

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9110 HOUSE HEALTH EDUCATION & SOCIAL SERVICES

ARTICLE 03

STATEWIDE STUDENT ASSESSMENT

4 AAC 06.700

PURPOSE.

Statewide student assessment is one component in a system to measure and make accountable the state education system. The purposes of statewide student assessment specifically are to

- (1) ascertain on a statewide basis the extent to which children of the state are attaining statewide student performance standards;
- (2) produce statewide information to facilitate sound decision making by policy makers, parents, educators, and the public; and
- (3) provide a focus for instructional improvement;
- (4) repealed 12/16/94.

History -

Eff. 3/15/89, Register 109; am 12/16/94, Register 132

Authority -

AS 14.03.120 AS 14.07.020 AS 14.07.060

4 AAC 06.710

STATEWIDE STUDENT ASSESSMENT SYSTEM.

The commissioner may develop a statewide student assessment system composed of multiple indicators. One of the indicators must be a standardized norm referenced test to measure student achievement in reading, language arts, and mathematics in grades four, eight, and eleven. As other indicators, the commissioner may use a questionnaire and measurement techniques such as portfolios of student work, evaluated student performances, and direct writing assessments.

History -

Eff. 3/15/89, Register 109; am 8/7/92, Register 123; am 12/16/94, Register 132

Authority -

AS 14.07.020 AS 14.07.060

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



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Center for the Study of Evaluation
 National Center for Research on Evaluation, Standards, and Student Testing
 UCLA Graduate School of Education & Information Studies
 10420 Wilshire Boulevard, Suite 900
 (310) 206-1532
 (310) 825-3883 Fax

February 26, 1997

Ms. Shirley Holloway
 Commissioner of Education
 State of Alaska
 810 W. 10th
 Juneau, Alaska 99801

Dear Commissioner Holloway:

I am responding to a request for information about the experience of our research organization, the National Center for Research on Evaluation, Standards, and Student Testing (CRESST) in reviewing the assessment plans of various states.

When confronting the idea of certification of high school performance, most states plan to involve a range of information rather than base their decision on a single measure. The use of an existing standardized test for this purpose, such as the California Achievement Test (5th Edition), raises a number of difficulties. First, the publisher will doubtless say the test is not intended for this purpose. Secondly, as in the Debra P. case, evidence will be required to demonstrate that the students have had an opportunity to learn the material tested. Both of these conditions will immediately raise the likelihood of court case(s). Third, it is our experience that tests of this type, not designed for certification testing, will not bear the pressures placed upon them for this purpose. Specifically, much attention in preparation may be given to the strategy of test taking itself rather than in focusing on the underlying constructs the test is intended to measure. Last, the use of this test over a long period of time raises questions of test security and ultimately of fairness.

While the goal of the legislation may be laudable, there is the reality of the technical quality of available or new measures to meet this goal. In general, certification testing works best when decisions are made in a subject matter area for which there is an agreed upon course of study, such as in the area of law. It is not yet possible to find an omnibus test to measure the full range of competencies undertaken in high school.

Sincerely,

Eva L. Baker
 Co-Director, CRESST

20 Ryan Ranch Road
Monterey, CA 93940-5703

CTB/McGraw-Hill

A Division of The McGraw-Hill Companies



February 26, 1997

Dr. Dennis McCrea
Administrator, Standards & Assessment
Alaska State Department of Education
801 West 10th Street Suite 200
Juneau AK 99801

Dear Dr. McCrea:

In response to your questions regarding the use of CTB/McGraw-Hill's CAT/5 Survey assessment as an exit examination for secondary school students:

1. This assessment was not developed with this use in mind or as part of the design specification.
2. CTB would not support this use of the test: the Survey instrument is too short for a high-stakes test at the individual level.

I hope that this information is helpful to you. Please contact me if you have any further questions. My direct line is 408/393-7568, and my Internet address is mwebb@ctb.com.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Melvin W. Webb II".

Melvin W. Webb II, Ed.D.
Senior Product Manager
NRT Materials, Scoring & Reporting

ARTICLE 03

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4 AAC 06.700

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History -

Eff. 3/15/89, Register 109; am 12/16/94, Register 132

Authority -

AS 14.03.120 AS 14.07.020 AS 14.07.060

4 AAC 06.710

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History -

Eff. 3/15/89, Register 109; am 8/7/92, Register 123; am 12/16/94, Register 132

Authority -

AS 14.07.020 AS 14.07.060

4 AAC 06.720

PROGRAM EVALUATION.

The commissioner shall conduct an annual review of the statewide student assessment program. This review must include

- (1) an annual evaluation of the assessment program; and
- (2) repealed 12/16/94;
- (3) annual recommendations to the state board regarding proposed changes, if any, to state education requirements;
- (4) repealed 12/16/94.

History -

Eff. 3/15/89, Register 109; am 12/16/94, Register 132

Authority -

AS 14.07.020 AS 14.07.060

4 AAC 06.730

STANDARDIZED NORM REFERENCED TEST ADMINISTRATION.

(a) The commissioner shall select a standardized norm referenced test to be used in the state. The test may be used for up to six consecutive years. If, after review, the commissioner determines that continued use of the test is in the best interests of the state, the commissioner may select the test again.

(b) Not later than May 1, 1995, a school district shall notify the department of the district's standardized norm referenced test dates. The dates must be within the empirical norming period for the selected test. After May 1, 1995, if a school district seeks to change its test dates, it shall notify the department of the new test dates not later than May 1 preceding the new test dates.

(c) Except as provided in (e) of this section, a school district shall administer the standardized norm referenced test annually to the students enrolled in the district in grades four, eight, and eleven.

(d) A school district shall ensure that students and unauthorized personnel do not have access to the district's standardized norm referenced test materials except during regular, supervised test administration times.

(e) A student need not take the standardized norm referenced test if

(1) the student is eligible for special education and related services under 4 AAC 52.130 and the student's child study team has determined that the test results would not accurately reflect the

student's achievement level; if the student's current individualized education program (IEP) under 4 AAC 52.140 contains recommendations regarding group standardized testing, those recommendations apply and a new determination is unnecessary;

(2) the student is identified in language dominance category A or B under 4 AAC 34.050 and the student, for less than three full school years immediately preceding the test dates, has been in a classroom where instruction is predominantly in English; or

(3) at the request of a school district, the commissioner, in the commissioner's discretion, finds compelling reasons to conclude that the test would be inappropriate or unnecessary for a student of the district and waives testing for that student.

History -

Eff. 3/15/89, Register 109; am 8/7/92, Register 123; am 12/16/94, Register 132

Authority - AS 14.07.020 AS 14.07.060

4 AAC 06.735

STANDARDIZED NORM REFERENCED TEST RESULTS.

(a) Except as provided in (c) of this section, a student's standardized norm referenced test result is confidential and may not be disclosed.

(b) The commissioner shall compile the results of the standardized norm referenced test by school district, school, classroom, and individual.

(c) The commissioner shall annually provide the results compiled under (b) of this section to the state board and the legislature.

(d) The commissioner shall provide to a school district the district, school, classroom, and individual student results for the district.

(e) A school district shall distribute in a timely manner

(1) classroom and individual student results to the attendance area administrators for the attendance area;

(2) individual student results to a teacher, for the teacher's classroom; and

(3) individual student results to a parent, for the parent's child.

History -

Eff. 12/16/94, Register 132

Authority - AS 09.25.120 AS 14.07.020 AS 14.07.060



Clearinghouse NOTES

..... ASSESSMENT

Education Commission of the States
707 17th Street, Suite 2700; Denver, CO 80202-3427

303-299-3600 ■ FAX 303-296-8332
e-mail: ecs@ecs.org; <http://www.ecs.org>

States Conducting Student Competency Testing for High School Graduation (Exit Exams)

STANDARD DIPLOMA: Students must pass a test with a minimum score before they're allowed to graduate.

- Alabama
- Arkansas (effective 96-97)
- Arizona (essential skills test score recorded on transcript)
- Florida
- Georgia
- Hawaii
- Indiana (unless principal certifies student has met "Core 40" requirements)
- Louisiana
- Maryland
- Massachusetts (must pass proficiencies, but not a single exit exam)
- Mississippi
- Nevada
- New Jersey
- New Mexico (to graduate with a diploma)
- New York
- North Carolina
- Ohio
- South Carolina
- Tennessee
- Texas
- Virginia

ENDORSED DIPLOMAS: Students must not only pass an exit test but score at a designated level (higher than the minimum required for regular diploma).

- Michigan (optional test for students wanting this level of diploma)
- New York (more rigorous exam than for regular diploma)
- Tennessee

HONORS DIPLOMAS: Students must pass a more rigorous test.

- New York
- Ohio
- Tennessee

OTHER VARIATIONS: Minnesota and Pennsylvania are phasing in graduation proficiencies. Minnesota students graduating in the year 2000 must pass tests in reading, math and writing to meet the requirements of the Minnesota Graduation Rule. Pennsylvania students must achieve 52 state academic performance outcomes plus local outcomes (locally developed assessments).

Sources: Council of Chief State School Officers, North Central Regional Education Laboratory, Education Commission of the States

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES

STATE CAPITOL, JUNEAU 99801
(907) 465-3759



SPONSOR STATEMENT

HB 146 "An Act relating to competency testing requirements for secondary students; and providing for an effective date."

Many of our high school graduates are finishing school and receiving high school diplomas without the skills necessary to survive in the world. This must not continue.

Twenty-one states now conduct student competency tests for a standard high school diploma. The students in these states must pass a test with a minimum score before they are allowed to graduate. Three states also have an exit exam for an "Endorsed Diploma." To earn this, the students not only have to pass the test, but must score at a designated level, higher than the minimum required for a regular diploma. Three more states go even further and have a more rigorous test for an "Honors Diploma."

Under the provisions of HB 146, a student is required to pass a competency examination in the areas of reading, English, mathematics, science and social science before receiving a high school diploma. The test would be selected by the department. A pupil who failed this examination and was no longer in attendance would get a certificate of attendance. It would indicate the number of years of attendance, but would also show that the pupil has neither passed a competency examination nor received a diploma. The pupil would have the opportunity to be re-examined, but it would have to take place within three years after the pupil left high school.

It is time for Alaska to take its place among those states working to ensure that their high school graduates have the knowledge they need to succeed in the world.

NEA-ALASKA

POSITION STATEMENT - HB 146

While NEA-Alaska certainly supports the principle that students should achieve certain competencies before graduation, we can not support HB 146 in its present form. We believe that a one time test taken by 17 or 18 year olds shortly before graduation is not the best way to achieve student standards or to insure student competency. We believe that a comprehensive system of student assessment followed with intervention and remediation is much more likely to positively affect student achievement. By requiring serious assessment and real intervention at earlier grade levels for those students who are experiencing difficulty, we believe schools and teachers can develop strategies to strengthen learning.

There are, beyond the regular assessment that classroom teachers do, several natural check points that could be taken advantage of if the state wishes to require district assessment of students. Perhaps the first and most natural check point is at school entry. Many school districts through out the country assess incoming kindergarten children to determine readiness to learn and learning styles. A follow up assessment could be made at the completion of the primary grades, again at the end of elementary school, at the end of middle school or junior high, and then in the second or third year of a high school program. This would give teachers and parents the information that is needed to provide the appropriate programs to affect change in those students who are not meeting the standards. The careful use of portfolios of work and testing at critical periods in the student learning cycle would help education professionals more accurately determine student needs as well as measure proficiencies. We believe that students and their parents deserve to find out as soon as possible in the education process if there are any learning problems that need to be addressed.

A program of the sort that we have outlined would help children and their families but only if we are willing to provide the necessary support for remediation. It will not help the learning environment if all we do is test students. The testing must lead to a change in the student's learning environment if it is indicated. Smaller class sizes, intensive remedial programs, increased utilization of school counselors; especially in elementary grades, up- to-date instructional materials and technology, and enhanced parental involvement must be the results of any assessment program. It is these types of changes that will increase the performance of all students, not just those who are at risk.

Finally, we must work with community partners and teachers to reallocate existing and new revenues to guarantee standards referenced learning in every public school. Our long range goal must be to rebuild our education system so as to dedicate our work to activities for improving teaching and learning as measured by standards for student achievement.

HB

147

FISCAL NOTE

STATE OF ALASKA

BILL NO. HB 147

1997 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: An act relating to charter schools and the establishment of state boarding schools

BRU: K-12 Support

Sponsor: HESS

Component: Mt. Edgecumbe Boarding School

Requester: HESS

1060

COMPONENT SERIAL NO. _____

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: -0-

ANALYSIS: (Attach a separate page if necessary.) Section 1 requires a local school board to provide funds to pay the expenses of housing nonresident students who attend a charter school, including room, board and other expenses. Section 1 does not create a financial burden on the State of Alaska, rather obligates the local school board to cover boarding home or residential cost. Section 2 allows a charter school to serve nonresident students including providing domiciliary services for those students. Sections 3 - 14 expand the current statutory authority so the department may establish and operate multiple state boarding schools. Sections 15 - 17 amend other statutory references from the state boarding school to a state boarding school.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 3-5-97

Approved by Commissioner: Shirley Holloway, Ph. D., Commissioner

[Signature]

Agency: Education

Date: 3-5-97

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

The department does not anticipate establishing or operating new state boarding schools at this time. The cost of operating additional boarding schools would be based on site specific conditions including availability of facilities, number of students to be served and location.

(7)
Date Referred to Committee: February 18, 1997

FURTHER REFERRALS:

Date of Committee Action: 3/11/97

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 147

HOUSE BILL NO. 147

STATE BOARDING SCHOOLS/CHARTER SCHOOLS

"An Act relating to charter schools and to the establishment of state boarding schools."

recommends it be replaced with the following committee substitute CS HB 147 (HES) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) DCE

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Paul Davis</i>	✓			
<i>[Signature]</i>	-			
<i>[Signature]</i>	✓			
<i>Brian Foster</i>	✓			
<i>[Signature]</i>			✓	

CHAIR'S SIGNATURE [Signature]

0-LS0469\B
Ford
3/7/97

CS FOR HOUSE BILL NO. 147(HES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE
A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the expenses of housing nonresident charter school students;
2 authorizing charter school programs to provide domiciliary and other services to
3 nonresident charter school students; relating to the establishment of state boarding
4 schools."

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

6 • Section 1. AS 14.03.260 is amended by adding a new subsection to read:

7 (d) In addition to the program budget calculated under (a) this section, the
8 local school board shall supply funds necessary to pay the expenses of housing
9 nonresident students who attend the charter school, including room, board, and other
10 reasonable housing expenses.

11 • Sec. 2. AS 14.03.265(a) is amended to read:

12 (a) The program of a charter school may be designed to serve
13 (1) students within an age group or grade level; [OR]
14 (2) students who will benefit from a particular teaching method or

1 curriculum; or

2 (3) nonresident students, including providing domiciliary services
3 for students who need those services.

4 * Sec. 3. AS 14.16.010 is amended to read:

5 Sec. 14.16.010. Establishment of state boarding schools [SCHOOL]. The
6 department may establish and operate [A] boarding schools [SCHOOL, TO BE
7 KNOWN AS THE MT. EDGE CUMBE HIGH SCHOOL], to be managed in
8 accordance with this chapter. Δ [THE] state boarding school must offer a secondary
9 education curriculum to students enrolled in it, and must provide domiciliary services
10 for students needing such services.

11 * Sec. 4. AS 14.16.020 is amended to read:

12 Sec. 14.16.020. Operation of state boarding schools [SCHOOL]. In the
13 management of [THE] state boarding schools [SCHOOL], the board shall

14 (1) adopt a philosophy of education for [THE] state boarding schools
15 [SCHOOL];

16 (2) employ [A] chief school administrators [ADMINISTRATOR] and
17 approve the employment of other personnel necessary to operate [THE] state boarding
18 schools [SCHOOL];

19 (3) establish the salaries and benefits to be paid teachers, excluding
20 administrators [, OF THE STATE BOARDING SCHOOL];

21 (4) designate the employees authorized to direct disbursements from the
22 money appropriated for the operation of [THE] state boarding schools [SCHOOL] and
23 for the construction of [ITS] facilities;

24 (5) provide custodial services and routine maintenance of [THE STATE
25 BOARDING SCHOOL'S] physical facilities;

26 (6) establish procedures for the development and implementation of
27 curriculum and the selection and use of textbooks and instructional materials [AT THE
28 STATE BOARDING SCHOOL];

29 (7) prescribe health evaluation and placement screening programs for
30 newly admitted students;

31 (8) establish procedures for staff evaluation; and

1 (9) provide staff training.

2 * Sec. 5. AS 14.16.030(a) is amended to read:

3 (a) ~~Δ~~ [THE] state boarding school may admit students who are qualified in
4 accordance with applicable admission standards. Preference for enrollment must be
5 given to students currently enrolled at ~~g~~ [THE] boarding school and to students whose
6 educational, emotional, or family requirements warrant attendance in a domiciliary
7 environment.

8 * Sec. 6. AS 14.16.040 is amended to read:

9 Sec. 14.16.040. Status of state boarding school. ~~Δ~~ [THE] state boarding
10 school is a public school of the state.

11 * Sec. 7. AS 14.16.050(a) is amended to read:

12 (a) The following provisions apply with respect to the operation and
13 management of ~~g~~ [THE] state boarding school as if it were a school district:

14 (1) requirements relating to school district operations:

15 (A) AS 14.03.030 - 14.03.050 (defining the school term, day in
16 session, and school holidays);

17 (B) AS 14.03.083 - 14.03.140 (miscellaneous provisions
18 applicable to school district operations);

19 (C) regulations adopted by the board under authority of
20 AS 14.07.020(a) that are applicable to school districts and their schools, unless
21 the board specifically exempts [THE] state boarding schools [SCHOOL] from
22 compliance with a regulation;

23 (D) AS 14.12.150 (authorizing school districts to establish and
24 participate in the services of a regional resource center);

25 (E) AS 14.14.050 (imposing the requirement of an annual
26 audit);

27 (F) AS 14.14.110 (authorizing cooperation with other school
28 districts);

29 (G) AS 14.14.130 (directing the employment of a chief school
30 administrator);

31 (H) AS 14.14.140(b) (establishing a prohibition on employment

- 1 of a relative of the chief school administrator);
- 2 (I) AS 14.18 (prohibiting discrimination based on sex in public
- 3 education);
- 4 (2) requirements relating to state financial assistance for education and
- 5 the receipt and expenditure of that assistance:
- 6 (A) AS 14.17.080 (relating to student count estimates);
- 7 (B) AS 14.17.082 (relating to school operating fund balances);
- 8 (C) AS 14.17.160 - 14.17.220 (setting out the procedure for
- 9 payment of financial assistance, and imposing general requirements and limits
- 10 on money paid);
- 11 (3) requirements relating to teacher employment and retirement:
- 12 (A) AS 14.14.105 and 14.14.107 (relating to sick leave);
- 13 (B) AS 14.20.095 - 14.20.215 (relating to the employment and
- 14 tenure of teachers);
- 15 (C) AS 14.20.220 (relating to the salaries of teachers
- 16 employed);
- 17 (D) AS 14.20.280 - 14.20.350 (relating to sabbatical leave
- 18 provisions for teachers);
- 19 (E) AS 23.40.070 - 23.40.260 (authorizing collective bargaining
- 20 by certificated employees), except with regard to teachers who are
- 21 administrators and except that the board may delegate some or all of its
- 22 responsibilities under those statutes;
- 23 (F) AS 14.25 (provisions regarding the teachers' retirement
- 24 system);
- 25 (4) requirements relating to students and educational programs:
- 26 (A) AS 14.30.180 - 14.30.350 (relating to educational services
- 27 for exceptional children);
- 28 (B) AS 14.30.360 - 14.30.370 (establishing health education
- 29 program standards);
- 30 (C) AS 14.30.400 - 14.30.410 (relating to bilingual and
- 31 bicultural education).

1 * Sec. 8. AS 14.16.060 is amended to read:

2 Sec. 14.16.060. Status of employees. Th. employees of a [THE] state
3 boarding school are state employees.

4 * Sec. 9. AS 14.16.070 is amended to read:

5 Sec. 14.16.070. Applicability of other law. AS 23.40.070 - 23.40.260 (Public
6 Employment Relations Act) apply to the employees of a [THE] state boarding school.

7 * Sec. 10. AS 14.16.080(a) is amended to read:

8 (a) AS 14.17.024 applies to the calculation of state aid payable for operation
9 of a [THE] state boarding school.

10 * Sec. 11. AS 14.16.080(b) is amended to read:

11 (b) In the transmittals required by AS 37.07.060 - 37.07.062, the governor
12 shall request amounts for the expenses of construction, rehabilitation, and improvement
13 of the facilities of a [THE] state boarding school.

14 * Sec. 12. AS 14.16.080(c) is amended to read:

15 (c) For purposes of application for and receipt of federal aid to education, a
16 [THE] state boarding school constitutes a local educational agency.

17 * Sec. 13. AS 14.17.010(a) is amended to read:

18 (a) The public school foundation account is established. The account consists
19 of appropriations for distribution to school districts, [THE] state boarding schools
20 [SCHOOL], and for centralized correspondence study programs under this chapter.

21 * Sec. 14. AS 14.17.024 is amended to read:

22 Sec. 14.17.024. Money for state boarding schools [SCHOOL]. (a) Money
23 for the instructional services provided in a fiscal year by [THE] state boarding schools
24 [SCHOOL] established under AS 14.16.010 includes an allocation from the public
25 school foundation account in an amount calculated by

26 (1) multiplying the instructional unit value in AS 14.17.056 by the total
27 number of instructional units under AS 14.17.031 for that fiscal year, as determined
28 by treating each [THE] school as if it were a school district consisting of a single
29 funding community;

30 (2) multiplying the product determined under (1) of this subsection by
31 the area cost differential that is applicable to calculation of the entitlement for the

1 adjacent school district under AS 14.17.051; and

2 (3) adding 10 percent of the eligible federal impact aid received for that
3 fiscal year on behalf of each [THE] school plus any federal impact aid received on
4 behalf of each [THE] school which the state, under P.L. 81-874 (20 U.S.C. 236 - 244),
5 as amended, and regulations adopted under it, could not consider as local resources if
6 the school were considered a school district.

7 (b) In addition to the amount calculated and payable under (a) of this section,
8 the governor shall request from the legislature appropriation of any program receipts
9 or federal food service reimbursements or other federal aid, other than aid under P.L.
10 81-874 (20 U.S.C. 236 - 244), as amended, received on behalf of each [THE] school,
11 and other amounts necessary for the expenses of operating each [THE] state boarding
12 school, including

13 (1) domiciliary services, including room, board, custodial services, and
14 other reasonable expenses related to the operation and maintenance of dormitory and
15 other residential facilities for students;

16 (2) student transportation services, to include one round trip for each
17 student between the student's place of residence and the site of each [THE] state
18 boarding school during each school year; and

19 (3) maintenance and operation of the school's physical plant.

20 (c) Money received by a [THE] state boarding school for purposes described
21 in (a) of this section may be used for the purposes described in (b) of this section, and
22 money received for the purposes described in (b) may be used for the purposes
23 described in (a).

24 * Sec. 15. AS 14.30.010(b)(10) is amended to read:

25 (10) is enrolled in

26 (A) a [THE] state boarding school established under AS 14.16;

27 or

28 (B) a full-time program of correspondence study approved by
29 the department; in those school districts providing an approved correspondence
30 study program, a student may be enrolled either in the district correspondence
31 program or in the centralized correspondence study program;

1 * Sec. 16. AS 23.40.200(c) is amended to read:

2 (c) The class in (a)(2) of this section is composed of public utility, snow
3 removal, sanitation, and educational institution employees other than employees of a
4 school district, a regional educational attendance area, or a [THE] state boarding
5 school. Employees in this class may engage in a strike after mediation, subject to the
6 voting requirement of (d) of this section, for a limited time. The limit is determined
7 by the interests of the health, safety, or welfare of the public. The public employer
8 or the labor relations agency may apply to the superior court in the judicial district in
9 which the strike is occurring for an order enjoining the strike. A strike may not be
10 enjoined unless it can be shown that it has begun to threaten the health, safety, or
11 welfare of the public. A court, in deciding whether or not to enjoin the strike, shall
12 consider the total equities in the particular class. "Total equities" includes not only the
13 impact of a strike on the public but also the extent to which employee organizations
14 and public employers have met their statutory obligations. If an impasse or deadlock
15 still exists after the issuance of an injunction, the parties shall submit to arbitration to
16 be carried out under AS 09.43.030.

17 * Sec. 17. AS 23.40.200(d) is amended to read:

18 (d) The class in (a)(3) of this section includes all other public employees who
19 are not included in the classes in (a)(1) or (2) [(a)(2)] of this section. Employees in
20 this class may engage in a strike if a majority of the employees in a collective
21 bargaining unit vote by secret ballot to do so. However, if an impasse or deadlock is
22 reached in collective bargaining negotiations between a municipal school district, a
23 regional educational attendance area, or a [THE] state boarding school and its
24 employees, the parties shall submit to advisory arbitration before the employees may
25 engage in a strike. The arbitrator selected to conduct the advisory arbitration must be
26 a member of the American Arbitration Association Panel of Labor Arbitrators or the
27 Federal Mediation and Conciliation Service. In selecting the arbitrator, the parties
28 shall request a list of arbitrators who have knowledge of and recent experience in the
29 local conditions in the school district, regional educational attendance area, or state
30 boarding school. A list containing at least five nominees who meet the qualifications
31 of this subsection is a complete list for the purpose of striking names and selecting the

1

arbitrator.

HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES



STATE CAPITOL, JUNEAU 99801
(907) 465-3759

SPONSOR STATEMENT

HB 147 "An Act relating to charter schools and to the establishment of state boarding schools."

Mt. Edgecumbe, the state's only authorized boarding school, has earned a reputation for academic excellence. Many of our Alaskan leaders have graduated from there.

An increase in the state's boarding school program has been discussed as one way to improve the quality of education in Alaska's rural high schools. HB 147 would enable the state to open additional boarding schools.

HB 147 would also allow a charter school to be designed to serve nonresident students. The local school board would supply the funds necessary to pay the expenses of housing nonresident students who attend the charter school, including room, board, and other reasonable housing expenses.

Let us build upon the success of Mt. Edgecumbe and provide this opportunity for more students.



NEA-ALASKA

Affiliated with the National Education Association

NEA-ALASKA POSITION PAPER

HB 147 - Relating to charter schools and to the establishment of state boarding schools

House Bill 147 allows for the creation of charter school boarding schools by local school districts. While this bill recognizes the excellence of Mount Edgecumbe it does not have a provision that would allow for the funding of any charter boarding schools that would be created. It also removes the state's authority to oversee statewide programs.

NEA-Alaska agrees that Mount Edgecumbe provides an exemplary program that is needed by a larger number of students than can be provided for currently. We agree that more options for rural students is a good idea. But as written this bill does not address the needs of those students who are not now being served, and it will weaken already existing programs. In fact it may seriously weaken Mount Edgecumbe by pulling students and funding from their program.

NEA-Alaska believes that HB 147 must include a funding provision for any new boarding schools that are developed. To do otherwise would mean that any district that would contemplate starting a charter boarding school would have to take dollars from existing programs to fund the costs of housing students. These costs are not addressed in the current foundation formula.

Currently Mount Edgecumbe is administered by the Department of Education, the State School Board is the local school board for Mount Edgecumbe. This is how it should be. Mount Edgecumbe is a state-wide program. What HB 147 attempts to do is have individual districts become the administrators of what would be a state-wide program. NEA-Alaska believes that programs which have the potential to impact the students of the entire state should be governed by the state.

**THE FOLLOWING PAGES MAY
NOT FILM LEGIBLY BECAUSE OF
THE POOR QUALITY OF THE ORIGINAL**

CS FOR HOUSE BILL NO. 147(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the expenses of housing nonresident charter school students;
 2 authorizing charter school programs to provide domiciliary and other services to
 3 nonresident charter school students; relating to the establishment of state boarding
 4 schools."

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

6 * Section 1. AS 14.03.260 is amended by adding a new subsection to read:

7 (d) The expenses of housing nonresident students who attend the charter
 8 school, including room, board, and other reasonable housing expenses, may not be paid
 9 for with state money but may be paid for with funds contributed by sources other than
 10 the state.

11 * Sec. 2. AS 14.03.265(a) is amended to read

12 (a) The program of a charter school may be designed to serve

13 (1) students within an age group or grade level; [OR]

14 (2) students who will benefit from a particular teaching method or

1 curriculum; or

2 (3) nonresident students, including providing domiciliary services
3 for students who need those services.

4 * Sec. 3. AS 14.16.010 is amended to read:

5 Sec. 14.16.010. Establishment of state boarding schools [SCHOOL]. The
6 department may establish and operate [A] boarding schools [SCHOOL, TO BE
7 KNOWN AS THE MT. EDGECUMBE HIGH SCHOOL], to be managed in
8 accordance with this chapter. A [THE] state boarding school must offer a secondary
9 education curriculum to students enrolled in it, and must provide domiciliary services
10 for students needing such services.

11 * Sec. 4. AS 14.16.020 is amended to read:

12 Sec. 14.16.020. Operation of state boarding schools [SCHOOL]. In the
13 management of [THE] state boarding schools [SCHOOL], the board shall

14 (1) adopt a philosophy of education for [THE] state boarding schools
15 [SCHOOL];

16 (2) employ [A] chief school administrators [ADMINISTRATOR] and
17 approve the employment of other personnel necessary to operate [THE] state boarding
18 schools [SCHOOL];

19 (3) establish the salaries and benefits to be paid teachers, excluding
20 administrators [, OF THE STATE BOARDING SCHOOL];

21 (4) designate the employees authorized to direct disbursements from the
22 money appropriated for the operation of [THE] state boarding schools [SCHOOL] and
23 for the construction of [ITS] facilities;

24 (5) provide custodial services and routine maintenance of [THE STATE
25 BOARDING SCHOOL'S] physical facilities;

26 (6) establish procedures for the development and implementation of
27 curriculum and the selection and use of textbooks and instructional materials [AT THE
28 STATE BOARDING SCHOOL];

29 (7) prescribe health evaluation and placement screening programs for
30 newly admitted students;

31 (8) establish procedures for staff evaluation; and

1 of a relative of the chief school administrator);

2 (D) AS 14.18 (prohibiting discrimination based on sex in public
3 education).

4 (2) requirements relating to state financial assistance for education and
5 the receipt and expenditure of that assistance:

6 (A) AS 14.17.080 (relating to student count estimates);

7 (B) AS 14.17.082 (relating to school operating fund balances);

8 (C) AS 14.17.160 - 14.17.220 (setting out the procedure for
9 payment of financial assistance, and imposing general requirements and limits
10 on money paid);

11 (3) requirements relating to teacher employment and retirement:

12 (A) AS 14.14.105 and 14.14.107 (relating to sick leave);

13 (B) AS 14.20.095 - 14.20.215 (relating to the employment and
14 tenure of teachers);

15 (C) AS 14.20.220 (relating to the salaries of teachers
16 employed);

17 (D) AS 14.20.280 - 14.20.350 (relating to sabbatical leave
18 provisions for teachers);

19 (E) AS 23.40.070 - 23.40.260 (authorizing collective bargaining
20 by certificated employees), except with regard to teachers who are
21 administrators and except that the board may delegate some or all of its
22 responsibilities under those statutes;

23 (F) AS 14.25 (provisions regarding the teachers' retirement
24 system);

25 (4) requirements relating to students and educational programs:

26 (A) AS 14.30.180 - 14.30.350 (relating to educational services
27 for exceptional children);

28 (B) AS 14.30.360 - 14.30.370 (establishing health education
29 program standards);

30 (C) AS 14.30.400 - 14.30.410 (relating to bilingual and
31 bicultural education).

1 * Sec. 8. AS 14.16.060 is amended to read:

2 Sec. 14.16.060. Status of employees. The employees of a [THE] state
3 boarding school are state employees.

4 * Sec. 9. AS 14.16.070 is amended to read:

5 Sec. 14.16.070. Applicability of other law. AS 23.40.070 - 23.40.260 (Public
6 Employment Relations Act) apply to the employees of a [THE] state boarding school.

7 * Sec. 10. AS 14.16.080(a) is amended to read:

8 (a) AS 14.17.024 applies to the calculation of state aid payable for operation
9 of a [THE] state boarding school.

10 * Sec. 11. AS 14.16.080(b) is amended to read:

11 (b) In the transmittals required by AS 37.07.060 - 37.07.062, the governor
12 shall request amounts for the expenses of construction, rehabilitation, and improvement
13 of the facilities of a [THE] state boarding school.

14 * Sec. 12. AS 14.16.080(e) is amended to read:

15 (e) For purposes of application for and receipt of federal aid to education, a
16 [THE] state boarding school constitutes a local educational agency.

17 * Sec. 13. AS 14.17.010(a) is amended to read:

18 (a) The public school foundation account is established. The account consists
19 of appropriations for distribution to school districts, [THE] state boarding schools
20 [SCHOOL], and for centralized correspondence study programs under this chapter.

21 * Sec. 14. AS 14.17.024 is amended to read:

22 Sec. 14.17.024. Money for state boarding schools [SCHOOL]. (a) Money
23 for the instructional services provided in a fiscal year by [THE] state boarding schools
24 [SCHOOL] established under AS 14.16.010 includes an allocation from the public
25 school foundation account in an amount calculated by

26 (1) multiplying the instructional unit value in AS 14.17.030 by the total
27 number of instructional units under AS 14.17.031 for that fiscal year, as determined
28 by treating each [THE] school as if it were a school district consisting of a single
29 learning community;

30 (2) multiplying the product determined under (1) of this subsection by
31 the area cost differential that is applicable to calculation of the entitlement for the

1 adjacent school district under AS 14.17.051; and

2 (3) adding 10 percent of the eligible federal impact aid received for that
3 fiscal year on behalf of each [THE] school plus any federal impact aid received on
4 behalf of each [THE] school which the state, under P.L. 81-874 (20 U.S.C. 236 - 244),
5 as amended, and regulations adopted under it, could not consider as local resources if
6 the school were considered a school district.

7 (b) In addition to the amount calculated and payable under (a) of this section,
8 the governor shall request from the legislature appropriation of any program receipts
9 or federal food service reimbursements or other federal aid, other than aid under P.L.
10 81-874 (20 U.S.C. 236 - 244), as amended, received on behalf of each [THE] school,
11 and other amounts necessary for the expenses of operating each [THE] state boarding
12 school, including

13 (1) domiciliary services, including room, board, custodial services, and
14 other reasonable expenses related to the operation and maintenance of dormitory and
15 other residential facilities for students;

16 (2) student transportation services, to include one round trip for each
17 student between the student's place of residence and the site of each [THE] state
18 boarding school during each school year, and

19 (3) maintenance and operation of the school's physical plant.

20 (c) Money received by a [THE] state boarding school for purposes described
21 in (a) of this section may be used for the purposes described in (b) of this section, and
22 money received for the purposes described in (b) may be used for the purposes
23 described in (a).

24 * Sec. 15. AS 14.30.010(b)(10) is amended to read:

25 (10) is enrolled in

26 (A) a [THE] state boarding school established under AS 14.16;

27 or

28 (B) a full-time program of correspondence study approved by
29 the department, in those school districts providing an approved correspondence
30 study program, a student may be enrolled either in the district correspondence
31 program or in the centralized correspondence study program.

1 • Sec. 16. AS 23.40.200(c) is amended to read:

2 (c) The class in (a)(2) of this section is composed of public utility, snow
 3 removal, sanitation, and educational institution employees other than employees of a
 4 school district, a regional educational attendance area, or a [THE] state boarding
 5 school. Employees in this class may engage in a strike after mediation, subject to the
 6 voting requirement of (d) of this section, for a limited time. The limit is determined
 7 by the interests of the health, safety, or welfare of the public. The public employer
 8 or the labor relations agency may apply to the superior court in the judicial district in
 9 which the strike is occurring for an order enjoining the strike. A strike may not be
 10 enjoined unless it can be shown that it has begun to threaten the health, safety, or
 11 welfare of the public. A court, in deciding whether or not to enjoin the strike, shall
 12 consider the total equities in the particular class. "Total equities" includes not only the
 13 impact of a strike on the public but also the extent to which employee organizations
 14 and public employers have met their statutory obligations. If an impasse or deadlock
 15 still exists after the issuance of an injunction, the parties shall submit to arbitration to
 16 be carried out under AS 09.43.030.

17 • Sec. 17. AS 23.40.200(d) is amended to read:

18 (d) The class in (a)(3) of this section includes all other public employees who
 19 are not included in the classes in (a)(1) or (2) [(a)(2)] of this section. Employees in
 20 this class may engage in a strike if a majority of the employees in a collective
 21 bargaining unit vote by secret ballot to do so. However, if an impasse or deadlock is
 22 reached in collective bargaining negotiations between a municipal school district, a
 23 regional educational attendance area, or a [THE] state boarding school and its
 24 employees, the parties shall submit to advisory arbitration before the employees may
 25 engage in a strike. The arbitrator selected to conduct the advisory arbitration must be
 26 a member of the American Arbitration Association Panel of Labor Arbitrators or the
 27 Federal Mediation and Conciliation Service. In selecting the arbitrator, the parties
 28 shall request a list of arbitrators who have knowledge of and recent experience in the
 29 local conditions in the [THE] district, regional educational attendance area, or state
 30 boarding school. A list containing at least five nominees who meet the qualifications
 31 of this subsection is a complete list for the purpose of striking names and selecting the

1 arbitrator.

HB

148

HOUSE COMMITTEE REPORT

(7) Date Referred to Committee: April 4, 1997 FURTHER REFERRALS: Finance

Date of Committee Action: 2/19/98

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: SSHB 148

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 148 PUBLIC SCHOOL FUNDING/CHILD CARE GRANTS

"An Act relating to the public school funding program; relating to the definition of a school district, to the transportation of students, to school district layoff plans, to the special education service agency, to the child care grant program, and to compulsory attendance in public schools; and providing for an effective date."

recommends it be replaced with the following committee substitute CS SSHB 148 (HES) the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) DOE APPROVES PREVIOUS: (Dept/Date)
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Fred Dan</i>			✓	
<i>[Signature]</i>			✓	
<i>Carl Bunker</i>	✓			
<i>Robert Carter</i>			✓	
<i>[Signature]</i>				✓
<i>[Signature]</i>				✓

CHAIR'S SIGNATURE *Carl Bunker*

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CS SS HB 148(HES)

Revision Date: 2/19/98

Department Affected: Education

Title: An act relating to the public school funding program;
repealing the public school foundation program; relating

BRU: K-12 Support

Component: Schools for the Handicapped

Sponsor: House HESS

Requester: House HESS

COMPONENT SERIAL NO. 151

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1
MISCELLANEOUS						
TOTAL OPERATING	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Section 17 amends AS 14.30.650 which determines the state aid allocation to the Special Education Service Agency (SESA).

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 2/27/98

Approved by Commissioner: Shirley J. Holloway, Ph.D., Commissioner

Date: 2/27/98

Agency: Education

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FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SS HB 148(HES)

1998 LEGISLATIVE SESSION

Revision Date: 2-19-98

Department Affected: Education

Title: An act relating to the public school funding program;

BRU: K-12 Support

repealing the public school foundation program; relating

Component: Foundation Program

Sponsor: Representative Bunde

Requester: House HESS

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7
MISCELLANEOUS						
TOTAL OPERATING	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
---------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7
1005 GF/Program Receipts						
1006 GF/MHTLA						
Other						
TOTAL	-139.7	-139.7	-139.7	-139.7	-139.7	-139.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

See attached schedule for fiscal note and sectional analysis.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 2/27/98

Approved by Commissioner: Shirley Holloway, Ph. D., Commissioner

Date: 2/27/98

Agency: Education

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Fiscal Note Analysis

GRANTS: The following table lists the assumptions used to prepare the fiscal note.

Bill Reference	Sec. 29	Sec. 14.17.410(2)	Sec. 27 Transition
Fiscal Year	Student Allocation	Required Local	Hold Harmless
FY99	\$3,840	3.00 mills	100%
FY00	\$4,010	3.25 mills	80%
FY01	\$4,060	3.50 mills	60%
FY02	\$4,105	3.75 mills	40%
FY03	\$4,150	4.00 mills	20%
FY04	\$4,150	4.00 mills	0%

Sectional Analysis

Section 1- Defines the purpose of the proposed public school funding program.

Section 2 - Amends Alaska statute 14.17. Listed under Section 2 are sections 14.17.300 through 14.17.990 that outline the proposed Public School Funding Program. Following is a list of the proposed sections and their titles.

- Sec. 14.17.300. Public school account.
- Sec. 14.17.400. State funding for districts.
- Sec. 14.17.410. Equalization funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for correspondence programs.
- Sec. 14.17.435. State funding for state boarding school.
- Sec. 14.17.440. Local contribution.
- Sec. 14.17.450. Funding communities.
- Sec. 14.17.460. Funding community size factor.
- Sec. 14.17.470. Area cost and transportation factors.
- Sec. 14.17.475. Base student allocation.
- Sec. 14.17.500. Student count estimate.
- Sec. 14.17.505. Fund balance in school operating fund.
- Sec. 14.17.510. Determination of full and true value by Department of Community and Regional Affairs
- Sec. 14.17.600. Student counting periods.
- Sec. 14.17.610. Distribution of public school funding.
- Sec. 14.17.900. Construction and implementation of chapter.
- Sec. 14.17.910. Restrictions governing receipt and expenditure of district money.
- Sec. 14.17.920. Regulations.
- Sec. 14.17.990. Definitions.

CS SS HB 148(HES) - Public School Funding Program – 2-19-98

Section 3 - amends AS 14.03.120(g), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 4 - amends AS 14.03.125(e), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 5 - amends AS 14.03.150(c), new reference of public school funding from State Foundation Aid.

Section 6 - amends AS 14.03.160(f)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 7 - amends AS 14.03.260(c), new reference of restrictions governing receipt and expenditure of district money from AS 14.17.190 to AS.14.17.910.

Section 8 - repeals and reenacts AS 14.09.010, Transportation of students. Eliminates state reimbursement program for pupil transportation. Allow districts to receive an adjustment in the public school funding program for transportation cost.

Section 9 - amends AS 14.11.008(b), new reference of full and true property value from AS 14.17.025(a)(1) to AS 14.19.310 and district average daily membership from AS.14.17.25J to AS 14.19.990.

Section 10 - amends AS 14.14.115(c)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 11 - amends AS 14.16.050(a)(2), new reference of public school funding from state financial assistance for education. Corrects reference of student count estimates from AS 14.17.080 to AS 14.17.500, school operating fund balance from AS 14.17.082 to AS 14.17.505 and public school funding from AS 14.17.160 - 14.17.220 to AS 14.15.300 - 14.17.910.

Section 12 - amends AS 14.16.080(a), new reference of public school funding from AS 14.17.024 to AS 14.17.235.

Section 13 - amends AS 14.20.177(a), changes reference of basic need to level I need from AS 14.17.021(b) to AS 14.17.410(b)(1). Adds a new sub-section 3 addressing tenure layoff if the districts equalization funding decreased by 3% or more due to proration.

Section 14 - amends AS 14.30.305, new reference of funding from Foundation.

Section 15 - amends AS 14.30.315(a), new reference of funding from Foundation.

Section 16 - amends AS 14.30.347, clarifies the districts responsibility to provide transportation services for exceptional children. The district is responsible for cost associated with the transportation of exceptional children.

Section 17 - repeals and reenacts AS 14.30.650, changes the funding mechanism for the Special Education Service Agency (SLSA). The allocation will be based on 18% of the statewide ADM multiplied by \$85. Currently the allocation is based on 2% of the total foundation special education allocation or \$85 per special education child whichever is greater.

Section 18 - amends AS 14.36.030(a), new reference of funding from Foundation support.

Section 19 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

CS SS HB 148(HES) - Public School Funding Program – 2-19-98

Section 20 - amends AS 29.60.030(d), new reference of state aid from AS 14.17.140 to AS 14.17.510.

Section 21 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 22 - amends AS 36.10.125(c), new reference of funding from foundation money.

Section 23 - amends AS 44.47.305(c), for the purpose of day care assistance program, change reference of instructional unit allotments to funding communities from AS 14.17.051 to AS 14.17.470. (area cost differentials)

Section 24 - repeals AS 09.020; AS 14.17 010, AS 14.17 021, AS 14.17 022, AS 14.17.024, AS 14.17.025, AS 14.17.026, AS 14.17.031, AS 14.17.041, AS 14.17.043, AS 14.17.045, AS 14.17.047, AS 14.17.051, AS 14.17.056, AS 14.17.080, AS 14.17.082, AS 14.17.140, AS 14.17.160, AS 14.17.170, AS 14.17.190, AS 14.17.200, AS 14.17.210, AS 14.17.220, AS 14.17.225, AS 14.17.250; and AS 14.30.010(b)(7).

Section 25 - Transition: Area Cost Factors, establishes the area cost factors by funding community for a two year period. By the end of the two year period the department shall establish in regulation the area cost factors based on the results of the cost factor study.

Section 26 - Transition: Student Transportation, establishes the transportation factors by district for a two year period. By the end of the two year period the department shall establish in regulation the transportation factors based on the results of the cost factor study.

Section 27 - Transition: Hold Harmless, establishes the programs and entitlements to be included in the hold harmless base. Establishes the hold harmless percentage year and is eliminated in year 5.

Section 28 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 29 - Transition: Base student allocations. Establishes the student allocation amounts each year for 5 years.

Section 30 - Establishes July 1, 1998 as the effective date.

FISCAL NOTE

STATE OF ALASKA

BILL NO. CS SS HB 143

1997 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: Education

Title: An act relating to the public school funding program; repealing the public school foundation program; relating

BRU: K-12 Support

Sponsor: Representative Bunde

Component: Foundation Program

Requester: House HESS

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	498.6					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-36.5	585.3	470.4	461.0	-223.7	-298.7
MISCELLANEOUS						
TOTAL OPERATING	462.1	585.3	470.4	461.0	-223.7	-298.7

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES						
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FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
1002 Federal Receipts						
1003 GF Match						
1004 GF	462.1	585.3	470.4	461.0	-223.7	-298.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	462.1	585.3	470.4	461.0	-223.7	-298.7

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY97) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

See attached schedule for fiscal note and sectional analysis.

Prepared by: Eddy Jeans, School Finance Manager

Phone: 465-8679

Division: Education Support Services

Date: 4-7-97

Approved by Commissioner: Shirley Holloway, Ph. D. Commissioner

Date: [Signature]

Agency: Education

Date: _____

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Fiscal Note Analysis

CONTRACTUAL: The department is requesting a one time appropriation of \$498,600 in FY98 to commission an educational cost study. The department believes it will take approximately 18 months to complete the study. Placeholder area cost and transportation factors have been placed in transition sections 25 and 26 of this bill. It is the intent of the department to commission the study and adopt the results in regulation. Elements to consider in an educational cost study may include but are not limited to, certified and classified salaries, benefits, geographic location, transportation, fuel, utilities and supplies.

GRANTS: The following table lists the assumptions used to prepare the fiscal note.

Bill Reference	Sec. 29	Sec. 14.17.410(2)	Sec. 27 Transition	
Fiscal Year	Student Allocation	Required Local	Hold Harmless	Enrollment Growth
FY98	\$3,400	3.00 mills	100%	FY98 Projections
FY99	\$3,925	3.25 mills	80%	1.5%
FY00	\$3,970	3.50 mills	60%	1.5%
FY01	\$4,010	3.75 mills	40%	1.5%
FY02	\$4,045	4.00 mills	20%	1.5%
FY03	\$4,045	4.00 mills	0%	1.5%

Sectional Analysis

Section 1- Defines the purpose of the proposed public school funding program.

Section 2 - Amends Alaska statute 14.17. Listed under Section 2 are sections 14.17.300 through 14.17.990 that outline the proposed Public School Funding Program. Following is a list of the proposed sections and their titles.

- Sec. 14.17.300. Public school account.
- Sec. 14.17.400. State funding for districts.
- Sec. 14.17.410. Equalization funding.
- Sec. 14.17.420. Special needs and intensive services funding.
- Sec. 14.17.430. State funding for centralized correspondence study.
- Sec. 14.17.435. State funding for state boarding school.
- Sec. 14.17.440. Local contribution.
- Sec. 14.17.450. Funding communities.
- Sec. 14.17.460. Funding community size factor.
- Sec. 14.17.470. Area cost and transportation factors.
- Sec. 14.17.475. Base student allocation.
- Sec. 14.17.500. Student count estimate.
- Sec. 14.17.505. Fund balance in school operating fund.
- Sec. 14.17.510. Determination of full and true value by Department of Community and Regional Affairs.
- Sec. 14.17.520. Minimum expenditure for instruction.
- Sec. 14.17.600. Student counting periods.
- Sec. 14.17.610. Distribution of public school funding.
- Sec. 14.17.900. Construction and implementation of chapter.
- Sec. 14.17.910. Restrictions governing receipt and expenditure of district money.
- Sec. 14.17.920. Regulations
- Sec. 14.17.990. Definitions.

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Section 3 - amends AS 14.03.120(g), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 4 - amends AS 14.03.125(e), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 5 - amends AS 14.03.150(c), new reference of public school funding from State Foundation Aid.

Section 6 - amends AS 14.03.160(f)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 7 - amends AS 14.03.260(c), new reference of restrictions governing receipt and expenditure of district money from AS 14.17.190 to AS.14.17.910.

Section 8 - repeals and reenacts AS 14.09.010, Transportation of students. Eliminates state reimbursement program for pupil transportation. Allow districts to receive an adjustment in the public school funding program for transportation cost.

Section 9 - amends AS 14.11.008(b), new reference of full and true property value from AS 14.17.025(a)(1) to AS 14.19.310 and district average daily membership from AS.14.17.250 to AS 14.19.990.

Section 10 - amends AS 14.14.115(c)(2), new reference of district from AS 14.17.250 to AS.14.17.990.

Section 11 - amends AS 14.16.050(a)(2), new reference of public school funding from state financial assistance for education. Corrects reference of student count estimates from AS 14.17.080 to AS 14.17.500, school operating fund balance from AS 14.17.082 to AS 14.17.505 and public school funding from AS 14.17.160 - 14.17.220 to AS 14.15.300 - 14.17.910.

Section 12 - amends AS 14.16.080(a), new reference of public school funding from AS 14.17.024 to AS 14.17.235.

Section 13 - amends AS 14.20.177(a), changes reference of basic need to level I need from AS 14.17.021(b) to AS 14.17.410(b)(1). Adds a new sub-section 3 addressing tenure layoff if the districts equalization funding decreased by 3% or more due to proration.

Section 14 - amends AS 14.30.305, new reference of funding from Foundation.

Section 15 - amends AS 14.30.315(a), new reference of funding from Foundation.

Section 16 - amends AS 14.30.347, clarifies the districts responsibility to provide transportation services for exceptional children. The district is responsible for cost associated with the transportation of exceptional children.

Section 17 - repeals and reenacts AS 14.30.650, changes the funding mechanism for the Special Education Service Agency (SESA). The allocation will be based on 18% of the statewide ADM multiplied by \$85. Currently the allocation is based on 2% of the total foundation special education allocation or \$85 per special education child whichever is greater.

Section 18 - amends AS 14.36.030(a), new reference of funding from Foundation support.

Section 19 - amends AS 29.45.020(a), for the purpose of taxpayer notice, new reference of public school funding from public school foundation.

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Section 20 - amends AS 29.60.030(d), new reference of state aid from AS 14.17.140 to AS 14.17.510.

Section 21 - amends AS 36.10.090(b), new reference of funding from foundation money.

Section 22 - amends AS 36.10.125(c), new reference of funding from foundation money.

Section 23 - amends AS 44.47.305(c), for the purpose of day care assistance program, change reference of instructional unit allotments to funding communities from AS 14.17.051 to AS 14.17.470. (area cost differentials)

Section 24 - repeals AS 09.020; AS 14.17.010, AS 14.17.021, AS 14.17.022, AS 14.17.024, AS 14.17.025, AS 14.17.026, AS 14.17.031, AS 14.17.041, AS 14.17.043, AS 14.17.045, AS 14.17.047, AS 14.17.051, AS 14.17.056, AS 14.17.080, AS 14.17.082, AS 14.17.140, AS 14.17.160, AS 14.17.170, AS 14.17.190, AS 14.17.200, AS 14.17.210, AS 14.17.220, AS 14.17.225, AS 14.17.250; and AS 14.30.010(b)(7).

Section 25 - Transition: Area Cost Factors, establishes the area cost factors by funding community for a two year period. By the end of the two year period the department shall establish in regulation the area cost factors based on the results of the cost factor study.

Section 26 - Transition: Student Transportation, establishes the transportation factors by district for a two year period. By the end of the two year period the department shall establish in regulation the transportation factors based on the results of the cost factor study.

Section 27 - Transition: Hold Harmless, establishes the programs and entitlements to be included in the hold harmless base. Establishes the hold harmless percentage year and is eliminated in year 5.

Section 28 - Transition: Regulations, allows the department to utilize existing regulation that conform with the language and purpose of this act.

Section 29 - Transition: Base student allocations, Establishes the student allocation amounts each year for 5 years.

Section 30 - Establishes July 1, 1997 as the effective date.

Alaska School Operating Cost Study

(Draft Report)

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January 31, 1998

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Introduction to Study Methodology

Introduction

The *School Operating Cost Study* is the result of a professional services contract arising from Request for Proposals No. LBA972 by the Legislative Budget and Audit Committee. A number of parameters were specified in the contract that would guide the design, methodology and conduct of the study. The key provisions are listed here so readers can understand the specific nature of the task and the approach and methodology chosen by the study team.

The initial charge is stated in the purpose. "The study is to determine the differences in costs of school operation that arise from differences in school size (student population in a funding community) and geographic location, for the purpose of providing information necessary to make changes to the public school funding formula." In other words, the study will provide the means to restructure the existing funding mechanism but the actual formula restructuring is to be done by the legislature, not the consultants.

The central issues of the study are the impacts on school operating costs of school size and geographic location. Further, the study is confined to operational costs and is not a study of a number of other school costs - such as pupil transportation, special education and capital projects - that have special appropriations outside of the current public school funding formula for basic educational need.

The contract further states, "For the purposes of this study, the consultant may not consider the current administrative structure nor any of the current contractual arrangements held by a school district." This requirement means that recommended formula revisions must be broad enough to factor out the impacts of conscious choices made by individual districts that impact their own costs when compared to other districts.

The contract also requires that consideration be given to costs that are unique to large urban districts and small rural districts. This guideline recognizes that a single, simple formula may not be appropriate for all Alaska's school districts. The study design must respond to these unique differences.

The time frame for the study - from contract award November 15, 1997 to January 31, 1998, with a progress draft due January 15, 1998 - was another key factor in study design. To some extent the time frame dictated that most of the study would rely on existing data available from school districts, the Alaska Department of Education and other sources such as the Alaska Department of Labor.

Selection of Methodology

The study team recommended a major concept change at the beginning of the study. We recommended that the basic units of analysis be schools rather than existing funding communities. Schools are the basic and objective units of actual cost occurrence while funding communities were subjectively determined. Using funding communities to determine staffing requirements would negatively impact our ability to perform objective research.

The study team first assembled a team of four respected school operations experts. These experts represented both urban and rural viewpoints as well as a wide range of school expertise in business management, financial analysis, instruction, operations and administration. This group guided and advised the professional study team. Their first task was to determine levels of instructional staffing appropriate to all sizes of schools represented by Alaska's nearly 500 individual schools - regardless of existing levels of funding or geographic location. This model for instructional staffing became the basis for further research and analysis.

The study team amassed enormous databases on school operations. These data included instructional staffing for all schools, instructional salaries, instructional pay scales, district financial reports and statewide databases on non-school wages throughout Alaska. Other data including recent cost-of-living research was also collected.

The study team then developed the "statistical approach" that is the framework for presenting school cost analyses in this study. The statistical approach is new to school cost research and was designed to meet the terms of the contract and to overcome some difficulties with the current public school funding formula. It also allows for objective quantification of costs by school and by student as well as by district.

Problems inherent in the existing formula include:

- basing most of the area cost differential on the cost of operating residential households - not school districts;
- basing school (or rather, funding community) size factors only on professional opinion and not empirical evidence; and
- failing to consider factors other than commodity price differences that influence costs of operating schools.

The statistical approach has the advantage of establishing an empirical basis for the largest portion of school costs - instruction. Using various statistical techniques, staffing for all schools was segregated into groups and an efficiency curve was developed to determine typical staffing by school size, regardless of levels of funding by district. This was then correlated with the school size model developed by the school experts to produce an empirically based formula for instructional staffing that allows each school an appropriate level of instructional staffing regardless of location or district size.

Next, school operating costs in all districts were analyzed and grouped into three separate components – instruction, nonpersonnel services and administration. Statewide, these expenditures are, respectively, 79%, 16% and 5% of school operating costs. Analysis of these components showed that expenditures per student varied greatly among districts, even among districts of similar size and location. Because of these wide variations, non-personnel and administrative costs were forced into a narrower range than occurs in the raw data. The study team computed multipliers based on relationships of these adjusted expenditures. Three different analyses of non-personnel data were conducted. These involved all non-personnel costs, a selected market basket of non-personnel costs and operations and maintenance costs.

The statistical approach addresses per-student cost levels for both nonpersonal services and administrative costs in a way that combines the effects of both geographic location and school size. The study results provide detail for assigning separate cost factors for non-personnel and administration costs, as well as for instructional staffing levels.

Finally, substantial research effort was also given to the important issue of instructional compensation levels and the underlying personnel area cost differential that plays a large role in the existing funding formula. A number of methods were employed to address this issue.

The use of the statistical approach results in several improvements in the measurement and expression of school operating costs. These improvements are discussed in the Executive Summary.

Study Organization

Preceding is a brief discussion entitled *Introduction to Study Methodology*. This section describes the purpose of the study and defines the requirements that determined study methodology. Study methodology is briefly discussed.

An *Introduction to Study Issues* defines the critical range of issues that must be addressed when considering revisions to the public school funding formula. Awareness of these issues sets the context for understanding study results.

A brief *Study Team* section identifies the members of the school expert panel so important to the study effort. To them we give special thanks for their expertise, judgment and willingness to be part of a new approach to school funding.

An *Executive Summary* puts forth the six major findings and recommendations resulting from the statistical approach to public school operating cost funding allocation.

The *Summary of Results* presents quantitative impacts on each district of the recommended statistical approach.

Chapter I, *A Statistical Approach*, presents a summary discussion of the results and methodology of the method chosen for the study. The methodology described in this chapter is the heart of study effort. Included are the multipliers for each district for each of the three components of the funding formula. The following three chapters include detailed results of the three major school operating cost categories.

Chapter II, *Instructional Allocations*, addresses the size factor analysis in detail and is the basis for the size multipliers so critical to equitable funding allocation.

Chapter II, *Nonpersonal Services Allocations* describes the three special analyses performed to arrive at district-level multipliers for the nonpersonal services component of the funding formula.

Chapter IV, *Administrative Allocations*, discusses the method and findings of providing administrative adjustment factors for all districts.

Chapter V, *Additional Considerations*, describes alternate methods of applying results. Although Chapter V does not quantify the effects of alternate adjustment factors, it provides a discussion of area cost differential and cost-of-living issues that historically supported a personnel compensation differential. The chapter also includes a discussion of the impact of varying the amount allocated to each of the three components of the funding formula.

A *Statistical Appendix* is provided under separate cover. Its contents will be detailed tables and graphs supporting the many forms of analysis employed during the study period.

Introduction to Study Issues

Statement of the Situation

Traditionally, Alaskans have been supportive of education and willing to pay for it. The State of Alaska's single greatest investment is the nearly \$700 million it allocates annually to its 53 school districts for public education. Alaska, as a state with a relatively young population, continues to support education when the political trends elsewhere have been to reduce spending on education. In states with relatively older populations where fewer households have school age children, public education is of lower priority and has been cut substantially. For example, Arizona, an otherwise fairly well-to-do state, ranks near the bottom in their investment in public education. Even today, in the face of declining revenue, Alaska ranks near the top in terms of state dollars per student, exceeded only by those states with exceptional economic ability.

Yet in recent years, even Alaska has had to face the prospect of declining real resources devoted to education. Districts have had to reduce staffing, re-negotiate contracts and cut costs of all kinds while municipalities, students and parents try to compensate by raising their own money for everything from school supplies to travel, computers and building maintenance. While school enrollment has increased, the real value of appropriations to pay for it has not kept pace as Alaska's primary source of revenue - oil - continues a long-range production decline.

In this environment, the method to allocate funding among schools and districts is under intense scrutiny, and a variety of proposals aimed at revising the method of allocation are before the legislature.

The Need for Equity

As public resources decline, fairness and equity in the allocation of these much needed funds become increasingly important. As always, Alaska differs from other states when it comes to allocation of public resources. The extent of geographic dispersion (more than 1,000,000 students spread over 586,000 square miles) and dramatic differences in community sizes (and the resulting differences in scale and efficiency of school operations) create immense differences in school operating costs.

No simple formula can ensure equity for Anchorage with nearly 47,000 students, Pelican with 31 students and 51 other districts at all points in between. No research study can measure the full effects of multiple influences - such as climate, building quality, transportation costs, local economic conditions, labor supply, isolation, local school board policies, collective bargaining, and community demands - on the cost of education. Further, no politician, school expert, researcher or consultant is going to tell 53 districts and 484 schools how to run their business while local control remains an underlying principle of Alaska's public school system.

Nevertheless, there are good reasons for scrutiny of the method to allocate school aid and the current call for improvements in equity. The current method of allocating education aid results in a range of \$3,400 to \$21,000 per student. Although absolute equity may be impossible to achieve, significant improvements appear possible. This study makes major advances in the objective measurement of school costs and offers solutions that result in progress toward equity.

Historically, Alaska distributes public school funding using two means of compensating for differences in school operating costs. These criteria for compensation are *size* - adjusted for by an instructional unit computation that compensates for small school size - and *location* - adjusted for by the Area Cost Differential (ACD). The means of calculating these compensation measures have always been subject to debate and have been changed on a number of occasions since statehood for both empirical and political reasons.

Compensation for Size

Most observers would agree that the per student cost of providing basic education services to 30 students in a remote community is greater than in an urban community with 1,500 students under one roof. Although the *principle* of size compensation has been widely accepted in Alaska, the *means* of calculating the size factors has been under scrutiny since the origin of the Alaska Foundation Formula.

This weakness in the existing size adjustments is the first major issue addressed by the Request for Proposals that formed the conceptual basis for this study. In essence, the RFP requested an objective, quantifiable and defensible basis for school size adjustment. The McDowell Group study design accomplishes this. For the first time, size factors have an empirical, statistically defensible basis.

Compensation for Location

Size compensation is only part of the equity picture. The second factor is the Area Cost Differential, or ACD. The ACD compensates for cost differences due to geographic location. Compensation for these inherent geographic cost differences is also a widely accepted principle. However, as with the size adjustment, the *principle* of the adjustments for location is widely accepted but the *means* of calculating ACDs has been subject to continued revision and reexamination.

Currently, the location differential for each district is a single number based on price differences among locations. Prices of household market basket items (food, housing transportation, etc.) were a proxy for school personnel costs, and prices of a non-personnel school market basket (insurance, books, fuel, etc.) represented all non-personnel costs.

There are three major weaknesses of the current ACD.

- First, all district aid is subject to a single ACD. Personnel and nonpersonal services should not rely on the same differential.
- Second, ACDs are based on the household cost of living, not the actual cost of staffing a school with instructional, administrative and operations and maintenance personnel. The RFP requested alternatives to this method of allocation, moving away from what may or not be a relevant proxy for personnel costs.
- Third, the current ACD does not incorporate adjustments for the complex range of factors that affect non-personnel school costs – such as building quality and efficiency, climate, community use and local availability of goods and services.

A Solution to Instructional Staffing Needs

The McDowell Group study team – consisting of economists, business analysts, public policy analysts, wage and salary analysts, school management experts and school business experts – developed an objective statistical approach for providing equal basic instructional staffing to schools of all sizes.

Noninstructional Costs

Current ACDs apply to nonpersonal services costs as well as to salaries. The methodology used for the existing ACD was to price a fixed market basket of thirty-four school cost items – such as insurance, books and travel – in each of the districts and calculate a simple differential. Non-personnel costs account for about 10% to 40% of a district's total costs, depending on the district. Price differences for the full market basket varied from 1.00 in major urban areas to as high as 1.46 in the most remote regions.

The primary weakness of the existing approach is its failure to consider the many factors – other than shelf price – that affect non-personnel costs. The method developed by the study team places the true cost differential of smaller, remote districts where it belongs – in the nonpersonal services and administrative components of the education funding formula.

Summary

"Basic Educational Need" can be defined as an amount of money required to fund the operating costs of a school district. Adjustment for school district size and location are two of the three elements that determine "basic need" in Alaska's current formula for allocating education aid (AS 14.17.021(c)). The third factor is "unit value," which reflects total funding level and is not addressed in this study.

The objective of the research described in this study is to make the foundation formula more equitable by determining adjustment factors that compensate for differences in school - and school district - operating costs that arise from the number of students served and from geographic location.¹ This study is not intended to be a comprehensive review of all the philosophical and equity issues the legislature might address in considering revisions to the foundation formula.

In short, the purpose of this study was to develop new adjustment factors for size and location, not to develop a model to allocate education aid to school districts. Although this study develops allocation amounts and compares them to current law, the allocations described in this study do not consider all aspects of education funding. Comparisons with actual allocations should, therefore, be avoided until more comprehensive calculations are performed by, or in cooperation with, the Department of Education.

¹ "Foundation formula" is the common name for the formula that allocates state operating aid to the 53 school districts that provide primary and secondary education to Alaskans. Although the formula provides funds for educational services for special needs of children younger than school age, the focus of the formula is on education from kindergarten through 12th grade, commonly referred to as K-12.

Study Team

The McDowell Group study team includes a panel of Alaska education experts with a mix of urban and rural school district operations experience. These experts were a critical part of the study team and took an active role in developing the approach as well as reviewing the research and analysis. The panel includes the following individuals:

Tom Freeman has nearly 30 years of financial management experience in Alaska, Washington and Oregon schools, including 18 years with the Anchorage School District. He was Assistant Superintendent of Business Management for the Anchorage School District until 1988 and remains involved in school and community activities.

Jim Paul served 12 years as Superintendent of what is now the Denali Borough School District. He is also a former teacher, principal and superintendent of the Craig School District and participated in three prior efforts to revise the foundation funding formula.

Andy Warwick served four years in the Alaska State Legislature (1971-1974), all four years as a member of the House Finance Committee. He served two years as Commissioner of the Department of Administration (1975-1976). Mr. Warwick was elected to three terms on the Fairbanks School Board (1988-1996) serving as President of that body and as its Finance Chair. He was appointed to the Alaska State Board of Education in 1991, serving as Vice Chair until 1992. Mr. Warwick has been in private practice in Fairbanks as a Certified Public Accountant since 1978.

Bob Weinstein spent 20 years as a teacher and administrator with the Southeast Island School District, retiring as superintendent in 1994. He has considerable experience with small school operations. He is also very familiar with the existing foundation program and served as a member of the Foundation Formula Task Force in 1995.

Executive Summary

The basic question addressed in this report is "Do current adjustment factors provide accurate compensation for differences in school - and school district - operating costs that are due to size and location?" The short answer is that statistical analysis indicates current size and location adjustments relatively undercompensate some districts for differences in school operating costs.

The following executive summary introduces the six major findings and recommendations of this study. Results of the analysis are provided in the *Summary of Results* located prior to Chapter I in this study.

1. Definition of Recommended Funding Formula

The study team recommends that the education funding formula be divided into three components - instruction, nonpersonal services and administration. One component, instruction, is specifically related to schools. The other two components are district-level allocations. The components are separated because each has unique adjustment factors for size and location. The separation of components applies only to the *allocation of aid* and is not intended to imply *expenditure limits* in any component.

- **Instructional Allocations.** The instructional component includes all school-specific personnel required to operate schools, including teachers, building administrators, aides and administrative and building support staff.
- **Nonpersonal Services Allocations.** This component includes all non-personnel costs in school districts, including non-personnel costs associated with instruction and district administration.
- **Administration Allocations.** This component includes the personnel costs of certificated and classified administrative personnel engaged in district-wide functions that are not specifically related to educational services delivered in schools.

2. Definition of Funding Units

The study team recommends that schools, rather than funding communities, be the basic unit for education funding. The school is the fundamental cost center for delivering instructional services. The basic units of funding under current law are "funding communities" - which are defined inconsistently and which would not provide equitable treatment for all schools even if they were defined consistently. Adopting schools as the basis for funding would result in more equitable allocation of instructional resources by providing comparable levels of instructional staffing in all schools regardless of district size and location.

3. Adjustments for School Size

The study team recommends that statistically derived adjustment factors be used to compensate for the higher per-student cost of operating smaller schools. This study provides an objective, defensible and empirical basis for instructional staffing in all sizes of schools. The recommended size factors were developed by a study team of school management and business experts, blended with analysis of the instructional staffing patterns of Alaska's schools.

Study results indicate that school size has enormous influence on operating cost per student, with the efficiency curve rising rapidly from the smallest schools to a school size of 500 to 600 students. Beyond that, size instructional efficiencies increased slowly, with less perceptible gains beyond 1,500 students.

4. Adjustments for Location

A Instructional Component

The study team recommends that area cost differentials (ACDs) in the instructional component of the formula be eliminated, allowing market forces and individual district needs and choices to determine compensation levels. ACDs based on average instructional salaries would result in several rural districts (with high current ACDs) having lower ACDs than Anchorage.² This means that adoption of area cost differentials (based on average teacher salaries) for the instructional component would reduce aid to several rural school districts, a result counter to the equity criteria required for this study.

Analysis of instructional salaries shows little relationship between current ACDs and actual salaries paid. Categorizing districts by size, location and accessibility showed that the average instructional salary in Anchorage is only one percent lower than the average in the other 52 districts. Most districts (35 of 53), including many with significant ACDs, paid within five percent of the statewide instructional salary average, with several rural districts having salary schedules - and average salaries - lower than in Anchorage.³

² Other states that have area cost differentials typically use them to compensate for higher costs in urban schools.

³ The analysis of average salaries includes housing allowances as indicated in district financial reports. The analysis of salary schedules excludes housing allowances because we have insufficient information to allow us to allocate the allowance to individuals.

Reasons for this salary uniformity are many, but analysis shows that teacher longevity is the primary reason. Salary schedules in rural districts are somewhat higher than in Anchorage on average (although several districts with high ACDs have lower salary schedules than Anchorage). Even in those districts with higher salary schedules than Anchorage, few have teachers with average years of experience near the average for Anchorage. The result is that costs associated with higher salary schedules in rural areas are offset by costs associated with greater longevity in urban districts. Average salaries in all districts fall in a surprisingly narrow range.

Research on private sector salary practices confirms that salaries tend to be higher in Anchorage than in districts with high ACDs. Location differentials are rarely paid by private industry, and are nominal if paid. Among private and public sector policies researched for this study, the sole exception is the State of Alaska, which pays a location differential based on the estimated cost of a "market basket" intended to reflect household spending.

B. Nonpersonal Services and Administrative Components

The study team recommends that area cost differential "multipliers" be used to adjust for higher noninstructional costs due to district size and location. The key technical emphasis of the recommended separation of the formula into three components is that size and location have different impacts on each component. This has many implications, but the most important is that the cumulative effects of all factors affecting noninstructional costs - geography, climate, local economic conditions, cultural needs, design and condition of buildings, proximity of schools and similar factors, as well as the number of students and prices of goods and services purchased by districts - are incorporated in the noninstructional multipliers.

One critical finding of this study is that differences in per-student noninstructional costs far exceed differences in existing ACDs. While the current ACDs may over-compensate some districts for personnel costs, they under-compensate some districts for dramatically higher per-student noninstructional costs.

Of the three components of the funding formula, administrative costs have the widest variability from district to district. Though extremely wide variations of administrative cost per student can be demonstrated, statistical analysis cannot identify the reasons for the variance. What is known is that administrative cost efficiency improves rapidly as district size increases, but the largest districts are not necessarily the most cost efficient. It is clear that no uniform administrative staffing standards exist from district to district, even among districts of similar size.

5. Data Requirements

The study team recommends that existing reporting systems be strengthened and that databases to support school cost analyses be further developed. Databases needing attention include those containing instructional salary and staff records, district financial reports and records of student attendance and participation in special programs. The quality of the databases must be improved in order to allow continued progress toward equitable allocation of education funds.

Data improvements could come through management audits. The purposes of these management audits would be:

- To generate better information for future computation of multipliers for the nonpersonal services and administrative components of the funding formula.
- To explore options for reducing costs through cooperation, consolidation, centralized business functions and other management methods.

Once database improvements are made, statistical analysis similar to that which produced clear results for the instructional component could produce improved results for the two noninstructional components of education funding.

6. Transitional Implementation

The study team recommends that negative impacts of the revised size and location adjustments be mitigated. The proposed adjustment factors narrow the range of per-student education aid among districts. Nevertheless, any reallocation of a fixed amount of funds that produces "gainers" also produces "losers." A provision to prevent any district from receiving less than its current level of aid as a result of revised adjustment factors would allow "gainers" to benefit without the gains coming at the expense of other districts.

The recommended revisions to the funding formula generate a relatively small reallocation of funds (about 2.7 percent of the current level of Basic Need). While a transitional provision would provide less equity than full implementation of the recommended adjustment factors, it would offer improvement over the disparity in funding that now exists. This option would, of course, require appropriation of additional funds. The first-year cost of transitional implementation is estimated to be between \$16 million and \$20 million.

Summary of Results

Approach

The study team used statistical analysis to determine adjustment factors for differences in student population and location. We divided the education formula in three components – instruction, nonpersonal services and district administration – when it became apparent that each component required different adjustments for size and location.

The basic research methodology – referred to as “the statistical approach” in this study – is described in Chapter I. Each of the components is further described in a separate chapter. Alternate allocation issues are discussed in Chapter V. An overview of the results of the statistical approach is presented below.

The statistical approach uses data on staffing levels in schools, audited expenditure reports and student enrollment figures to determine size and location adjustment factors. The statistical approach is based on three premises. The premises and brief discussions of their impact follow:

Premise 1

Schools of similar size should have similar staffing levels for regular K-12 programs regardless of location of schools or size of district in which the schools are located.

The statistical approach separates school instructional costs from district administrative costs and from utilities, travel and other non-personnel costs, then uses existing instructional staffing patterns to derive factors to compensate for higher per-student instructional costs in smaller schools. In general, compensation factors for small schools under the statistical approach are similar to those under current law, but bringing “staff equity” at the school level results in significant adjustment of aid to schools that are not currently compensated for small size because they are part of a larger community or district.

Premise 2

School staffing levels should be determined independently of instructional costs; adjustments for differences in average instructional salaries should be made after school staffing levels are determined, and any adjustments should be based on statistical information showing clear differences in personnel costs.

Adjustments for personnel costs under the statistical approach are not based on differences in household cost-of-living in various areas, but on research covering a broad range of salaries that more directly relate to the cost of operating schools. Research on salaries outside the educational system found no statistical justification for higher salaries in rural areas. In fact, the data indicate compensation is generally higher in Anchorage than in rural areas, although teacher salary data showed a slight trend in the opposite direction. Based on this conflicting information, the statistical approach applies no area cost differential to instructional costs.

Premise 3

School district expenditures for nonpersonal services and administrative purposes are generally no higher than necessary (given current district structure); existing variation in per-student expenditures reflects differences in costs that are attributable to size and location.

Statistical analysis identified large variations in noninstructional expenditures per student. The range of differences caused the study team to question the premise and to limit per-student expenditures (for purposes of calculating multipliers) rather than develop multipliers that reflect current spending. The statistical approach compensates for differences in noninstructional costs by producing multipliers that are substantially higher than those in current law. However, the multipliers apply only to noninstructional expenditures, which average 20 percent (and range from 14 percent to 60 percent) of total district expenditures.

Interpreting Study Results

Several concepts are critical to interpreting the results of the study.

1. Before reviewing results of the analysis, it is important for readers to understand that the analysis addresses only the relative allocation of school operating aid; it does not address the following issues:
 - capital requirements of schools
 - school debt reimbursement
 - pupil transportation costs
 - special appropriations to school districts
 - the total amount of aid allocated by the formula
 - sources of funds, including local contributions and federal impact aid
 - district or school consolidation issues
 - vocational education, bilingual and other funding that is not classified as "regular education"
 - labor issues, organization of local government or other issues that are related to school funding but that are not directly accounted for by the size and location factors of the foundation formula.

2. Because the study addresses *allocation* of aid rather than the amount of aid to be allocated, it may appear that the statistical approach concludes that some districts are currently receiving too much education aid. Readers should understand that the results do not imply that a particular school district is over-funded (or under-funded) in and of itself, but rather that a district may be relatively over- (or under-) funded when compared to other districts. All comparisons in this study are based on relative adjustments; i.e., they are simply shares of an amount of aid that is determined by political forces.
3. Readers should also understand that dollar values in the tables and charts cannot be compared with actual aid received by districts because the total amount allocated in the tables (\$800 million) is an arbitrary amount that is not equal to the actual amount of state aid allocated in any year.⁴ While additional calculations would be required to determine actual changes to aid received by each district under the revised adjustment factors, it should be noted that proportions of Basic Need allocated to each district would not be affected by the total amount of money available. In addition,
 - State education aid is reduced by local tax contributions and by a portion of federal impact aid, and increased by special appropriations to Regional Education Attendance Areas (REAs) and to "single site" districts. These reductions and increases are not reflected in the analysis of aid under current law or under the statistical approach because the focus of this analysis is on developing adjustment factors for size and location.
 - The statistical approach does not specifically address funding for vocational education, bilingual and other special programs that are addressed by the current formula. This treatment is not a recommendation to eliminate funding for these special programs; it simply reflects a lack of detailed data required to include special programs in our analysis.⁵ In order to make meaningful comparisons between allocations under current law and the statistical approach, special program funding must be treated the same under both approaches. In this analysis, that means excluding them from both allocation systems.

⁴ The \$800 million figure is approximately equal to the FY09 budget for Basic Need. Basic Need is reduced by required local contributions and by a portion of federal impact aid. These reduce state aid to about \$635 million.

⁵ The statistical approach bases allocation of aid directly on student population in each school rather than on "instructional units" within each "funding community". (Both these terms are discussed later in this report.) Implementing this direct approach would require redetermination of funding policy for special programs. That policy decision can be made only by the legislature. Faced with a choice between analysis which 1) explores a more direct link between students in each school and funding levels or 2) retains the existing funding system for special programs, the Legislative Budget and Audit Committee chose to explore the more direct funding link (December 3, 1997 Progress Report). That decision was based on a desire to simplify the formula and does not indicate a decision to change the funding approach for special programs. Although conversion of the direct student count to the instructional unit approach is a simple mathematical exercise, special program funding could not be included in the statistical approach because school level information on special program participation is not available. Several states have developed cost multipliers for special program participants. These factors could be adapted to Alaska at the school level if the legislature chooses to replace the instructional unit concept with a direct count of students.

- The information in the student-school database does not sum to district totals reported by the Department of Education.⁶ Although this has a negligible effect on comparisons of current law and the statistical approach – because allocations under both systems are determined from the same data – it does mean that comparisons with actual aid are not valid.
4. For comparative purposes, the study team applied the current formula to the same student database used to determine funding levels under the statistical approach. Although this methodology means that data in the charts and tables is not comparable to aid currently received by districts, it isolates the effect of changes to the size and location adjustment factors. Assuming no changes are made to parts of the funding system other than the size and location adjustments, comparisons of information labeled “current law” and “statistical approach” are reasonably accurate indications of what would happen under a revised formula, since local contribution requirements and special funding would affect both allocation formulas in a similar manner.⁷

In short, the purpose of this study was to develop new adjustment factors for size and location, not to develop a model to allocate education aid to school districts. Although this study develops allocation amounts and compares them to current law, the allocations described in this study do not consider all aspects of education funding. Comparisons with actual allocations should, therefore, be avoided until more comprehensive calculations are performed by, or in cooperation with, the Department of Education.

Further, results obtained by applying the statistical approach and current adjustment factors to a database are approximations of allocations. When comparing the proposed formula with current law, the reader should focus on relative changes shown in the tables rather than on dollar comparisons with actual aid allocations. The actual amount of aid allocated to each district will change as both the number of students and the total amount of aid allocated change, and as special program funding, local contributions and other aspects of the full funding formula are considered.

Summary of Results

Figure 1 shows that implementing the adjustment factors generated by the statistical approach would allocate additional aid to more than 20 school districts. The implication of this result is that, relative to other districts, some districts appear to be underfunded under current law. Table 1 shows that the level of underfunding in all districts is about 2.7 percent of the amount of funding allocated (\$21 million of \$800 million allocated).

⁶ The student-school database is a blend of files obtained from the Department of Education (DOE). DOE provided files on student counts and number of staff in each school, which we combined. The actual student count and the database count differ by about 40 students statewide.

⁷ Gains or losses shown in the tables will not result in equivalent changes in the amount of funding that is actually received by some districts. For example, three districts are affected by a “35 percent of basic need” alternative minimum required local contribution. Gains (or losses) by these districts would be reduced by 35 percent, resulting in a small redistribution of aid. Districts that are affected by the 23 percent restriction on “excess local contributions” would be able to contribute an additional 23 percent of additional aid received. Similarly, their local contributions would be further restricted if the amount of state aid were reduced.

Figure 1—Percentage Increase in Funding for Education (Relative to Current Adjustment Factors) Under a Transitional Scenario

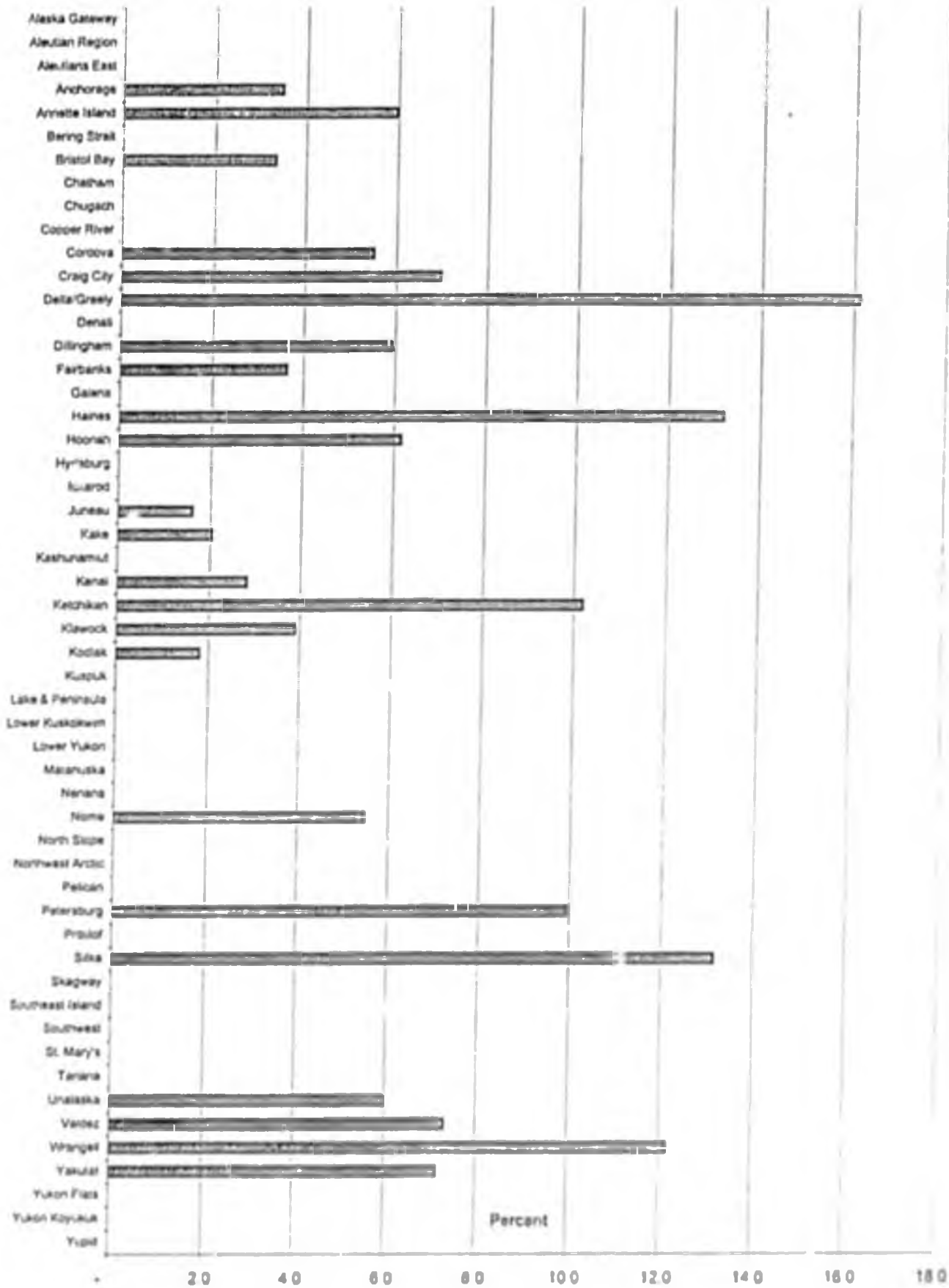


Table 1
Summary of Allocations of Aid for Education
Under a Transitional Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Gain	
	Dollars	Percent
Total	21,388,254	2.7%
Alaska Gateway	-	-
Aleutian Region	-	-
Aleutians East	-	-
Anchorage	8,373,504	3.5
Annette Island	171,178	6.0
Bering Strait	-	-
Bristol Bay	92,769	3.3
Chatham	-	-
Chugach	-	-
Copper River	-	-
Cordova	193,273	5.5
Craig City	192,419	7.0
Delta/Greely	1,001,155	18.1
Denali	-	-
Dillingham	240,922	5.9
Fairbanks	3,194,584	3.6
Galena	-	-
Haines	391,195	13.2
Hoonah	125,597	6.1
Hydaburg	-	-
Iditarod	-	-
Juneau	468,999	1.6
Kake	30,731	2.0
Kashunamiut	-	-
Kenai	1,750,238	2.8
Ketchikan	1,563,014	10.2
Klawock	64,824	3.9
Kodiak	348,631	1.8
Kuspuk	-	-
Lake & Peninsula	-	-
Lower Kuskokwim	-	-
Lower Yukon	-	-
Matanuska	-	-
Nenana	-	-
Nome	315,423	5.5
North Slope	-	-
Northwest Arctic	-	-
Pelican	-	-
Petersburg	439,581	9.9
Pribilof	-	-
Sitka	1,318,960	13.1
Skagway	-	-
Southeast Island	-	-
Southwest	-	-
St. Mary's	-	-
Tanana	-	-
Unalaska	175,129	6.0
Valdez	418,945	7.3
Wrangell	408,033	12.1
Yakutat	111,154	7.1
Yukon Flats	-	-
Yukon-Koyukuk	-	-
Yupik	-	-

A practical interpretation of this result is that the addition of about 2.7 percent to the total amount allocated by the foundation formula could allow relatively underfunded districts to be funded at a more equitable level while no district would lose funding.⁸ Figures 1 and 2 show two of many possible scenarios. The first - referred to as the "transitional" scenario - shows the impact on school districts if educational aid were increased to allow relatively underfunded districts to receive their full adjusted allocations while no district receives less than its current allocation. Note that if the total funding level were simply increased by 2.7 percent, all districts would share the additional funding, thus preventing districts that receive reduced aid under the statistical approach from being "held harmless."

The second scenario - referred to as the "no additional funding" scenario in Table 2 and Figure 2 - assumes that no additional educational aid is appropriated. In this scenario, the adjustment factors under the statistical approach would reallocate available funds. By its nature, reallocation of a fixed amount means that aid gained by some districts must be offset by losses in other districts.

Figure 2 and Table 2 show the results of applying the statistical approach in a "no additional funding" scenario. As noted in the preceding text, the reader should focus on the direction of change rather than the precise amount of change. The figures in the table are approximations only and should not be compared to current aid allocations.

The statistical approach indicates that districts with many schools in few funding communities tend to be relatively underfunded by the present allocation system.⁹ Districts in which each school is considered a funding community tend to receive relatively less aid under the statistical approach.

Table 3 shows that the total adjusted student count under the current law (133,673, in column 4) is less than the total adjusted student count under the statistical approach (148,561, in column 9).¹⁰ Under the "no additional funding" scenario, higher adjusted student counts have the same effect as slicing a pie into more pieces in order to serve more people. When the adjusted student count increases (due to size and location multipliers) the per-student allocation declines (each piece of the pie is smaller). If existing educational aid is simply reallocated, districts with less-than-average gains in student count would receive less money than under the existing system. As noted earlier, only adding money (making the pie bigger) will prevent some districts from getting less than they receive under current law. This fact applies to every reallocation mechanism in which some participants gain and the total amount allocated is unchanged.

⁸ A more precise estimate of this amount would require consideration of local contributions, federal impact aid and special funding. After adjusting for the effects of local contributions and federal impact aid, the first-year cost of transitional implementation is estimated to be between \$16 million and \$20 million.

⁹ The "funding community" concept is addressed in Chapter II of this study.

¹⁰ "Adjusted Student Count" is a term that describes actual student counts after applying adjustment factors.

Figure 2 -- Percentage Change in Funding for Education (Relative to Current Adjustment Factors) Under a "No Additional Funding" Scenario

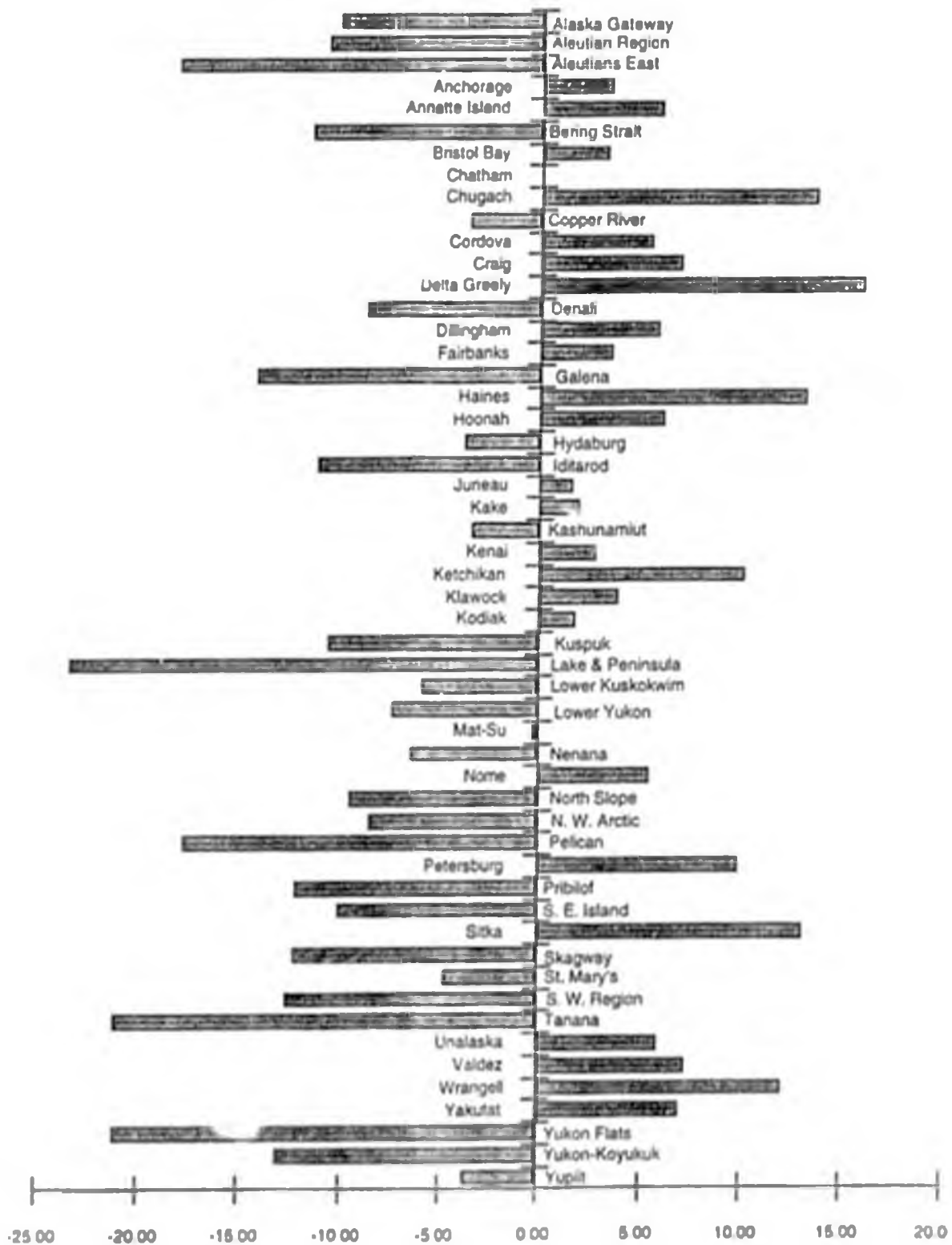


Table 2
Summary of Allocations of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Change from Current Adjustment Factors		Percent
	Gain	Loss	
Total	\$21,388,254	(\$21,388,254)	2.7%
Alaska Gateway	-	(608,589)	(10.2)
Aleutian Region	-	(45,821)	(10.8)
Aleutians East	-	(828,211)	(18.2)
Anchorage	8,373,504	-	3.5
Annette Island	171,178	-	6.0
Bering Strait	-	(2,422,787)	(11.5)
Bristol Bay	92,769	-	3.3
Chatham	-	(437,346)	(11.8)
Chugach	-	(253,524)	(13.7)
Copper River	-	(220,282)	(3.6)
Cordova	173,273	-	5.5
Craig City	192,419	-	7.0
Delta/Greely	1,001,155	-	16.1
Denali	-	(340,275)	(8.8)
Dillingham	240,922	-	5.9
Fairbanks	3,194,584	-	3.8
Galena	-	(230,192)	(14.2)
Haines	391,195	-	13.2
Hoonah	125,597	-	6.1
Hydaburg	-	(41,745)	(3.8)
Iditarod	-	(722,813)	(11.2)
Juneau	468,999	-	1.6
Kake	30,731	-	2.0
Kashunamiut	-	(79,059)	(3.4)
Kenai	1,750,238	-	2.8
Ketchikan	1,563,014	-	10.2
Klawock	64,824	-	3.9
Kodiak	348,631	-	1.8
Kuspuk	-	(685,582)	(10.6)
Lake & Peninsula	-	(1,956,337)	(23.3)
Lower Kuskokwim	-	(2,169,129)	(5.9)
Lower Yukon	-	(1,358,534)	(7.4)
Matanuska	-	(173,963)	(0.3)
Nenana	-	(101,765)	(6.5)
Nome	315,423	-	5.5
North Slope	-	(1,772,381)	(9.5)
Northwest Arctic	-	(1,797,799)	(8.5)
Pelican	-	(93,278)	(17.7)
Petersburg	439,581	-	9.9
Pribilof	-	(309,721)	(12.2)
Sitka	1,318,960	-	13.1
Skagway	-	(148,332)	(12.3)
Southeast Island	-	(451,470)	(10.1)
Southwest	-	(951,945)	(12.6)
St. Mary's	-	(69,073)	(4.7)
Tanana	-	(254,505)	(21.2)
Unalaska	175,129	-	6.0
Valdez	418,945	-	7.3
Wrangell	408,033	-	12.1
Yakutat	111,154	-	7.1
Yukon Flats	-	(1,515,544)	(21.2)
Yukon Koyukuk	-	(1,198,969)	(13.7)
Yupit	-	(149,307)	(3.1)

Table 3
Adjusted Student Counts and Allocation of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

School District	Students	Students Adjusted for Size	Area Cost Differential	Students Adjusted for Size and ACD	Basic Aid	Basic Aid per Student	Current Law	
							Adjusted Aid per Student	Max Min Avg. StdDev Spread
	1	2	3	4	5	6	\$	
Total	122,867	122,926		131,673	800,000,000	6,512	5,985	
Alaska Gateway	552	841	1.19	1,001	5,991,700	10,855		
Aleutian Region	21	54	1.31	71	422,362	20,112		
Aleutians East	355	598	1.27	760	4,547,436	12,810		
Anchorage	40,175	40,447	1.00	40,447	242,063,295	5,242		
Annette Island	444	465	1.03	479	2,868,126	6,455		
Bering Strait	1,879	2,539	1.39	3,529	21,118,880	12,578		
Bristol Bay	301	368	1.27	468	2,799,405	9,300		
Chatham	337	600	1.03	616	3,700,026	10,970		
Chugach	131	271	1.14	309	1,851,191	14,131		
Copper River	639	898	1.14	1,023	6,124,714	8,569		
Cordova	519	530	1.11	589	3,522,531	6,787		
Craig City	424	448	1.03	461	2,758,785	6,507		
Delta/Greely	910	895	1.16	1,036	6,213,363	6,831		
Denali	378	524	1.23	644	3,855,349	10,199		
Dillingham	524	535	1.27	679	4,083,371	7,755		
Fairbanks	15,816	14,167	1.04	14,734	88,179,979	5,576		
Galena	150	209	1.30	272	1,625,902	10,839		
Haines	430	472	1.05	496	2,965,549	6,897		
Hoonah	273	316	1.08	341	2,042,842	7,483		
Hydaburg	114	176	1.03	182	1,086,889	9,534		
Iktarod	422	808	1.33	1,074	6,429,524	15,247		
Juneau	5,525	4,893	1.00	4,893	29,284,273	5,300		
Kake	190	244	1.03	251	1,502,896	7,910		
Kashunamiut	244	291	1.33	387	2,314,867	9,487		
Kenai	10,282	10,398	1.00	10,398	62,227,242	6,052		
Ketchikan	2,850	2,564	1.00	2,564	15,347,669	5,384		
Klawock	220	270	1.03	278	1,663,608	7,563		
Kodiak	2,872	2,984	1.09	3,252	19,464,144	6,778		
Kuspuk	468	615	1.33	1,064	6,488,005	13,874		
Lake & Peninsula	498	1,071	1.31	1,403	8,398,288	16,859		
Lower Yukon	3,275	4,349	1.42	6,175	36,956,842	11,284		
Lower Yukon	1,695	2,275	1.35	3,072	18,383,880	10,845		
Matanuska	12,024	11,530	1.00	11,530	69,001,303	5,739		
Nenana	161	219	1.20	262	1,569,614	9,749		
Nome	733	721	1.34	968	5,781,403	7,687		
North Slope	1,806	2,145	1.45	3,110	18,611,212	10,305		
Northwest Arctic	1,892	2,429	1.45	3,522	21,079,336	11,141		
Pelican	38	82	1.08	88	527,586	13,884		
Petersburg	754	739	1.00	739	4,423,905	5,867		
Prudhoe	213	326	1.30	424	2,536,997	11,911		
Sitka	1,802	1,678	1.00	1,676	10,030,645	5,566		
Skagway	131	192	1.05	202	1,209,274	9,231		
Southeast Island	350	717	1.04	745	4,460,799	12,751		
Southwest	616	967	1.31	1,266	7,578,701	12,301		
St. Mary's	129	191	1.30	248	1,483,649	11,501		
Tanana	94	155	1.30	201	1,202,453	12,792		
Unalaska	353	386	1.27	490	2,931,758	8,305		
Valdez	826	863	1.11	958	5,731,649	6,397		
Wrangell	550	562	1.00	562	3,360,917	6,111		
Yakutat	187	241	1.08	260	1,558,970	8,337		
Yukon Flats	410	617	1.48	1,193	7,137,537	17,421		
Yukon Koyukuk	625	1,093	1.34	1,464	8,763,139	14,019		
Yukon-Charley	381	564	1.41	795	4,757,599	12,487		

Table 3 (continued)
Adjusted Student Counts and Allocation of Aid for Education
Under a "No Additional Funding" Scenario
(Estimates based on allocation of \$800 million in Basic Need)

Statistical Approach, "No Additional Funding" Scenario		Adjusted Aid		Max	Min	Avg.	StdDev
		per Student	per Student	\$	\$	\$	\$
				5,385			3.33
							17,931
							5,385
							6,512
							2,471
							3.33
School District	Students	Students Adjusted for Size Only	Combined Size & Area Cost Differential	Students Adjusted for Size and ACD	Basic Aid	Basic Aid per Student	
		7	8	9	10	11	
Total	122,857	144,819		148,581	800,000,000	6,512	
Alaska Gateway	552	835	1.811	1,000	5,383,112	9,752	
Aleutian Region	21	41	3.330	70	376,541	17,931	
Aleutians East	355	574	1.946	691	3,719,228	10,477	
Anchorage	46,175	49,382	1.007	46,488	250,438,799	5,424	
Annette Island	444	592	1.270	564	3,037,304	6,841	
Bering Strait	1,679	2,502	2.067	3,471	18,698,093	11,133	
Bristol Bay	301	450	1.784	537	2,892,174	9,609	
Chatham	337	582	1.798	606	3,282,680	9,873	
Chugach	131	258	2.285	297	1,597,888	12,198	
Copper River	839	996	1.717	1,097	5,804,432	9,244	
Cordova	519	667	1.330	680	3,715,803	7,160	
Craig City	424	570	1.293	548	2,951,204	6,960	
Delta/Greely	910	1,267	1.473	1,340	7,214,537	7,931	
Denali	378	535	1.727	653	3,545,074	9,299	
Dillingham	524	673	1.525	789	4,304,293	8,214	
Fairbanks	15,816	17,297	1.073	16,970	91,374,563	5,778	
Galena	150	234	1.728	259	1,395,710	9,305	
Haines	430	649	1.450	624	3,356,744	7,808	
Hoonah	273	402	1.475	403	2,168,539	7,943	
Hydaburg	114	192	1.703	194	1,045,144	9,168	
Iditarod	422	785	2.513	1,060	5,706,711	13,533	
Juneau	5,525	5,844	1.000	5,525	29,751,272	5,385	
Kake	190	295	1.499	285	1,533,628	8,072	
Kashunamiut	244	320	1.702	415	2,235,608	9,163	
Kenai	10,282	12,431	1.156	11,886	63,977,480	6,222	
Ketchikan	2,850	3,358	1.102	3,141	16,910,682	5,933	
Klawock	220	335	1.459	321	1,728,732	7,858	
Kodiak	2,872	3,571	1.281	3,679	19,812,775	6,900	
Kuspuk	468	806	2.304	1,077	5,802,424	12,408	
Lake & Peninsula	498	929	2.402	197	6,441,951	12,932	
Lower Kuskokwim	3,275	4,631	1.973	6,462	34,787,713	10,622	
Lower Yukon	1,695	2,355	1.865	3,162	17,025,345	10,043	
Matanuska	12,024	13,493	1.093	12,782	68,827,340	5,724	
Nenana	181	230	1.693	273	1,467,849	9,117	
Nome	733	905	1.545	1,132	6,098,626	8,318	
North Slope	1,808	2,376	1.731	3,123	16,838,851	9,323	
Northwest Arctic	1,892	2,556	1.892	3,580	19,281,537	10,191	
Pelican	39	68	2.122	81	434,308	11,429	
Petersburg	754	969	1.108	903	4,863,487	6,450	
Prudhoe	213	320	1.942	414	2,227,276	10,457	
Sitka	1,802	2,264	1.170	2,108	11,349,605	6,298	
Skagway	131	194	1.504	197	1,060,942	8,099	
Southeast Island	350	713	2.128	744	4,009,329	11,460	
Southwest	616	966	1.997	1,230	6,628,756	10,756	
St. Marys	129	211	2.036	263	1,414,578	10,866	
Tanana	94	147	1.873	176	947,948	10,085	
Unalaska	353	489	1.634	577	3,106,887	8,801	
Valdez	896	1,098	1.275	1,142	6,150,794	6,865	
Wrangell	550	757	1.273	700	3,784,950	6,853	
Yakutat	187	313	1.650	310	1,670,123	8,931	
Yukon Flats	410	742	2.548	1,044	5,621,993	13,722	
Yukon Koyukuk	625	1,034	2.247	1,405	7,564,170	12,101	
Yupik	381	622	2.246	856	4,608,292	12,095	

For example, the Denali district – a district in which each school is a funding community – gains by the size adjustments under the statistical approach. The district's 378 students (column 1) are adjusted to 524 by current size factors (column 2) and to 535 by the statistical approach size factors (column 7). However, the district receives a lower allocation under the statistical approach because other districts gain even more under the revised size adjustments.

Equity Under the Statistical Approach

Figures 3 and 4 compare allocation of educational aid under the "transitional" and "no additional funding" scenarios, respectively, with allocation of aid under current law. Results are presented on a per-student basis so that comparison of information for districts of various sizes is meaningful. Figure 4 corresponds to the information presented in columns 6 and 11 of Table 3. Note that the plots of the statistical approach are both flatter and smoother than the plot of current aid. Both trends indicate reduced funding disparity.

Table 4 shows proportionate shares of both students and aid in each district under both current law and the statistical approach (columns 1, 2 and 4). The two "proportion" columns that apply to current law (columns 1 and 2) are used to compute a "size and location multiplier" that demonstrates existing funding disparity between districts. Dividing the proportion of aid the current formula allocates to each district (column 2) by the proportion of students in each district (column 1) produces ratios as shown in column 3.

A ratio less than one indicates that a district receives a disproportionately small share of total funding, while higher ratios indicate disproportionately larger shares of total funding. For example, Anchorage serves nearly 38 percent of students in the state (column 1), and receives just over 30 percent of regular education aid (column 2). Dividing column 2 by column 1 gives Anchorage a "size and location multiplier" of .81 (column 5). This number means that Anchorage receives \$81 per student for each \$100 per-student that is allocated by the formula. Similarly, the Aleutian Region receives over \$300 per student for each \$100 per-student that is allocated by the formula.

Disparity in per-student allocations is intended to compensate for differences in the cost of operating schools – and school districts – of various size and locations in Alaska, thus making the formula more equitable than one which allocates money in precise proportion to the number of students. It is important to understand that variation in the amount of aid received per student does not necessarily imply inequity. Size and location adjustments are included in the formula specifically to create disparity in order to compensate for relative differences in school operating costs.

Figure 3--Basic Need per Student, Transitional Scenario

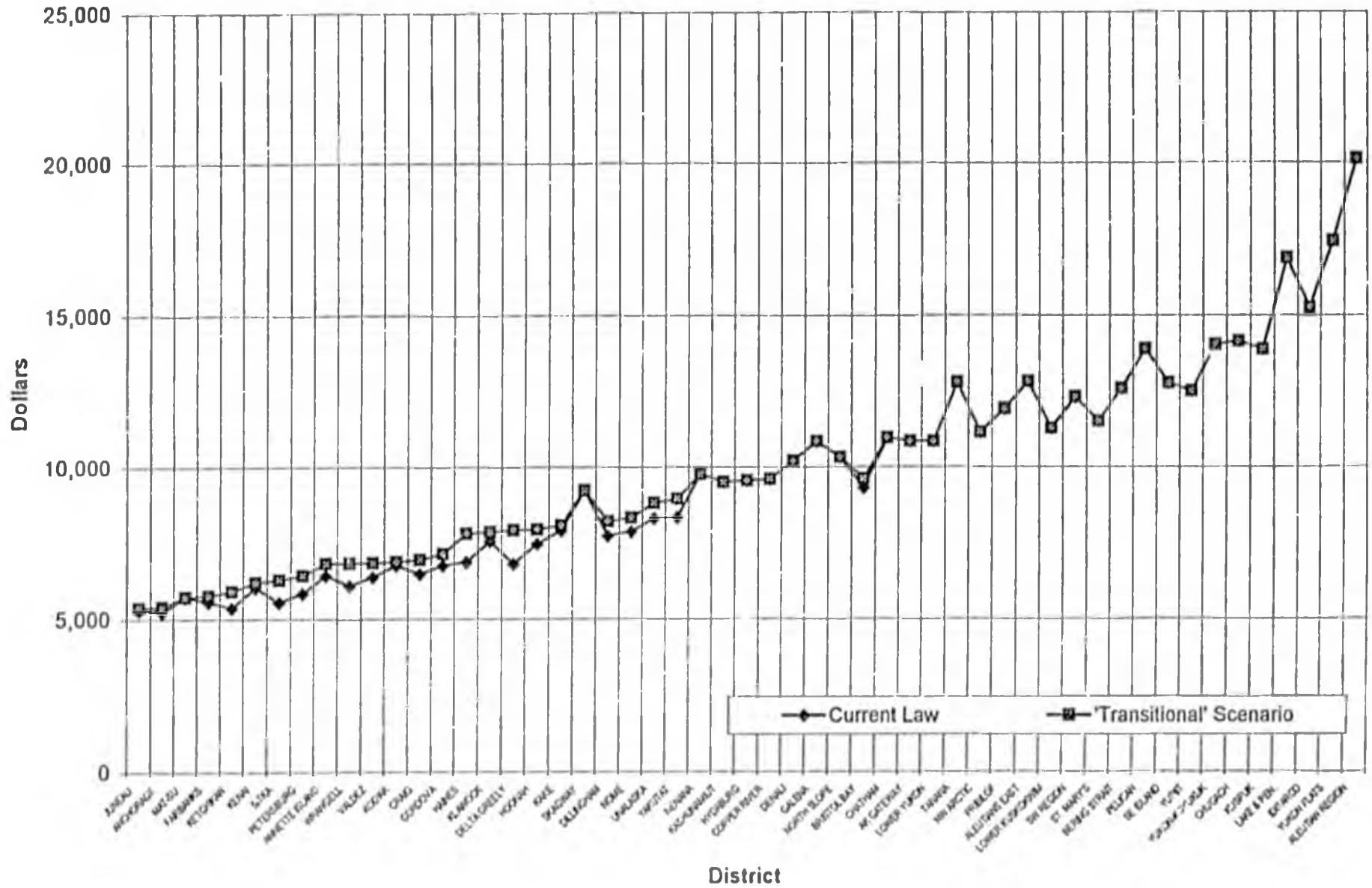


Figure 4--Basic Need per Student, "No Additional Funding" Scenario

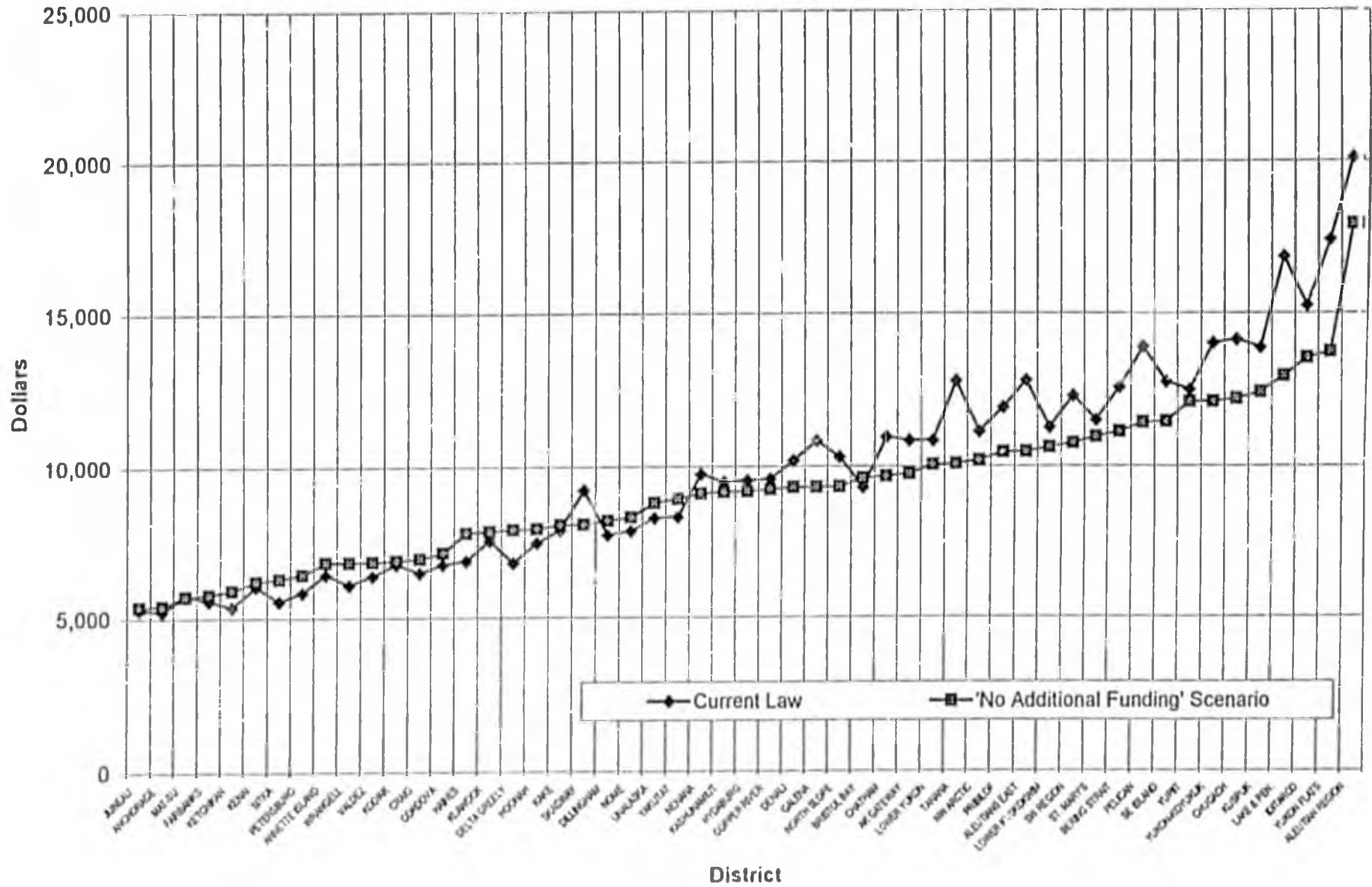


Table 4
Size and Location Multipliers for Allocation of Education Aid

School District	Current Law			Statistical Approach	
	Proportion of Students	Proportion of Aid	Size and Location Multiplier	Proportion of Aid	Size and Location Multiplier
	1	2	3	4	5
Alaska Gateway	0.45%	0.75%	1.67	0.67%	1.50
Aleutian Region	0.02%	0.05%	3.09	0.05%	2.75
Aleutians East	0.29%	0.57%	1.97	0.46%	1.61
Anchorage	37.58%	30.26%	0.81	31.30%	0.83
Annette Island	0.36%	0.36%	0.99	0.38%	1.05
Bering Strait	1.37%	2.04%	1.93	2.34%	1.71
Bristol Bay	0.25%	0.35%	1.43	0.36%	1.48
Chatham	0.27%	0.46%	1.68	0.41%	1.49
Chugach	0.11%	0.23%	2.17	0.20%	1.87
Copper River	0.52%	0.77%	1	0.74%	1.42
Cordova	0.42%	0.44%	1.04	0.46%	1.10
Craig City	0.35%	0.34%	1.00	0.37%	1.07
Delta/Greely	0.74%	0.78%	1.05	0.90%	1.22
Denali	0.31%	0.48%	1.57	0.44%	1.43
Dillingham	0.43%	0.51%	1.19	0.54%	1.28
Fairbanks	12.87%	11.02%	0.86	11.42%	0.89
Galena	0.12%	0.20%	1.66	0.17%	1.43
Haines	0.35%	0.37%	1.06	0.42%	1.20
Hoonah	0.22%	0.26%	1.15	0.27%	1.22
Hydaburg	0.09%	0.14%	1.48	0.13%	1.41
Iditarod	0.34%	0.80%	2.34	0.71%	2.08
Juneau	4.50%	3.66%	0.81	3.72%	0.83
Kake	0.15%	0.19%	1.21	0.19%	1.24
Kashunamiut	0.20%	0.29%	1.46	0.28%	1.41
Kenai	8.37%	7.78%	0.93	8.00%	0.96
Ketchikan	2.32%	1.92%	0.83	2.11%	0.91
Klawock	0.18%	0.21%	1.16	0.22%	1.21
Kodiak	2.34%	2.43%	1.04	2.48%	1.06
Kuspuk	0.38%	0.81%	2.13	0.73%	1.91
Lake & Peninsula	0.41%	1.05%	2.59	0.81%	1.99
Lower Kuskokwim	2.67%	4.62%	1.73	4.35%	1.63
Lower Yukon	1.38%	2.30%	1.67	2.13%	1.54
Matanuska	9.79%	8.63%	0.88	8.60%	0.88
Nenana	0.13%	0.20%	1.50	0.18%	1.40
Name	0.80%	0.72%	1.21	0.76%	1.28
North Slope	1.47%	2.33%	1.58	2.10%	1.43
Northwest Arctic	1.54%	2.63%	1.71	2.41%	1.57
Pelican	0.03%	0.07%	2.13	0.05%	1.76
Petersburg	0.61%	0.55%	0.90	0.61%	0.99
Pribilof	0.17%	0.32%	1.83	0.28%	1.61
Sitka	1.47%	1.25%	0.85	1.42%	0.97
Skagway	0.11%	0.15%	1.42	0.13%	1.24
Southeast Island	0.28%	0.56%	1.96	0.50%	1.76
Southwest	0.50%	0.95%	1.89	0.83%	1.65
St. Mary's	0.11%	0.19%	1.77	0.18%	1.68
Tanana	0.08%	0.15%	1.96	0.12%	1.55
Unalaska	0.29%	0.37%	1.78	0.39%	1.35
Valdez	0.73%	0.72%	0.98	0.77%	1.05
Wrangell	0.45%	0.42%	0.94	0.47%	1.05
Yakutat	0.15%	0.19%	1.28	0.21%	1.37
Yukon Flats	0.33%	0.89%	2.68	0.70%	2.11
Yukon Koyukuk	0.51%	1.10%	2.15	0.95%	1.86
Yupik	0.31%	0.59%	1.92	0.58%	1.86

Table 4 shows "size and location multipliers" under the statistical approach (column 5) as well as under current law (column 3). In general, disparity decreases under the statistical approach. That is, districts with small existing "size and location multipliers" typically gain funding (relative to other districts with high current multipliers) under the statistical approach.

Under the "transitional" scenario, disparity would be reduced as districts with low multipliers gain aid relative to other districts. Under the "no additional funding" scenario, a portion of the aid currently received by districts with high existing multipliers tends to be reallocated to districts with low existing multipliers.

Note, however, that while disparity is further reduced under the "no additional funding" scenario, the "gainers" continue to have low funding per student relative to those who do not gain. Similarly, districts that lose a relatively high amount of funding continue to have high per-student funding levels. Table 5 sorts the information in Table 4 in order of aid per student to more clearly demonstrate this reduction in disparity.

Table 5
Size and Location Multipliers for Allocation of Education Aid
(Sorted in order of Aid per Student)

School District	Current Law			Statistical Approach		Aid Per Student under the Statistical Approach
	Proportion of Students	Proportion of Aid	Size and Location Multiplier	Proportion of Aid	Size and Location Multiplier	
	1	2	3	4	5	
Alaska Gateway	0.45%	0.75%	1.67	0.67%	1.50	9,752
Aleutian Region	0.02%	0.05%	3.09	0.05%	2.75	17,931
Aleutians East	0.29%	0.57%	1.97	0.46%	1.61	10,477
Anchorage	37.58%	30.26%	0.81	31.30%	0.83	5,424
Annette Island	0.36%	0.36%	0.99	0.38%	1.05	6,841
Bering Strait	1.37%	2.64%	1.93	2.34%	1.71	11,133
Bristol Bay	0.25%	0.35%	1.43	0.36%	1.48	9,609
Chatham	0.27%	0.46%	1.68	0.41%	1.49	9,673
Chugach	0.11%	0.23%	2.17	0.20%	1.87	12,196
Copper River	0.52%	0.77%	1.47	0.74%	1.42	9,244
Cordova	0.42%	0.44%	1.04	0.46%	1.10	7,160
Craig City	0.35%	0.34%	1.00	0.37%	1.07	6,960
Delta/Greely	0.74%	0.78%	1.05	0.90%	1.22	7,931
Denali	0.31%	0.48%	1.57	0.44%	1.43	9,299
Dillingham	0.43%	0.51%	1.19	0.54%	1.26	8,214
Fairbanks	12.87%	11.02%	0.86	11.42%	0.89	5,778
Galena	0.12%	0.20%	1.66	0.17%	1.43	9,305
Haines	0.35%	0.37%	1.06	0.42%	1.20	7,806
Hoonah	0.22%	0.26%	1.15	0.27%	1.22	7,943
Hydaburg	0.09%	0.14%	1.46	0.13%	1.41	9,168
Iditarod	0.34%	0.80%	2.34	0.71%	2.08	13,533
Juneau	4.50%	3.66%	0.81	3.72%	0.83	5,385
Kake	0.15%	0.19%	1.21	0.19%	1.24	8,072
Kashunamiut	0.20%	0.29%	1.46	0.28%	1.41	9,163
Kenai	8.37%	7.78%	0.93	8.00%	0.96	6,222
Ketchikan	2.32%	1.92%	0.83	2.11%	0.91	5,933
Klawock	0.18%	0.21%	1.16	0.22%	1.21	7,858
Kodiak	2.34%	2.43%	1.04	2.48%	1.06	6,900
Kuspuk	0.38%	0.81%	2.13	0.73%	1.91	12,408
Lake & Peninsula	0.41%	1.05%	2.59	0.81%	1.99	12,932
Lower Kuskokwim	2.67%	4.62%	1.73	4.35%	1.63	10,622
Lower Yukon	1.38%	2.30%	1.67	2.13%	1.54	10,043
Matanuska	9.79%	8.63%	0.88	8.60%	0.89	5,724
Nenana	0.13%	0.20%	1.50	0.18%	1.40	9,117
Nome	0.60%	0.72%	1.21	0.76%	1.28	8,318
North Slope	1.47%	2.33%	1.58	2.10%	1.43	9,323
Northwest Arctic	1.54%	2.63%	1.71	2.41%	1.57	10,191
Pelican	0.03%	0.07%	2.13	0.05%	1.76	11,429
Petersburg	0.61%	0.55%	0.90	0.61%	0.99	6,450
Pribilof	0.17%	0.32%	1.83	0.28%	1.61	10,457
Sitka	1.47%	1.25%	0.85	1.42%	0.97	6,298
Skagway	0.11%	0.15%	1.42	0.13%	1.24	8,099
Southeast Island	0.28%	0.56%	1.96	0.50%	1.76	11,460
Southwest	0.50%	0.95%	1.89	0.83%	1.65	10,756
St. Mary's	0.11%	0.19%	1.77	0.18%	1.68	10,966
Tanana	0.08%	0.15%	1.96	0.12%	1.55	10,085
Unalaska	0.29%	0.37%	1.28	0.39%	1.35	8,601
Valdez	0.73%	0.72%	0.98	0.77%	1.05	6,865
Wrangell	0.45%	0.42%	0.94	0.47%	1.05	6,853
Yakutat	0.15%	0.19%	1.28	0.21%	1.37	8,931
Yukon Flats	0.33%	0.88%	2.68	0.70%	2.11	13,722
Yukon Koyukuk	0.51%	1.10%	2.15	0.95%	1.86	12,101
Yupik	0.31%	0.59%	1.92	0.58%	1.84	12,095

Chapter I. Basic Approach

The Statistical Approach

The statistical approach separates education funding into the following three components:

- Instructional Allocation
- Nonpersonal Services Allocation
- Administrative Allocation.

This chapter provides a brief introduction to each component; detailed discussion of the components appears in separate chapters. The components were separated because they are subject to substantially different size and location adjustment factors.

The separation into components is not intended to suggest expenditure limitations; separation applies only to the method by which aid is allocated, not to how the aid may be spent. Although it would be possible for the legislature to limit expenditures in the categories described, the research performed for this study is insufficient to determine what those limits should be.

Under the statistical approach, each of the three components has size and location adjustment factors unique to the component. Nonpersonal services and administrative multipliers could be consolidated into a single multiplier for each district if desired; they are presented separately in order to provide maximum flexibility to the legislature.¹¹

The concept of adjustments in the foundation formula is not new; current law adjusts for differences in both student population (generally referred to as "size" adjustments in this report) and location.

Although the current size adjustment formula (AS 14.17.041) may appear complex, it translates loosely to class size of:

- 5 students for funding communities with 11 to 20 students,
- 8 students for funding communities with 21 to 60 students,
- 12 students for funding communities with 61 to 120 students, and
- 15 students for funding communities with more than 120 students.¹²

¹¹ The size multiplier for the instructional component is determined at the school level and cannot be combined with other multipliers. Other multipliers, including any potential area cost differential for the instructional component, are computed at the district level and can be consolidated.

¹² This report is intended for a broad audience and does not necessarily follow strict technical definitions. The law refers to "instructional units," not to "class size." Both terms refer to a rough approximation of all school staff - not just classroom teachers - per student. The law also refers to "ADM" rather than to students. "ADM" means average daily membership and refers to average enrollment during a specific period. We use the term "students" because it is better suited to the intended audience. The term "funding community" is critical to this analysis and is discussed in Chapter II.

CORRECTION

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State of Alaska

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