$2,685	24%	34%

Exhibit B, p. 6

School District	1-16			17-24			25-40			41-70			71-120			121-200			200 plus			Enrollment	No. of Certificated Persons at District HQ	Pupil/HQ Cert. Personnel Ratio
	No. of Pupils	No. of Cert. Pers.	P RS	No. of Pupils	No. of Cert. Pers.	P RS	No. of Pupils	No. of Cert. Pers.	P RS	No. of Pupils	No. of Cert. Pers.	P RS	No. of Pupils	No. of Cert. Pers.	P RS	No. of Pupils	No. of Cert. Pers.	P RS						
Anchorage	19	4	4.7	39	3	13.0	34	4	8.5				216	25	8.6				39,577	2,523	15.7	40,562	88	460.93
Aristol Bay	16	1	16.0										219	23	9.5							241	2	120.50
Barrow													168	22	7.6	170	18	9.4	218	17	12.8	388	1	388.00
Bellevue													177	17	10.4	166	26	6.4	245	21	11.7	411	9	45.67
Billingsham							40	6	6.7				138	22	6.3	571	56	10.2	11,074	755		12,708	34	373.76
Birba													211	19	11.1	390	39	10.0				138	2	69.00
Chena													211	19	11.1	390	39	10.0				390	2	195.00
Chukchi													211	19	11.1	390	39	10.0				211	1	211.00
Chukchi							108	13	8.3				211	19	11.1	390	39	10.0				108	1	108.00
Chukchi	13	1	13.0				37	5	7.4				206	27	7.6				4,519	317	14.3	4,569	28	163.18
Chukchi													297	30	9.9	564	59	9.6	7,085	482	14.7	206	5	41.20
Chukchi				21	2	10.5	120	14	8.6	43	4	10.8	178	4	44.5				7,085	482	14.7	8,130	27	301.11
Chukchi				18	2	9.0	40	4	10.0				114	15	7.6				2,281	165	13.8	2,517	14	179.79
Chukchi													114	15	7.6							114	1	114.00
Chukchi							31	4	7.6	46	5	9.2	78	4	19.5							155	7	22.14
Chukchi							152	16	9.5	62	7	8.9	177	20	8.9				1,912	124	15.4	2,303	14	164.50
Chukchi	13	2	13.5				72	10	7.0	59	6	9.8	96	11	8.7	158	9	10.8	7,885	511	15.4	8,437	42	200.88
Chukchi													184	22	8.4							184	1	184.00
Chukchi													111	13	8.5	138	18	7.7	741	71	10.4	741	10	74.10
Chukchi				96	23	4.2	127	21	6.1	42	6	7.0	111	13	8.5	138	18	7.7	556	71	7.8	1,028	18	57.11
Chukchi													109	10	10.4				571	46	12.4	42	2	21.00
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
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Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
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Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
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Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
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Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi													221	17	13.0	132	8	16.5	1,298	86	15.1	1,651	3	550.33
Chukchi																								

District	Enrollment	Cert Pers	Cert Pers at Hq.	Cert Pers at schools	Classroom teachers	Cert pers to pupils	Cert pers at school to pupils	Classroom teachers to pupils
1 Anchorage	40562	2630	88	2543	2000	15.4	16.0	20.2
2 Fairbanks	12708	927	34	893	747	12.7	16.6	17.1
3 Matsu	8437	577	42	535	471	14.6	15.8	17.9
4 Kenai	8130	618	27	591	468	13.2	13.8	17.4
5 Juneau	4569	351	28	333	295	13.0	13.7	15.5
6 Ketchikan	2517	189	14	175	152	13.5	14.4	16.6
7 Kodiak	2303	181	14	167	143	12.7	13.8	16.1
8 Sitka	1651	114	3	111	98	14.5	14.9	16.9
9	80877	5587	250	5348	4374	14.5	15.1	18.5
10								
11 Adak	531	55	4	47	41	9.7	11.3	13.0
12 Alaska Gateway	447	49	5	44	38	9.1	10.2	11.8
13 Aleutian	102	18	3	15	15	5.7	6.8	9.9
14 Annette Island	388	39	4	35	33	9.9	11.1	11.8
15 Bering Strait	1160	147	25	122	101	7.9	9.5	11.5
16 Bristol Bay	235	26	2	24	20	9.0	9.8	11.8
17 Chatham	270	30	2	28	24	9.0	9.6	11.3
18 Chugach	108	17	4	13	9	6.4	8.3	12.4
19 Copper River	569	46	2	44	40	12.4	12.9	10.8
20 Cordova	388	36	1	35	31	10.7	11.1	12.5
21 Craig	168	23	1	22	17	7.3	7.6	9.9
22 Delta-Greely	932	75	9	66	61	12.4	14.1	15.3
23 Dillingham	411	56	9	47	38	7.3	8.7	10.8
24								
25								

Exhibit C

District	Enrollment	Cert Pers	Cert Pers at Hq	Cert Pers at schools	Class-room teachers	Cert Pers. to pupils	Cert Pers at school to pupils	Classroom teachers to pupils
1 Galena	138	2.4	2	22	18	5.8	6.3	7.7
2 Haines	390	4.1	2	39	31	9.5	10.0	12.6
3 Hoonah	211	2.0	1	19	15	10.0	11.2	14.1
4 Hydaburg	108	1.4	1	13	10	7.7	8.3	10.8
5 Iditarod	389	5.8	3	45	42	6.7	8.6	9.2
6 Kake	206	3.2	5	27	23	6.4	7.6	9.0
7 Kashunamiut		2.1	2	19	12			
8 King Cove	114	1.6	1	15	13	7.1	7.6	8.8
9 Klawock	155	2.7	7	13	12	7.8	11.9	12.9
10 Kuspuk	352	6.1	14	47	43	5.8	7.5	8.2
11 Lake and Peninsula	326	5.3	6	47	45			
12 Lower Kuskokwim	2248	25.7	18	239	192	8.7		11.7
13 Lower Yukon	1296	13.8	11	127	102	7.3	10.1	12.7
14 Nenana	184	2.3	1	22	17	8.0	8.4	10.8
15 Nome	741	7.1	10	61	47	10.4	12.3	15.8
16 North Slope	1028	1.64	18	146	112	6.4	7.0	9.2
17 Northwest	1343	15.4	10	144	125	8.7	9.3	10.7
18 Pelican	42	.8	2	6	4			10.5
19 Petersburg	571	4.7	1	46	40	12.1	12.4	14.3
20 Pribilof	161	1.7	1	16	14	9.5	10.1	11.5
21 Rail Belt	844	3.7	5	32	28	9.3	10.8	12.3
22 St Mary's	101	1.5	4	11	10	6.7	9.1	10.1
23 Sand Point	109	1.2	2	10	9	9.1	10.9	12.1
24								
25								

Exhibit C

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

	<u>DISTRICT T&E INDEX</u>	<u>SALARY SCHEDULE INDEX</u>	<u>ANCH BASE SALARY</u>	<u>SALARY BASED ON ANCH</u>	<u>ACTUAL SALARY</u>	<u>DIFFER- ENCE</u>
Adak	1.412	1.072	26,078	36,822	44,673	1.21
Ak Gateway	1.425	1.093	26,078	37,161	45,549	1.23
Aleutians	1.413	1.235	26,078	36,848	51,466	1.40
Anchorage	1.598	1.000	26,078	41,673	41,673	1.00
Annette	1.384	1.000	26,078	36,092	41,673	1.15
Bering St	1.308	1.101	26,078	34,110	45,882	1.35
Bristol Bay	1.443	1.061	26,078	37,631	44,215	1.17
Chatham	1.446	0.894	26,078	37,709	37,255	.99
Chugach	1.325	0.914	26,078	34,553	38,089	.914
Copper River	1.518	1.204	26,078	39,586	50,174	1.27
Cordova	1.517	1.017	26,078	39,560	42,381	1.07
Craig	1.308	0.956	26,078	34,110	39,839	1.17
Delta	1.450	1.058	26,078	37,813	44,090	1.17
Dillingham	1.484	1.109	26,078	38,700	46,215	1.24
Fairbanks	1.484	1.040	26,078	38,699	43,340	1.12
Galena	1.428	1.193	26,078	37,239	49,716	1.34
Haines	1.541	1.022	26,078	39,482	42,590	1.08
Hoonah	1.462	1.026	26,078	38,126	42,756	1.12
Hydaburg	1.234	0.962	26,078	32,180	40,060	1.24
Iditarod	1.481	1.070	26,078	38,622	44,590	.961
Juneau	1.609	1.063	26,078	41,959	44,298	1.06
Kenai	1.324	0.958	26,078	34,527	39,922	.958
Kenai	1.547	0.971	26,078	40,343	40,464	1.00
Ketchikan	1.513	1.010	26,078	39,456	42,090	1.07
King Cove	1.477	1.057	26,078	38,517	44,048	1.14
Klwock	1.377	0.951	26,078	35,909	39,590	.950
Kodiak	1.448	1.020	26,078	37,761	42,506	1.13
Kuspuk	1.410	1.085	26,078	36,770	45,215	1.23
Lake & Penn	1.357	1.079	26,078	35,388	44,965	1.27
Lower						
Kuskokwim	1.383	1.078	26,078	36,065	44,923	1.25
Lower Yukon	1.398	1.222	26,078	36,457	50,924	1.40
Mat-Su	1.448	0.994	26,078	37,760	41,422	.994
Nenana	1.483	1.015	26,078	38,682	42,298	1.09
Nome	1.524	1.151	26,078	39,743	47,966	1.21
North Slope	1.458	1.283	26,078	38,021	53,466	1.41
Northwest						
Arctic	1.438	1.158	26,078	37,500	48,257	1.29
Pelican	1.535	0.941	26,078	40,029	39,214	.98
Petersburg	1.551	0.954	26,078	40,447	39,217	.97
Pribilof	1.538	1.149	26,078	40,108	47,882	1.19
Railbelt	1.491	1.020	26,078	38,882	42,506	1.09
Sand Point	1.388	1.113	26,078	36,197	46,382	1.28
Sitka	1.585	1.038	26,078	41,334	43,257	1.05
Skagway	1.407	0.965	26,078	36,692	40,214	.965

24/25

	<u>DISTRICT T&E INDEX</u>	<u>SALARY SCHEDULE INDEX</u>	<u>ANCH BASE SALARY</u>	<u>SALARY BASED ON ANCH</u>	<u>ACTUAL SALARY</u>	<u>DIFFER- ENCE</u>
Southeast Island	1.442	1.023	26,078	37,604	42,631	1.13
Southwest Region	1.451	1.066	26,078	37,839	44,423	1.17
St. Mary's	1.318	1.069	26,078	34,370	44,548	1.30
Tanana	1.430	1.111	26,078	37,292	46,299	1.24
Unalaska	1.541	1.095	26,078	40,186	45,632	1.14
Valdez	1.496	1.087	26,078	39,013	45,299	1.16
Wrangell	1.585	0.950	26,078	41,334	39,589	.96
Yakutat	1.403	0.960	26,078	36,587	40,001	.960
Yukon Flats	1.419	1.114	26,078	37,005	46,424	1.25
Yukon/ Koyukuk	1.237	1.069	26,078	35,127	44,548	1.26

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

REQUEST: _____

Bill Version: SR-119
Publish Date: _____

Revision Date: _____

Agency Affected: Education

Title: ...Public School Foundation
Program...

BRU: K-12 Support

Sponsor: Governor

Components: Foundation

Requestor: Senate HESS

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The bill has no additional cost under the Governor's FY-88 Operating Budget request.

Prepared by: Steve Hole
Division: Commissioner's Office

Phone: 465-2800
Date: February 24, 1987

Approved by Commissioner: Marshall L. Lind
Agency: Education

Date: February 24, 1987

Distribution (by preparer):

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

✓ Page 1, line 22, following "district" :

Insert "as of March 1 of that fiscal year as payment for its entitlement for the application submitted"

✓ Page 1, line 23, following "fiscal year":

Insert ", including advance payments and adjustments received since March 1 of the preceding fiscal year from prior year applications"

✓ Page 3, line 6, following "department":

Insert "Payments received under P.L. 81-874 (20 U.S.C. 237 - 239), as amended, may not be counted under (a) or (b) of this section."

✓ Page 4, line 10:

Delete "do not"

✓ Page 4, line 11:

Delete "at least 200 in grades K-6 and at least"
Insert "less than 200 in grades K-6 or less than"

Page 5, line 27, following "UNITS."

Insert "(a)"

✓ Page 6, line 9, ~~delete to end of paragraph~~ following "only." Delete through line 13.
a new subsection to add;

Insert "(b) Notwithstanding (a) of this section, in a district that offers a special education program, each funding community receives a minimum of 0.25 instructional units for special education or the district receives a minimum of 1.00 instructional unit for special education, whichever is greater."

✓ Page 9, line 6:

Delete "September 20"
Insert "October 15"

✓ Page 10, line 9, preceding "district" :

Insert "city or borough"

✓ Page 10, line 9, following "district" :

Delete "as defined in AS 14.17.250"

✓ Page 11, line 26:

Delete "1/12" "one-twelfth"
Insert "1/3" "one-third"

✓ Page 11, line 1, following "PERIODS."

Insert "(a)"

✓ Page 11, following line 15:

Insert a new subsection to read: "^(b) Upon written request and for good cause shown, the commissioner may permit a district to use a 20-school-day counting period other than the periods set out in (a) of this section. However, the counting period must be 20 consecutive school days."

✓ Page 14, line 2:

Delete "(c)(7)"
Insert "(d)(2)"

✓ Page 15, following line 21:

Insert a new subsection to read:
"(e) Notwithstanding AS 14.17.021 (a), in fiscal year 1988 amounts received by a district under P.L. 81-874 (20 U.S.C. 237 - 239), as amended, between March 1, 1987, and July 1, 1987, based upon applications submitted before or during fiscal year 1986 may not be subtracted from the district's basic need under AS 14.17.021 (b)."

Page 5, line 24:

Delete "and"

Insert "or"

Page 5, line 25, following "units":

Insert ", whichever is greater"

Page 6, line 26:

Delete "and"

Insert "or"

Page 6, line 27, following "units":

Insert ", whichever is greater"



Ed -
SB 119

ALASKA ASSOCIATION OF ELEMENTARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SECONDARY SCHOOL PRINCIPALS
ALASKA ASSOCIATION OF SCHOOL ADMINISTRATORS

• ALASKA COUNCIL OF SCHOOL ADMINISTRATORS •
328 Fourth St., Suite #211 Juneau, Alaska 99801 586-9702

ACSA POSITION PAPER ON SB 119 - HB 126

The Alaska Council of School Administrators has taken the position of supporting HB126 and SB119.

While individually, each school districts' superintendent has a unique concern for specific areas of the bill, we feel this bill is the best funding bill that has been proposed for a number of years. We feel it speaks to the PL874 disparity test much more comprehensively than the equality issue.

Further: We feel the are differentials are a very delicate part of the bill. That every district in the state can present a convincing argument to increase their individual differential. However, we feel that any changes from the recommended numbers should be done with equal effort for all districts. And further, it should be done on the basis of sound information that we know is available.

We are concerned for those districts eligible for "hold harmless" benefits. Though we recognize the intent of the legislation to minimize the impact to those districts receiving substantial dollars from the state, we express our concern for these districts when, in three years, they must make adjustments to their budgets that show a reduction of 70% funding received under "hold harmless" to 0%.

y We feel that the 4 mil local effort should be a true effort on the part of cities and boroughs, rather than "in-kind", tuition and other compromises used to meet the local effort requirement. This could be accomplished through a phase in process.

y ACSA supports the raising of the cap for local effort from the proposed 5.5 mils to 6 mils.

N We feel that having some cash carry-over for unique and emergency needs is sound budget management. Consequently, we recommend the limit of carry-over be adjusted from 5% to 10%.

N We support the implementation of other generating sources of revenue, be it income tax, reinstating the old school tax or taxing the dividend from the Permanent Fund.

ACSA recognizes the need to continue to make fine-tune adjustments to this formula funding bill but because of the importance of this bill to the planning for local school districts, we encourage the legislature to expedite the movement of this bill and work for it's early passage.

Respectfully Submitted

Stephen T. McPhetres
Stephen T. McPhetres
Executive Director, ACSA

Senator Coghill

A M E N D M E N T

To: Senate Bill 119

*Section 5, AS 14.17.031

Page 3, starting on line 18 delete the sentence:

"For the purpose of determining instructional units, students are counted in the district and the funding community from which they receive educational services."

and insert new sentence:

"For the purpose of determining instructional units, students receiving educational services from a district other than the district they reside in, shall be counted as a separate funding community in the district they live.

We would like to change the above language because in effect it is arbitrarily changing district boundries by counting the students in the district they receive services and not in the district they live. Many districts contract services out with other districts. It would take kids from one district and automatically put them in another district. Some kids may live in a district with a higher area differential than the district they recieve services, so the district serving these kids would generate less money than if they had a contract with the district where the kids live.

\$ making thing

Senator Coghill

A M E N D M E N T

To: Senate Bill 119

*Section 10, AS.14.17.051

Page 7, Line 4 delete area cost differential of 1.16 for Alaska Gateway and change to 1.20

Page 7, Line 12 delete area cost differential of 1.11 for Copper River and change to 1.20

Page 7, Line 15 delete area cost differential of 1.16 for Delta/Greely and change to 1.20

We would like to change the area differentials because they were based on an October 1986 arbitrator's decision that sets area differentials in salaries of the state employees and not on the actual educational costs in the school districts.

Nat Cole - Justified difference

One from week.

Senator Coghill

A M E N D M E N T

To: Senate Bill 119

*Section 13, AS 14.17.082

Page 9, line 22 delete five percent and insert ten percent.

Section would read:

(a) A district may not accumulate in any fiscal year an unreserved portion of its year-end fund balance in its school operating fund, as defined by department regulations, which is greater than ten percent of its expenditures for that fiscal year.

up to 7%

A M E N D M E N T

Offered in the SENATE

By Kerttula

TO: SB 119

Page 6, line 4, following "services,":

Insert "0.1 instructional units for a student of any age if the student attends a school that offers services ~~only~~ to developmentally disabled students,"

↓
EXCLUSIVELY

o.k.

A M E N D M E N T

Offered in the SENATE

By Josephson

TO: SB 119

Page 9, line 20, following "district":

Insert "that appropriates less than 30 percent of its revenue in a fiscal year to education"

Page 9, line 20:

Delete "any"

Insert "that"

*5 to 790
if need.*

Page 9, lines 24 - 25, following "district":

Insert "subject to (a) of this section"

Page 9, following line 29, insert a new subsection to read:

"(c) The department shall adopt regulations applicable to school districts that are not subject to (a) and (b) of this section to ensure that funds allocated to those districts under this chapter are used for education."