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ABSTRACT

This publication is the first of a series of reports on the Alaska School Finance Study. This published report essentially covers the informational phase of the study, describing in detail the principles, basic data on current funding, and trends that comprise the current situation in educational finance nationally and in Alaska. Separate chapters focus in turn on the organization of the school system, school finance reform issues and implications for Alaska, methods of financing Alaska schools, and an analysis of financial information on Alaska schools. The appendix presents data on the enrollment and grade levels of Alaska school districts, describes in detail Alaska's current public school foundation program, presents the text of Alaska's public school foundation statute, and presents data on unit allotments for Alaska school districts and Regional Education Attendance Areas. A bibliography of relevant publications is also included. (Author/JG)

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# School Finance in Alaska

Report No. 1:  
An Overview of Current Issues, Sources  
and Distribution of Funds  
for Public Elementary and Secondary Education

by

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and Jerry N. Waddell

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One in a series of Reports from  
The Alaska School Finance Study

Center for Northern Educational Research  
University of Alaska  
Fairbanks, Alaska  
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As an indication of the extent to which the Study is a cooperative effort, it should be noted that staff resources have been provided by two federal agencies under provision of the Intergovernmental Personnel Act (IPA). Under IPA appointment to CNER are Jerry Waddell of the Bureau of Indian Affairs, and Anne Just of the U.S. Office of Education.

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## Introduction

The Alaska School Finance Study was initiated on the premise that the schools of Alaska are costing millions of dollars annually; that there is no comprehensive plan for these expenditures; that there are inequities in both benefits and tax burdens in some segments of the current multi-sided approach to fund disbursement; and that some categories of public funds for the education of Alaskans are inadvertently spent without sufficient public knowledge of the purpose and results of the expenditures. Furthermore, the Study has been designed with the belief that some sectors of the public have had negligible input in the past, regarding what their tax dollars are expected to provide in the way of educational services. Consequently, an attempt to acquire a greater understanding of educational need as perceived by the patrons of the schools themselves; determining what it may cost to meet those needs; and proposing a method of fair payment to meet those needs will be integrated into the Study.

Not everyone involved in providing education to Alaskans agrees with the preceding assertions. Certainly, as generalities, they need to be made specific, quantified and analyzed before they acquire credibility and are accepted or rejected. Providing information to examine these assertions thus becomes the first responsibility of the Alaska School Finance Study, as may be seen in this first report.

Products of the Study are planned to provide answers to the questions of how much money is being spent? for what services? by whom? and how fairly? The answers will be analyzed in light of statements comparing what the people of Alaska expect their schools to provide with what is now being provided. Discrepancies between how funds are now being used, and what are perceived as unmet educational needs, will provide the basis to formulate recommendations for

a new and comprehensive approach to school funding.

Alaska was among the first group of states to recognize the need for equality in inter-district funding. The school finance study of 1961 led to the implementation of the first foundation plan for distribution of funds to local school districts through an equalization formula. This placed Alaska in the forefront of states seeking to bring about systems of equitable distribution of state and local funds for education. A subsequent modification to that plan, implemented through legislation in 1970, is now looked upon as a technical setback by some because it took a previous, easily understood plan and made it unnecessarily cumbersome. Nevertheless, it may be said that Alaskans enjoyed a leadership role in school finance throughout the 1960s.

One of the dangers of being a leader in any endeavor, however, is unwittingly succumbing to complacency while under the delusion of continually advancing. Such may be said to be the situation in Alaska today.

A comprehensive study of Alaska's school finances has never been undertaken. The study in the early '60s that led to the first foundation plan was concerned with operational expenses in the cities and boroughs exclusively. It needs to be stressed that the foundation program is only one source of funds out of several that are utilized by the schools of Alaska. The few cursory reviews of the finances of the former state-operated schools, now the Rural Education Attendance Area System, were never made in reference to the rest of the schools of Alaska. Similarly, the Bureau of Indian Affairs annually spends millions of dollars on education in Alaska with no reference to other schools. Various federal categorical aid programs provide additional millions to Alaska also, but the actual effect of what those programs save or cost Alaskans is not known. Additionally,

recent legal concessions in the Hootch case require that many millions more for rural secondary education must now come from state revenues, but the actual long-term cost of the extraordinary effort these concessions imply is unknown.

Further complicating the means to achieve a more balanced and comprehensive plan to finance education in Alaska and assume a leadership role once again are the varied characteristics of Alaska's population composition, diverse geographic regions, rapidly changing economic conditions and the existence of three distinctly different systems of educational organization. Thirty-one traditionally organized local school districts in cities and boroughs acquire funds under one set of rules; the twenty-one new Rural Education Attendance Areas in the Unorganized Borough under another; and the forty-four federally-operated Bureau of Indian Affairs elementary schools under federal appropriations, which is yet another.

During the years when there was limited public or political awareness of or concern for non-urban, state-operated rural and Bureau of Indian Affairs schools, most attention and debate on the way public funds were raised and allocated for education centered on traditionally constituted, locally controlled school districts. Therefore, school finance plans, notably the foundation plan, reflect the circumstances and characteristics of the dominant Alaskan communities. Now, however, with the advent of Rural Education Areas, likely diminution of some types of federal support and the role of the Bureau of Indian Affairs in Alaskan education questioned more seriously than ever before, the need to examine the appropriateness, fairness and adequacy of the existing approaches to funding has become essential.

The current movement nationally to develop new plans to provide for more equitable distribution of funds because of *inter-district* variations is taking place in many states where abuses in equality of educational opportunity have been identified, and in some cases redress sought through the courts. In this context, Alaska's schools in boroughs and cities remain ahead of many states. However, possible regression in even these schools is inherent in some trends now developing especially the movement towards

one hundred per cent foundation funding, described in detail in this report. Although traditional city-borough school districts may be funded on a fairly equitable basis, the fact remains that substantial variation in amount of dollars per student from all sources does exist among traditional school districts and grows increasingly greater each time the state's share of the funding package increases.

In Alaska, the greatest obstacle to equal educational opportunity may exist because of *inter-system* variations and *inter-region* variations. Inter-system variations (city-borough districts, REAAs and BIA communities) and inter-region variations (geographic, ethnic and economic) play on one another and augment the complexity of the already complicated inter-district variations.

It appears increasingly necessary that in order to provide greater equity in financial resource allocation for educational purposes, a distribution formula that treats all schools uniformly, regardless of their organizational allegiance, geographical location or population composition must be developed. Also, more than yearly operational costs should be considered as new schemes are proposed. All expenses associated with providing educational services, including capital outlay, need to be drawn together into a single, comprehensive plan.

An effort as extensive as the Alaska School Finance Study requires that a sequence of steps take place, with reports on each step as the work advances. Thus, Report No. 1 essentially covers the informational phase of the study and describes in detail the principles, basic data on current funding and trends that comprise the current situation in educational finance nationally and in Alaska. In brief, Report No. 1 looks at and describes "what is."

The second step requires observations of ongoing situations and answers to questions concerning a number of variables such as, what should funds for education actually buy? what should these services and items cost? and how extensively should they be provided? The second step, therefore, may be considered the empirical phase of the study and describes "what ought to be."

The third step requires analysis of what is and what ought to be and of discrepancies between the two. This analysis will provide information necessary to formulate recommendations for an

Alaskan educational finance plan that embodies the most advanced principles of equal education opportunity while considering the many inter-regional, inter-district variations in Alaska, as well as a realistic consideration of financial resources available to education. The third step, therefore, becomes the conceptual phase and will, it is hoped, advance thinking on the subject for all Alaskans, resulting in the emergence of a new and better way for the state to meet its financial obligations to education.

Other reports will be issued as the second and third steps are completed, and it is planned that

the final statement produced will suggest alternatives and make recommendations to the State Board of Education, the Legislature, the Governor's Office and other educational policy makers.

Alaska's present rapid economic growth, population increases and changes in composition, organization of public education, and the emergence of profound principles of equality nationally, speak to the need for a study of and plan for Alaskan school finance more comprehensive in scope than ever before. This report becomes the first published work that speaks to that end.

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## Education Facts at a Glance

### Students and Staff Elementary and Secondary Education 1974-75

	City and Borough Districts (31)	State-Operated Rural and On-Base Schools (133)	Bureau of Indian Affairs Schools (53)	Private and Denomi- national Schools (27)	Total
Students in ADM	71,120	14,546	4,821	2,161	92,488
12th Grade Graduates	3,869	351	95	99	4,414
Professional Personnel	4,128	876	253	151	5,408
Non-Professional Personnel	2,377	648	318	60	3,403

### Frequently Used Abbreviations

ADM	Average Daily Membership (student)
ASOSS	Alaska State-Operated School System
AUBSD	Alaska Unorganized Borough School District
BIA	Bureau of Indian Affairs (U.S. Department of Interior)
DOE	Department of Education (State of Alaska)
LEA	Local Education Agency (School District, Regional Education Attendance Area)
PSFP	Public School Foundation Program (State of Alaska)
REAA	Regional Education Attendance Area (State of Alaska)

## Chapter 1

# School Systems in Alaska

Because the legal means by which the schools are organized are not uniformly applied throughout Alaska, and because this affects the plan used to distribute the resources for education, a review of the manner in which Alaska schools are organized is a necessary requisite to examining school finance schemes. The authority for public education arises out of the Constitution of the State of Alaska which provides that:

The legislature shall by general law establish and maintain a system of public schools open to all children of the State . . . (Article VII, Section I).

Although this Constitutional mandate has not been fully met, the Legislature enacted many laws dealing with education, most of which can be found in Title 14 of the Alaska Statutes. Commonly called "school laws," these statutes explain how the system of public schools is to be administered and maintained. The laws specify which state and local agencies are to supervise

and operate schools; the rules which must be followed; and how funds supporting the schools are to be provided. Acting under the authority of these school laws are the following agencies and officials at the state and local level:

1. State Education Agency, which includes the
  - State Board of Education,
  - Commissioner of Education, and
  - Department of Education;
2. Local Education Agencies, which include
  - Local boards of education,
  - Superintendents of school and their administrative and instructional staffs;
3. Borough assemblies and city councils.

A simplified description of the relationship of these agencies and officials is shown in Figure 1.

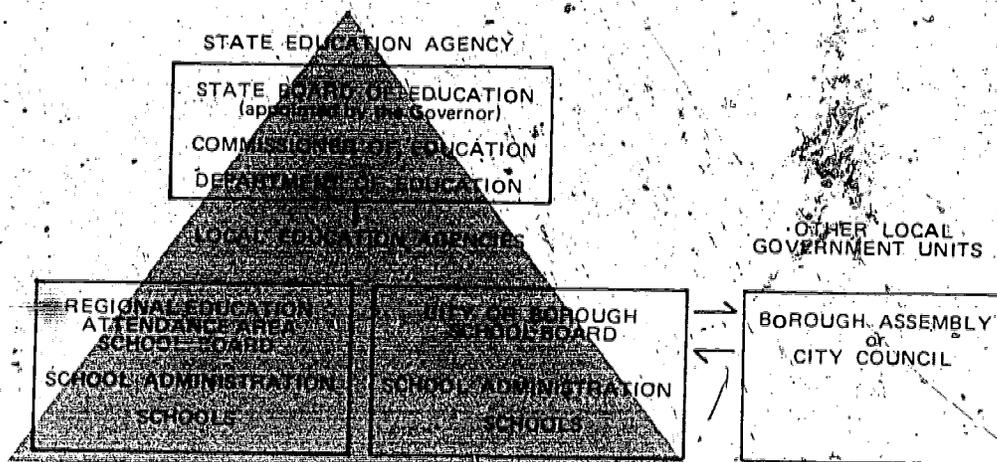


Figure 1. State and Local Agencies of School Governance

## State Education Agency

The State Board of Education, which also serves as the State Board for Vocational Education, establishes policies which govern operation of the Department of Education and the local education agencies. The Department of Education, directed by the Commissioner of Education, then exercises general supervision over the public schools. Some major duties and powers of the Department of Education include:

1. studying the schools and recommending plans for improvement;
2. prescribing a minimum course of study for the schools;
3. allocating state and certain federal funds to the schools;
4. requiring transportation services be provided to eligible students;
5. issuing teacher certificates; and
6. accrediting public, private, and denominational schools.

The system of public schools which is supervised by the Department of Education is comprised of a number of different kinds of local education agencies which have been determined by population density and historic accident.

## Local Education Agencies

There are 52 local education agencies (LEA), each with an elected governing board, which provide elementary and secondary education programs for some 90,000 students. Of these local education agencies, 31 are city or borough school districts, and 21 are Regional Education Attendance Areas (REAA). The REAAs which came into being July 1, 1976 are presently comprised of rural villages and were formed out of the areas formerly served by the single Alaska Unorganized Borough School District, the successor to the Alaska State Operated School System.

The city and borough school districts are located within local governmental units organized as unified municipalities, first class and home rule cities, and home rule, second, and third class boroughs. Also located within the Unorganized Borough, but not a part of the state system, are the federally-supported schools operated by the Bureau of Indian Affairs.

A map showing Alaska's school districts, both traditional, locally organized and the new REAAs, appears as Figure 12 in the centerspread of this report. The map also shows locations of federally-supported Bureau of Indian Affairs schools which make up the third element of the federal-state system of schools.

The method of financing, as well as the degree of local control is different for each of the three kinds of school systems. This situation aggravates any movement for reform towards a greater degree of equity in disbursement of funds as proponents of each of the three systems claim advantages each believe are easier to maintain by retaining the status quo. This becomes apparent in the data presented throughout this report.

## Schools in Organized Boroughs and Cities

In all boroughs except third class boroughs, and in cities, a school board separate from the borough assembly or city council is elected to supervise the schools. In the single third class borough (Haines), the assembly also functions as the school board. The kinds of local government responsible for schools in boroughs and cities are schematically illustrated in Figure 2.

The various duties and powers assigned to the local governing boards by State school laws are the basis for the board's work. Duties are the things a board *must* do, while powers are those things which a board *may* do.

Some examples of duties and powers of school boards in organized cities and boroughs are given below.

### Duties

1. Select and employ a chief administrator;
2. Approve appointment of all employees;
3. Determine and disburse salary funds;
4. Provide for an educational program for each school-age child;
5. Establish board policies in written by-laws and formally adopt them;
6. Comply with all appropriate state laws and regulations;

### Powers

1. Set the school calendar;
2. Create an advisory committee on the involvement of young people in school governance;

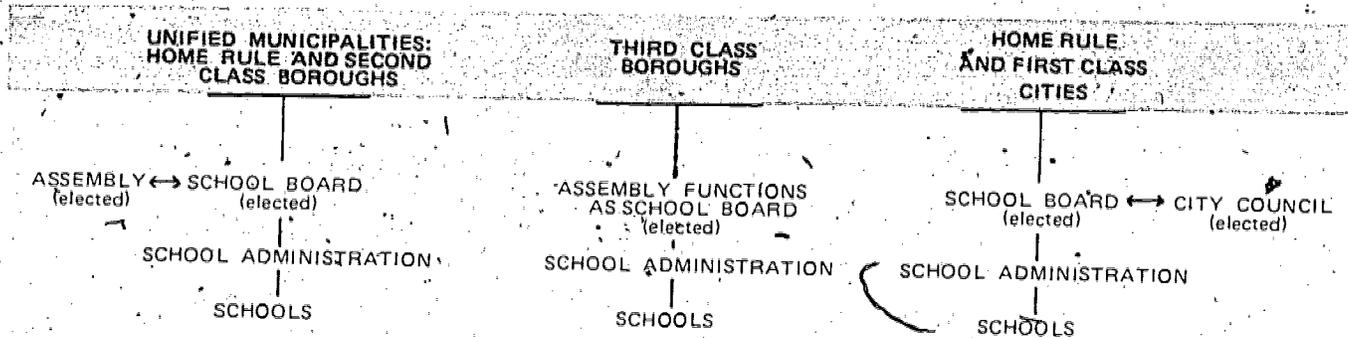


Figure 2. Local Government Units Responsible for Public Schools In Boroughs or Cities

3. Dismiss teachers, under certain conditions;
4. Contract for student transportation services;
5. Join with other districts, to establish regional resource centers.

Borough assemblies also have important powers and duties associated with operation of the schools. The assembly, which has the power to levy local taxes, approves the total amount of the district budget, provides the local share of funds, and has the authority over the construction and maintenance of school buildings. In addition, the assembly may retain custodianship of school district funds in a centralized treasury. Efforts to clarify the extent of these kinds of powers and duties, as well as lines of authority, continue to contribute to spirited debate between borough school boards and borough assemblies.

One school district power which encourages cooperative efforts in certain kinds of activities deserves further explanation, since it has financial implications. The districts may "... join together to establish regional resource centers to provide the following services, including but not limited to, accounting, payroll and other fiscal, media, instructional support, bilingual-bicultural education, inservice and staff development student, diagnostic, school management and school board member training." [A.S. 14.12.150] The law provides for establishment of seven centers. Member districts in each center will determine the cooperative service programs to be operated, and must provide the funds for direct service activities, even though some state funds will be provided

for administering the resource centers.

Beginning in 1975-76, two borough school districts have been responsible for operation of schools located on four of Alaska's six military bases. Schools at Ft. Wainwright and Eielson Air Base are operated by the Fairbanks North Star Borough School District. Schools at Ft. Richardson and Elmendorf Air Base are operated by the Anchorage Borough School District. In both cases, the full costs of operating these on-base schools are paid from state and federal funds disbursed to the school districts under contractual arrangements by the State Department of Education. This has led to a problem of ascertaining a fair contribution from federal sources, lags in disbursement, and question of jurisdictional rights between districts and the state in claiming federal money.

Schools at the two other military bases are operated under different arrangements. Schools at Ft. Greely, in the Interior, are operated as a part of the Delta/Greely Regional Education Attendance Area. The Alak REAA operates the schools at Adak Naval Station on the Aleutian Islands, while the Aleutian Chain REAA or city districts operate schools for the rest of the Aleutian Chain and a portion of the Alaska Peninsula.

#### Schools in the Unorganized Borough

The Unorganized Borough, characterized by sparse population, small villages, inadequate communications and limited transportation ser-

vices, and seldom-found local taxable resources for school support, has posed continuous frustration and barriers to the development of adequate education programs. These barriers have been further aggravated by the condition that most all the previous efforts to provide schools in rural Alaska avoided or neglected local residents in the decision-making process affecting the expenditure of funds and the operation of the educational program in their communities.

The public schools outside cities and boroughs (with the exception of BIA schools) were administered first by the territory and then by the State from 1917 to 1971. In 1971 the Alaska State Operated School System (ASOSS) was established and assumed responsibilities for public schools in the Unorganized Borough.

ASOSS operated as an unorthodox-State, quasi-local governmental unit with responsibility for all public schools in the Unorganized Borough, except BIA schools. Although nothing

in the legislation that established ASOSS in 1971 suggested the system was anything but permanent, pressures for reform during its final two years caused the board of the system to accede to a policy of working toward a system that would provide for local control.

The legislature in 1975, by amending the School Laws, abolished ASOSS and set in motion the potential for far-reaching changes in education programs in the Unorganized Borough. On July 1, 1975, ASOSS became the Alaska Unorganized Borough School District (AUBSD), and a process to establish Regional Education Attendance Areas began. At the end of 1975-76, AUBSD ceased to exist and the 21 new Regional Education Attendance Areas (REAA's) acquired authority for education programs in the Unorganized Borough, but initially exclusive of BIA schools. Figure 3 shows the previous and current organization structure for state-supported schools in the Unorganized Borough.

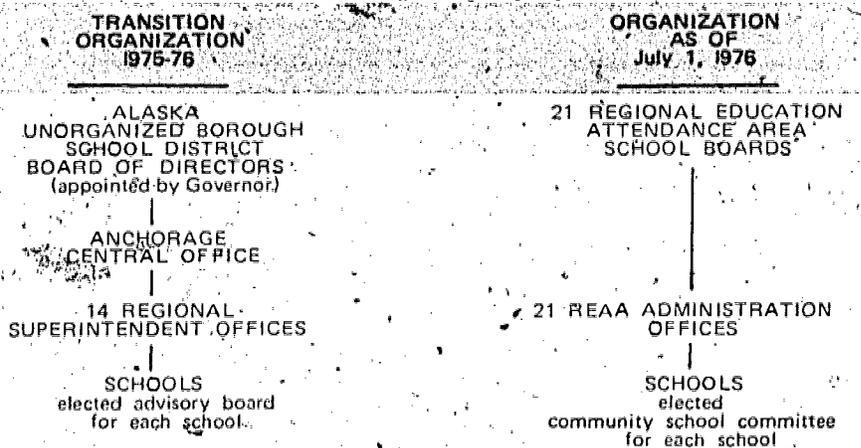


Figure 3. Past and Present Organization for State-Supported Schools in the Unorganized Borough

Some of the powers and duties of the REAA boards are given below.

**Duties**

1. Provide an educational program for school age children in the region;
2. Develop a philosophy of education, principles and goals for its schools;

3. Employ a school administrator and staff and establish employees' salaries;
4. Operate the schools in accordance with Alaska school laws;

**Powers**

1. Adopt regulations about the operation of its school;

2. Establish, maintain, or discontinue schools (subject to approval of the Commissioner of Education);
3. Determine its own procedures for purchasing;
4. Determine needed goals for its schools;
5. Make recommendations for school construction and repair;
6. Join with other districts to establish regional resource centers.

Legislation establishing the REAAs provided for broad local participation in operating the individual schools through use of elected community school committees. Each committee is to review and make recommendations to the board of the REAA concerning the curriculum, program and general operation of the local school and shall exercise additional responsibilities and functions as may be delegated to it by the REAA board.

A major and significant difference exists between city and borough districts and REAAs regarding the means by which these schools are financed. Local tax revenues are raised by boroughs and cities as a required local share necessary to obtain Public School Foundation Program support from the state. No local taxes are levied by REAAs, nor is there authority to do so; REAA boards must rely entirely upon non-local revenues to support their education programs. In short, they "enjoy" basically 100% financing from state-controlled revenues, if that may be considered an advantage, yet they are entirely dependent upon financial constraints established by the legislature, if a non-municipal status and the inability to levy taxes locally are considered disadvantages.

Still operated within the Unorganized Borough and thus within the REAAs are 44 Bureau of Indian Affairs schools. These federally-supported schools continue to be controlled from Washington, D. C. as a part of the Department of Interior. Educational policy is set there for implementation by the Area Office in Juneau. The Area Office then delegates specific responsibilities to four agency offices in Alaska. It is the responsibility of the agency offices to administer each school according to these policies. The organization of the BIA system is shown in Figure 4.

Although each BIA school has an advisory school board, the BIA employs the school staff; orders school supplies and equipment; sets the

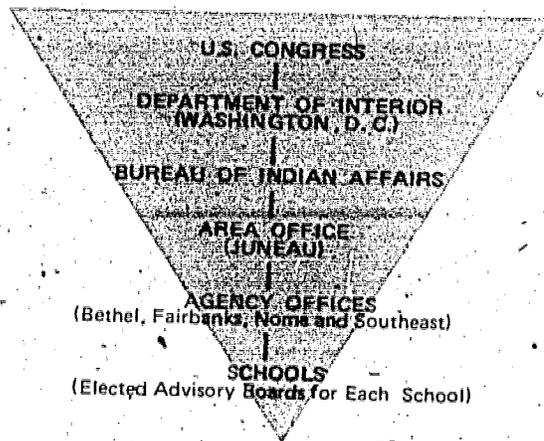


Figure 4. Organization of Bureau of Indian Affairs Schools in Alaska

dates of the school year; and determines the school curriculum (although the curriculum is set within bounds of a State-Federal Memorandum of Agreement that acknowledges the need for a generally uniform curriculum). Most significantly, the BIA requests from Congress the funds required for operation of the BIA schools, and distributes funds according to a centrally-determined budget.

In accordance with the legislation creating the REAAs, a few communities in cooperation with REAA School Boards agreed to have their schools leave the BIA system and become part of an REAA on or shortly after July 1, 1976. They were Kotzebue (K-12), Kiana (K-12), Emmonak (1-8), Hooper Bay (K-9), Mountain Village (7-8), and Kalskag and Lower Kalskag (1-8). The complete list of schools within REAAs as of the Fall of 1976 is in Appendix A of this report.

#### Summary

Thus it may be seen that three systems (one federal and two state) exist side by side to accomplish a common purpose. The extent to which three systems, with three different approaches to providing education and paying for it, can do so fairly and in the best interest of all is one of the primary concerns to be examined in the Alaska School Finance Study. With the diversity of organizations operating schools in Alaska, a number of questions come to mind that serve to illustrate the differences.

## Questions

1. Need there continue to be three distinct systems or might a single uniform system serve education better?
2. Is it possible for the State to share its responsibility for education with federal and local education agencies?
3. Do citizens of rural Alaska have the degree of local control of education they have asked for under the new Regional Education Attendance Areas?
4. Should the Bureau of Indian Affairs continue to operate schools in rural Alaska?
5. Will the BIA continue to provide funds for schools where it no longer has operational authority?
6. Does the current method of financing schools determine the educational opportunities available to students?
7. If opportunities for learning vary according to regional state differences should differential funding for regional variance be provided?

## Chapter 2

# School Finance Reform Issues and Implications for Alaska

A number of states are currently undertaking or have recently completed revisions of their school financing systems, some under nearly traumatic conditions, either voluntarily or as a result of court orders. What has caused this flurry of school finance reform? What is to be accomplished through revisions in school financing means and methods; and what have these events to do with Alaska?

Beginning in 1968 and continuing until today, a series of court cases contesting the inequities of various systems of the states in financing educational costs largely from property taxes were initiated, are pending, or have been ruled upon. Suits based on the very fundamentals of state constitutions have been or are being brought against school finance systems in state courts throughout the country. To date, almost 60 school finance reform cases have been filed. The most impressive and trend-setting cases on school finance which have led the way for subsequent lawsuits and anxious inhouse examinations of school laws governing financing methods are *Serrano vs. Priest* in California (decided in 1971) and *Robinson vs. Cahill* in New Jersey (decided in 1973). A summary of the principles set forth by these landmark cases in school finance follows.

### School Finance Principles Established by the Courts

The *Serrano* and *Robinson* cases and their subsequent counterparts established several major principles for school financing systems within the state affected and, by implication, for other states, as follows.

1. **Fiscal Neutrality.** The decisions in both the *Serrano* and *Robinson* cases stressed that education may not be a function of

wealth other than the wealth of the state as a whole. Therefore, school financing systems must make financial resources from taxes equally available for the education of each child, regardless of the district in which he or she lives.

2. **Variations in Expenditures Per Pupil Are Permissible.** Both the *Serrano* and *Robinson* decisions established that the state, through its financial assistance program, and the local educational agency, in its expenditures, should provide varying resources to meet the differing needs of students.
3. **Equalization of Local Revenues, if Permitted.** The *Serrano* decision emphasized the principle that equal tax efforts among districts should permit equal per pupil expenditures.
4. **Local Initiative Less Desirable.** This principle, established in the *Robinson* decision, stresses either curtailing or eliminating the amount of local revenue which a school district is required or permitted to raise, since this enables the more wealthy districts to spend more per student than less wealthy districts.
5. **Full State Funding.** The *Robinson* decision defined full state funding as the elimination of all local initiative. This principle would establish the legislature, not the local school district, as being responsible for obtaining, on a uniform basis throughout the state, all revenue needed for the support of schools.

### Effects of the Lawsuits and Court Decisions

Commissions created. Activities in school finance reform during the late sixties and early seventies resulted not only in a series of lawsuits

but also in the creation of various commissions to study school finance systems in individual states. These commissions provided recommendations to improve school financing methods. The Serrano decision in 1971 altered the charges of existing commissions and resulted, within nine months of the decision, in a great increase in the number of commissions or committees to develop new financing schemes, and to reexamine existing schemes to see if they were in compliance with the latest court decisions in their area.

**Recommendations from commissions.** Many of these commissions have issued their reports. Legislative committees have reviewed the documents and new school finance legislation has been passed in some states. However, while the principles for this new legislation were established by court decisions, the reports of significant school finance commissions contained recommendations for developing equitable school finance models. These recommendations were intended to serve as guidelines for states to follow in enacting new school finance legislation.

The following recommendations, which emerged from reports of various school finance commissions, have become the basis from which new approaches to school financing are now emerging. These recommendations emphasized what *should* be done in contrast to court decisions which delineated what *cannot* be done. However, the recommendations from the commissions strongly resembled and reinforced the school finance principles established in the court decisions. The recommendations from selected commissions' reports suggested that school financing systems should:

1. Be fiscally neutral;
2. Provide for varying expenditures per pupil, depending upon need;
3. Eliminate or reduce the amount of local revenues required or permitted via local initiative measures;
4. Provide for substantial state equalization of local effort; and
5. Provide for full state support of schools, utilizing state and local resources.

Implementing the court decisions and commission recommendations. Some states implemented the recommendations of school finance commis-

sions and committees through enactment of new school finance legislation. A number of other states are currently considering new education finance plans in light of both the court decisions and commission recommendations. As states continue to respond to these factors by altering existing education financing systems and by assuming a new role in public school finance, it is relevant to review the characteristics of such legislative changes to date.

**Characteristics of new school finance legislation to date.** The legislation enacted to respond to the court decisions and commission criteria about public school finance has demonstrated the desire of states to strive for fiscal equity in school finance systems. Most of the new laws have improved the equity of the education financing system in individual states. Primarily, those who have benefited most greatly from the new school finance laws have been poor taxpayers and educationally disadvantaged students — in keeping with the recent Serrano and like court decisions.

Among the characteristics of the new school finance legislation are the following:

1. Reduction of school property taxes, particularly in poorer communities;
2. More equitable distribution of school tax burdens among local taxpayers, frequently by state-imposed school taxes;
3. Systematic controls on the growth of local school budgets imposed through either strict limits on local taxes or by established maximums on school expenditures;
4. Increased expenditures in poorer districts, but not at the expense of richer districts;
5. Allocation of additional state funds for children with unusual educational needs or costs, usually through a "pupil weighting" system;
6. Development of aid programs to address exceptional school finance needs or the needs of urban and rural areas; and
7. Conscious attempts not to infringe upon "local control" of education decision-making despite increased state support of education.

## What the Court Decisions Mean for Alaska

The issues raised by the various lawsuits contesting state public school finance systems and the principles established by the decisions of the courts thus have had significant impact on a number of states throughout the country. These principles established in the court decisions can be utilized in analyzing Alaska's current school financing system.

**Fiscal Neutrality.** The principle of fiscal neutrality specifies that education may not be a function of wealth other than the wealth of the state as a whole. School financing systems must make financial resources from taxes equally available to each child.

Alaska's Public School Foundation Program (PSFP) currently provides a minimum of 95 per cent of a public school district's "basic need" for educational programs from the state level. The formula for distributing funds is uniform and provides extra allowances for the geographic location of a school district, for the size of enrollment in a school, special needs of some students, and for districts with below state average property wealth per student. Thus, in Alaska through the foundation program, a planned effort is made to insure that financial resources for "basic need" are equally available for each child's education.

While the "basic need" provision in the foundation program apparently meets this aspect of the fiscal neutrality principle, the combination of foundation program and local funds which supports education in city and borough districts may fail the test that education must be a function of the wealth of the state as a whole. "Wealth" in this context usually refers to both the taxable value of real and personal property within the state and to the amount of other sources of revenue to the State, such as income tax and liquor tax.

Currently, Alaska does not have a system of either assessing or taxing the wealth of the State as a whole. Instead, the foundation program requires that a school district provide a contribution from local revenues for the cost of educational programs. The percentage of this local contribution is based on the assessed value of real property within that school district. Under provisions of the PSFP a school district never has to contribute more than five per cent of "basic need" from local revenues, but may contribute as

much as local taxpayers and municipal governing bodies agree to above the "basic need" level. To some extent then, under these conditions, education does become a function of the wealth of the individual school district and not of the wealth of the state as a whole.

And as the percentage of state allocation continues to appreciate, but without a clear understanding of what basic need really is, the first condition of fiscal neutrality referred to above, i.e., equal availability, tends to diminish. Ultimately, the danger of equally available state funds eroding to a point of meaninglessness, or actually to a state of unequal availability, exists when examined under conditions of current trends.

**Variations in Expenditures Per Pupil are Permissible.** This principle established that a state through its school financial assistance and the local educational agency in its expenditures should provide varying resources to meet the differing needs of students.

In computing "basic need" funds for elementary and secondary schools, Alaska's school districts include the increased costs for students in vocational education and special education. Thus the principle has been invoked but to a limited extent as only special education and vocational education are recognized as a variation.

It is incumbent upon the individual school districts to spend the state funds so received for the particular purposes specified. In addition, school districts frequently do utilize their local revenues to provide additional educational experiences for vocational education, special education and for special interest group students (e.g., bilingual education and Indian education).

**Equalization of Local Revenues, If Permitted.** This principle stresses that equal tax efforts among districts should permit equal per pupil expenditures. Or, if the state school financing model allows or requires a local contribution for educational programs in a school district, then the local effort should be equalized by the state.

The intent of this principle is to prevent "wealthy" school districts from generating large sums of local revenue to buy additional educational programs while "poor" districts are either unable to generate much local revenue or have to tax themselves excessively in order to try to provide a comparable (or often lesser) education to that of the "wealthy" district.

Alaska currently does not have a provision in its Public School Foundation Act which equalizes the local effort of school districts beyond that required for basic need. *Wide variations do currently exist among tax rates and local revenues collected in the 31 cities and boroughs of the state, and in educational services beyond basic need.*

**Elimination Of Or Great Reduction In Local Initiative.** This principle stresses either limiting or eliminating the amount of revenue which a school district is required or permitted to raise from local sources. Frequently, additional locally-raised monies are utilized by a school district to increase its educational expenditures beyond those financed by state resources.

In Alaska, through the foundation program, local school districts must contribute from local revenues from zero to five per cent of their "basic need" depending upon local resources. Any additional local revenues raised may be used to pay for educational offerings beyond "basic need" if approved by the local governing body.

Throughout the state, wide variations in local contributions to education exist. Some organized communities (borough or first class cities) are able to afford local initiatives five times greater than the required local share; other organized communities with either a smaller or no tax base are unable to provide their local effort. In these cases, through provisions in the foundation program, the State underwrites both "basic need" and "required local share."

Recent legislation creating 21 new Regional Educational Attendance Areas (REAs) in the Unorganized Borough also contains provisions for state support of both "basic need" and "required local share" in these districts because of the non-existent tax base there. REAs also receive from the state additional funds in lieu of local tax revenues.

Clearly the current financing system allows for vast variations in funds available for education and the possibility of unequal educational opportunity.

**Full State Funding.** As defined in the Robinson decision, full state funding means the elimination of all local initiative or contribution. Legislatures, not local school districts, should be responsible for raising all revenue necessary to support schools.

Alaska presently does have through its school

foundation program at least 95 per cent funding of "basic need" in 31 borough and city school districts. However, due to the equalization provision of the foundation act, the State paid 99 per cent or more of "basic need" in several of these school districts because of an inadequate local tax base to provide local revenues for education.

In addition, the 21 REAs now in operation throughout the unorganized borough receive full state funding for "basic need" through the foundation program. Because there is virtually no tax base in these areas, the State also provides to these school districts, in lieu of a local share, an additional per pupil amount which is the average of local tax contributions per pupil in city and borough school districts in the prior fiscal year.

Therefore, in some school districts in Alaska, the State is fully funding the cost of education. However, it must be noted that this "full" state funding is directly tied to the school foundation program and to "basic need" as defined there and the inherent difficulty of that definition (not being derived from actual direct and indirect costs of instruction). Only when a local school district has a non-existent or an inadequate tax base, does the State provide funds in lieu of the local effort. School districts which can contribute local resources are required to provide five per cent of "basic need" but are not limited in the amount of local funds which may be used for additional education expenses.

#### Summary of School Finance Court Principles Applied to Alaska

Therefore, in reviewing the court directed principles for school financing systems and the current Alaskan model, the following inconsistencies result:

1. With regard to the fiscal neutrality principles, it appears that Alaska does make state financial resources equally available to each child in REAs but not to each child in city and borough districts. Thus only the REAs are supported by a system which makes education a function of wealth of the state as a whole.
2. Variations in per pupil expenditures have been recognized to a limited extent in Alaska's school foundation program with

allowances for vocational and special education. However, variations such as for students in rural communities or from low-income areas are not included in the current financing system.

3. While the State equalizes "required local share" with regard to basic need, a provision does not exist in Alaska's school financing system which equalizes the additional local effort among the 31 borough and city school districts.
4. Through the Public School Foundation Program, the maximum for required local initiative is limited to five per cent of "basic need" depending upon the local tax base in each school district. However, no restrictions are placed on school districts wishing to raise additional local revenues in order to increase their educational expenditures beyond those financed primarily by the state as "basic need." This provision may well result in unequal educational opportunities for students in various low wealth districts.
5. "Full" state funding, although possibly inadequate, has been achieved for REAAs through the foundation program plus supplemental payments in lieu of local effort.

These inconsistencies in Alaska's school financing system warrant scrutiny. Changing social and economic conditions require ever-increasing awareness and applications of emerging principles that speak to both adequacy and fairness in allocating funds for education.

#### Alaska Trends

**Towards 100 Per Cent State Funding of "Basic Need."** Recently, much discussion has focused on the State's providing 100 percent of city and borough school districts "basic need" for education. A possible trend in this direction might be construed from recent and proposed changes of school financing practices in the state. However, if such a trend should develop, the intent of the existing school financing system for Alaska, i.e., equalization of state fund distribution, may be seriously altered, if not eliminated.

Currently through a guaranteed financial base or "foundation" of state aid payments, school

districts in Alaska receive their major source of support for educational programs, although, in wealthy districts with extensive program offerings the amount of state aid falls far short of 95%. In other words, "basic need" in some districts is considerably more extensive and costly than in others since the foundation program is intended to assure an "adequate level of educational opportunities" for school children while reducing the discrepancies in spending levels in various schools and school districts.

The foundation program specifies percentages of state and local funds necessary to meet the basic need of each school district. The maximum local share is required of those school districts in which the assessed value of property per pupil in ADM is the same or higher than the state average assessed valuation of property per student. Those school districts in which the assessed valuation per pupil falls below the state average receive an increased percentage of state aid through the "equalization" provision of the foundation program. The purpose of this provision is to equalize the financial resources available for education in less wealthy districts by providing additional state aid.

Yet, it is this very equalization factor to assist less wealthy districts which would be lost if the State funded all districts at 100 per cent of their basic need. Wealthy districts would be able to supplement this state "basic grant" with local funds if "basic" does not fulfill their educational needs. However, less wealthy districts with little if any supplementary local funding would have to provide educational programs limited largely by the state dollars received. Without the equalization factor, no provision would exist for such districts to obtain additional state funds to help offset the financial advantage of the wealthier districts. The current trend clearly indicates that these conditions are possible and to a certain extent already happening.

**Change in Distributing School Finance.** As alluded to, a shift in the means of distributing school financial support has recently occurred in Alaska. The former Alaska State-Operated School System (ASOSS) with its central administrative offices in Anchorage has been replaced by 21 Regional Education Attendance Areas (REAAs) throughout the Unorganized Borough. With this significant change in administration of rural

schools came a change in the distribution of funds for these school districts. Instead of the Legislature's annual appropriation of funds for ASOSS which distributed financial resources from its central office, the REAAs receive 100 percent of their "basic need" through the foundation program. However, through a formula devised in the enabling legislation, the REAAs receive, directly from the State, an additional per pupil amount which equals the average of local contributions per pupil in city and borough districts in the prior fiscal year. These "substitute" funds are in lieu of local contribution because no taxes are levied in the REAAs.

It is generally agreed that the creation of the REAAs was a major step in making local control of education a reality in rural Alaska. And although a major step, it needs to be kept in mind REAAs are an extraordinary arrangement not necessarily consistent with constitutional provisions for units of local government in the view of some observers. While the ASOSS central office was abolished and the direct appropriation by the Legislature replaced by primary support through the foundation program, the additional add-on described above has had the effect of altering the three separate and distinct systems of school financing which existed in the state prior to the creation of the REAAs — the city and borough school financing model, the rural school model and the BIA model. The scheme created for the REAAs is a combination of the previous ASOSS' and Local Districts' schemes. The outcome of this arrangement as a means to finance rural schools is still unknown, but as will be seen in the material that follows, doubts may be raised that the tests for an adequate and fair method of paying for schools may be difficult if not impossible to meet.

**Three School Financing Systems in Alaska.** The continued existence of three separate school financing systems poses a challenge to the State to determine how to deliver both educational funds and programs equitably. The dual systems for distributing state funds to city and borough districts and to rural REAAs (exclusive of BIA schools) compound the challenge as the State currently does not have any provision for equalizing the local tax effort of school districts. In addition to the wide disparity in the availability of taxable property between most REAAs and

the majority of city and borough districts, significant variations in tax rates and revenues collected do exist among the 31 city and borough districts. In light of the court principles, Alaska may need to scrutinize these situations carefully.

**Increased State Revenues.** The trend toward increased state revenues from the development of Alaska's natural resources, if realized, will have a tremendous impact on both the state general fund and on the school financing system.

A burgeoning state treasury increases the possibility of independence from property taxes altogether as a means of financing schools. Alaska may be in a position to devise a school financing system far in advance of those states still reliant upon property taxes as the basis for their financing models. In addition, education would definitely become a function of the "wealth" of the State as a whole, thereby meeting the principle of fiscal neutrality directed by the courts.

**Simplification of School Financing Systems.** Although this issue is not evident in current Alaskan trends, it is an Alaska need which reflects a national trend. As mentioned earlier in this chapter, as a result of court decisions and commission recommendations, states have begun to review and revise their financing systems. Subsequently, several states which have had foundation programs revamped these systems significantly, simplifying their content and calculations.

Alaska enacted its foundation program in 1962 based on enlightened principles of equalizing educational opportunities and of reducing discrepancies in educational spending among school districts. However, throughout the years, revisions and modifications of the foundation program have rendered it excessively complicated and in need of simplification. For example, the concept of an instructional unit which pays for the costs of an "average classroom" may now well be obscure and irrelevant, or the double-counting of students in eligible categories for support under the foundation program may result in significant underfunding or overfunding in school districts. These circumstances further reduce the likelihood of equitable distributions. The specific conditions and the requirements of court decisions for school financing systems in general point up the need for reviewing both Alaska's foundation program and its entire educational financing system.

In summary, it may be said that there are clearly identifiable trends that reveal increasing inability of the present systems to keep pace with changing educational practices and economic conditions in Alaska as well as an accelerating state of imbalance in both cost sharing and

distribution of available wealth statewide. The following chapters provide details to substantiate these concerns. Succeeding reports of the Alaska School Finance Study will examine other aspects of this problem.

## Methods of Financing Alaska Schools

Revenue to support elementary and secondary schools in Alaska is provided from local, state, and federal sources. City and borough school districts utilize local, state and federal sources, while REAAs in the Unorganized Borough rely almost solely upon state and federal revenues. Schools operated by the Bureau of Indian Affairs receive only federal revenues. Figure 5 shows the revenue sources for financing Alaska schools.

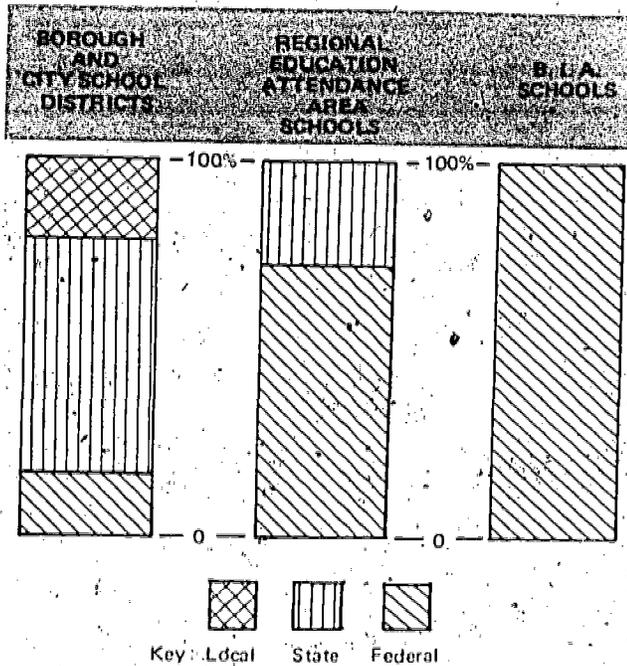


Figure 5. Sources of Funds for Education

The revenue sources and financing methods for schools are the results of events and circumstances which occurred during Alaska's early years and subsequently its status as a state. The brief review of early financing methods which follows will provide some perspective on these circumstances.

### Early Financing Methods

Prior to 1900, schools in Alaska (with the exception of BIA schools) received financial assistance from varied sources, including a city government, churches, business firms, local citizens and the U.S. Bureau of Education. After 1900 and until 1931 most funds for school operations came from license monies collected in incorporated communities and from grants from the Territorial Legislature.

In 1931 the Territorial Legislature began reimbursing city schools for the majority of operating costs. This territorial aid was based on the number of students enrolled in a school at a specified time of the year. The percent of reimbursement was greater for small schools than it was for larger schools because of recognition of higher per student costs of small attendance centers. With minor modifications, this reimbursement, or refund plan, was used until 1962 for city and borough schools.

During this time funds for rural schools were appropriated directly by the Territorial Legislature and, beginning in 1959, by the State Legislature. Budget requests for these rural state-supported schools were developed by the Department of Education and the funds were distributed by this state agency. Rural schools in communities with predominately Native populations continued to be operated and supported by the Federal government, first by the Bureau of Education and later by the Bureau of Indian Affairs.

Following statehood in 1959, it became apparent that the reimbursement method for partial support of city and borough schools was no longer adequate, since great discrepancies existed among these schools in the revenues available for school purposes. A study of the situation resulted in the proposal to create a public school

foundation program similar to such programs in other states.

### The Foundation Program

In 1962, the State Legislature, following the recommendations of the study sponsored by the State Department of Education, enacted legislation [A.S. 14:17.] which created a public school foundation program. This new program provided a way of distributing state aid payments to city and borough districts and was intended to reduce the discrepancies between levels of spending in various schools by establishing a guaranteed financial base or "foundation" from which local school systems could build to meet individual needs.

As described in the Declaration of Intent of the legislation, the foundation program sought " . . . to assure an adequate level of educational opportunities for those in attendance in the public schools of the state." The new law was the first major step by the State toward equality of educational opportunity by providing a specified percentage of state and local funds since no local school district was prevented from raising additional local funds to provide educational services and facilities beyond those assured by the foundation program. This feature provided a measure of local decision-making and greater flexibility in educational programs offered.

With enactment of this program, Alaska joined a growing list of states which had enacted similar legislation based on the concept of equalizing educational opportunities of students through a new application of state and local resources. Financing of state-supported rural schools and BIA schools in the Unorganized Borough was unaffected by this change.

Because the public school foundation program represents the primary method whereby the State meets its responsibility for financial support of the public schools, it will be explained in some detail. Following this, the kinds of financial support provided to each of the school systems in Alaska will be identified.

### Current Foundation Program

The 1962 Public School Foundation Program (PSFP) continued in effect until 1970, with

periodic revisions to increase the amount of state aid for various instructional programs and to further equalize the funding available to small districts. In 1970, the report of a new committee to study the school foundation program was released and the State Legislature enacted a revised program based on the committee's recommendations.

The revised program modified the way to determine the *basic need* of each city and borough school district. Basic need is expressed in dollars, and does not represent a prior determination of the costs for providing specific educational experiences to students in the district. A formula in the legislation provided for calculating the basic need of each district and for determining both the state share and the local share of this basic need. The factors used in the formula follow.

### Foundation Program Factors

The district factors utilized in the PSFP computation include:

#### For Basic Need

1. Student and program factors based upon the number of students, kinds of programs, and enrollment of schools,
2. Location and access factors based upon geographic location and transportation access features of a district, and.

#### For State Aid and Local Required Effort

3. The relative wealth factor based upon the district's property valuation per pupil compared to the state per-pupil average valuation.

Determining the amount of state aid to be paid to a district under the foundation program is a rather complex task and is fully described in a detailed example in Appendix B of this report.

### Application of Foundation Program Factors

The factors mentioned above are used specifically to determine the amount and percent of state aid to be received by a city or borough

school district. A description of each of the factors and its uses follows. Each of the italicized terms is defined in Appendix B.

1. **Student and Program Factors.** The number of students, types of programs, and size of schools by enrollment (See Fig. 6) are used to determine the number of *instructional units* of the district. Different kinds of student programs have different values toward the calculation of instructional

units. For example:

- 45 elementary students equal 4 instructional units;
- 85 secondary students equal 7 instructional units;
- 45 vocational education students equal 4 instructional units;
- 45 special education students (ADM FTE) equal 5 instructional units;
- 7 correspondence students equal 1 instructional unit.

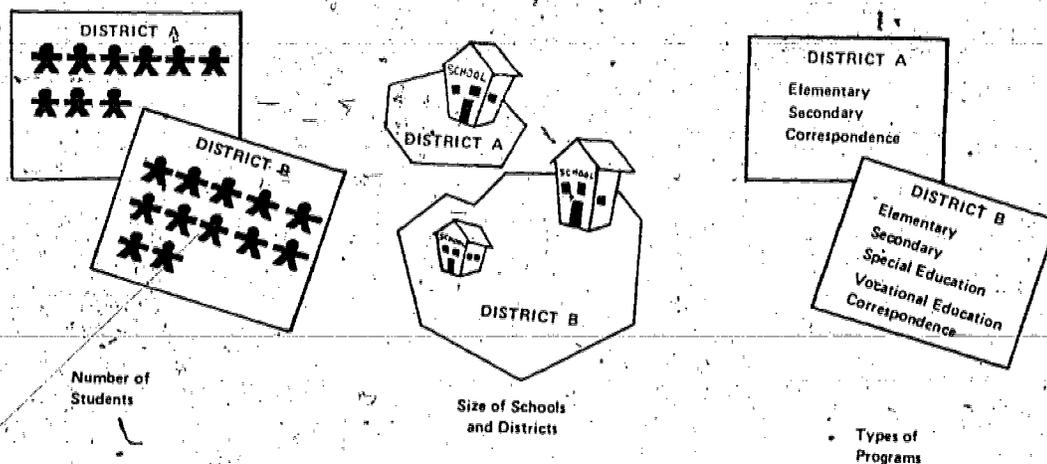


Figure 6: Student and Program Factors Used to Determine Number of Instructional Units

The law defines instructional unit as "... the aggregate of all direct and indirect services necessary to provide a standard level of instruction for a group of pupils." [A.S. 14.17.250(18)] The method of computing instructional units is explained in Appendix B.

A uniform method of counting students called *average daily membership* is used in all PSFP calculations. Average daily membership (ADM) is defined as the aggregate days of membership of pupils divided by the actual number of days in session for the school term. In the case of vocational and special education, where students may not be enrolled in these special programs for the entire day, ADM is based upon the number of full-time equivalent students. This is called *ADM full-time equivalent*.

In districts with more than 1,000 students, instructional units are generated at a slower rate than in districts with fewer than 1,000 students.

2. **Location and Access Factors.** The geographic location of a district and the access it has to specified highways and the railroad and State Ferry System affect PSFP calculations. These two factors — location and access — recognize the higher cost of doing business in rural and isolated areas. The factors, common to regional differentials or cost of living differentials, result in a higher instructional unit value for rural and isolated districts. The adjustment is called the *instructional unit allotment* and ranges from 103.75% of the instructional unit value in Sitka to 133.75% in the North Slope Borough School District. An additional 5% (compounded) is added if the district does not have access to Anchorage, Ketchikan or Fairbanks by road, railroad or State Ferry System. This additional 5% is referred to as the isolation factor.

The instructional unit allotments were in-

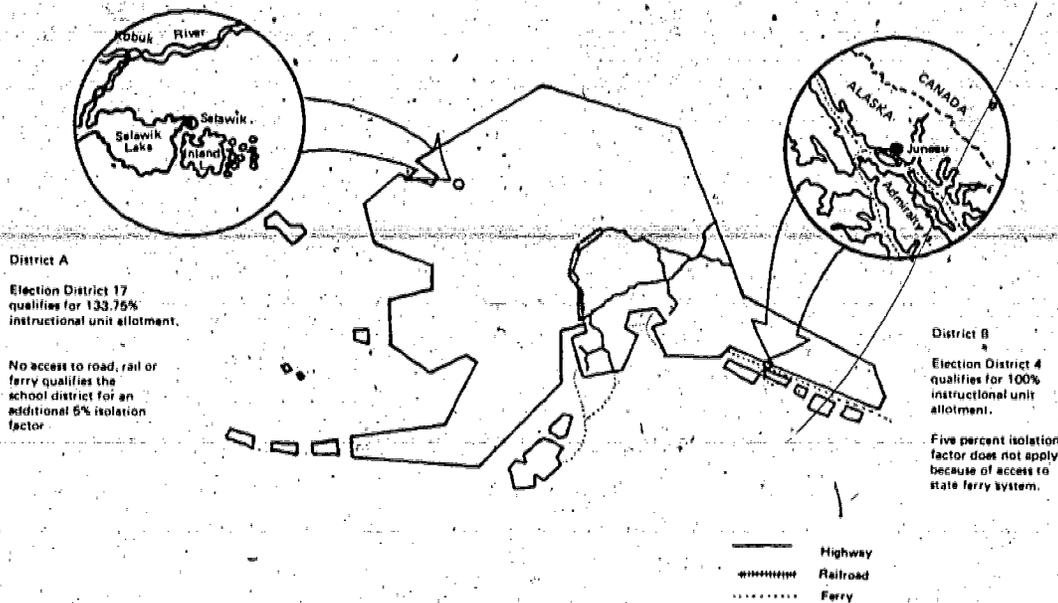


Figure 7: Location and Access Factors Used to Determine Regional Differentials

increased in number and percent in 1975 by the Legislature to reflect more adequately the higher costs of operating schools in outlying areas of the state.

3. **Relative Wealth Factor.** The relative wealth of a district is another important factor in the PSFP. The wealth is measured in terms of the valuation of real and personal property in the district, since it is this assessed property which will be taxed for school purposes. The relative wealth of a district is determined by comparing the *assessed value of property per student in ADM* for the district with the *state average assessed valuation of property per student in all districts*.

Districts whose assessed value per student falls below the state average receive a higher percentage of PSFP funds than do districts which have assessed valuation per student at or above the state average valuation per student (See Fig. 8). The percent of basic need provided by the State is referred to as the *equalized percentage*. This feature thus tends to further equalize the resources for education in that larger state aid payments are made to the less wealthy districts thus reducing the districts' local required effort.

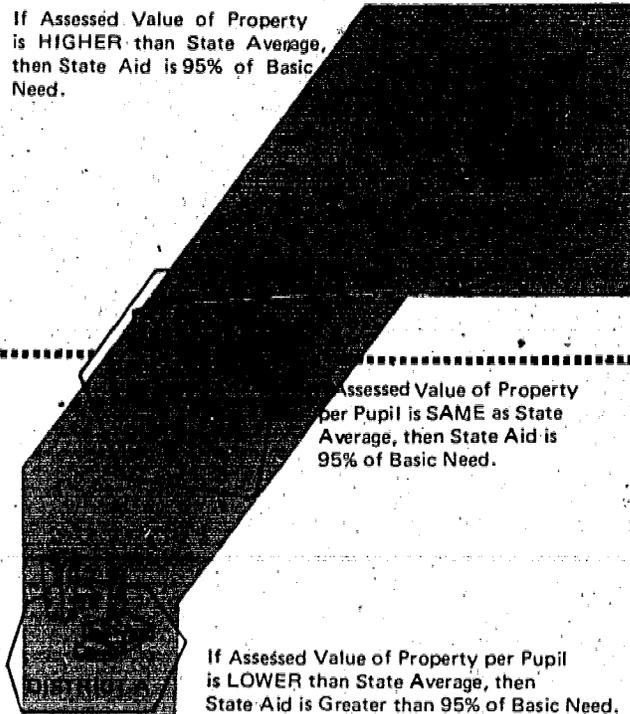
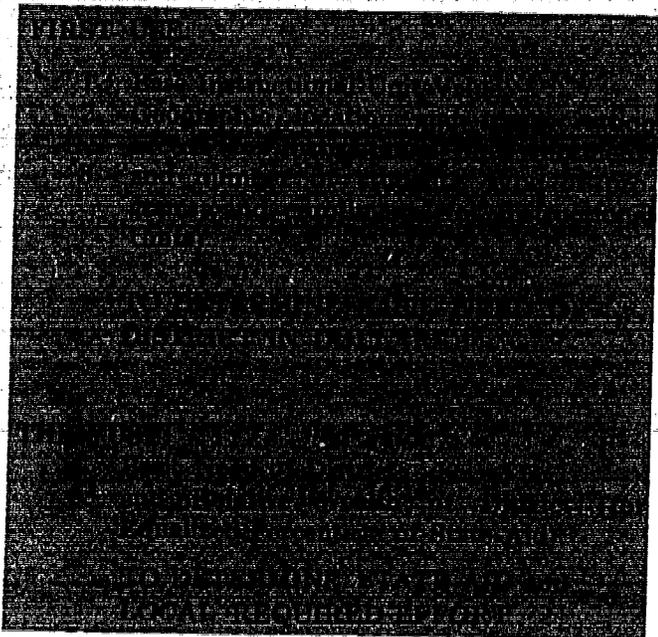


Figure 8. Relative Wealth Factor used to Determine State Aid Portion of Basic Need

### A Sample Computation

Since each foundation program factor has been individually described, it is appropriate to observe how they are utilized in computing basic need, state aid, and local required effort for a district. The sample computation which is introduced below is fully described in Appendix B.

The steps and major factors used in the Public School Foundation Program formula:



In its simplest terms, the procedure shown above can be illustrated in a simulated example as follows:

#### FIRST USE:

1. Base Instructional Unit Value; \$25,000
2. Instructional Unit Allotment becomes adjustment based upon district's location and access features; \$28,219
3. and number of students in ADM, 42 type of program and size of schools (expressed in terms of average daily membership of students) provides number of Instructional Units.

#### TO DETERMINE BASIC NEED:

The adjusted value of Instructional Unit multiplied by the number of Instructional Units equals Basic Need;  
 $\$28,219 \times 42 = \$1,185,198.$

#### THEN USE:

4. Basic Need of the District; \$1,185,198
5. Relative Wealth of the District; expressed in terms of equalized percentage. 95.83%

#### TO DETERMINE STATE AID:

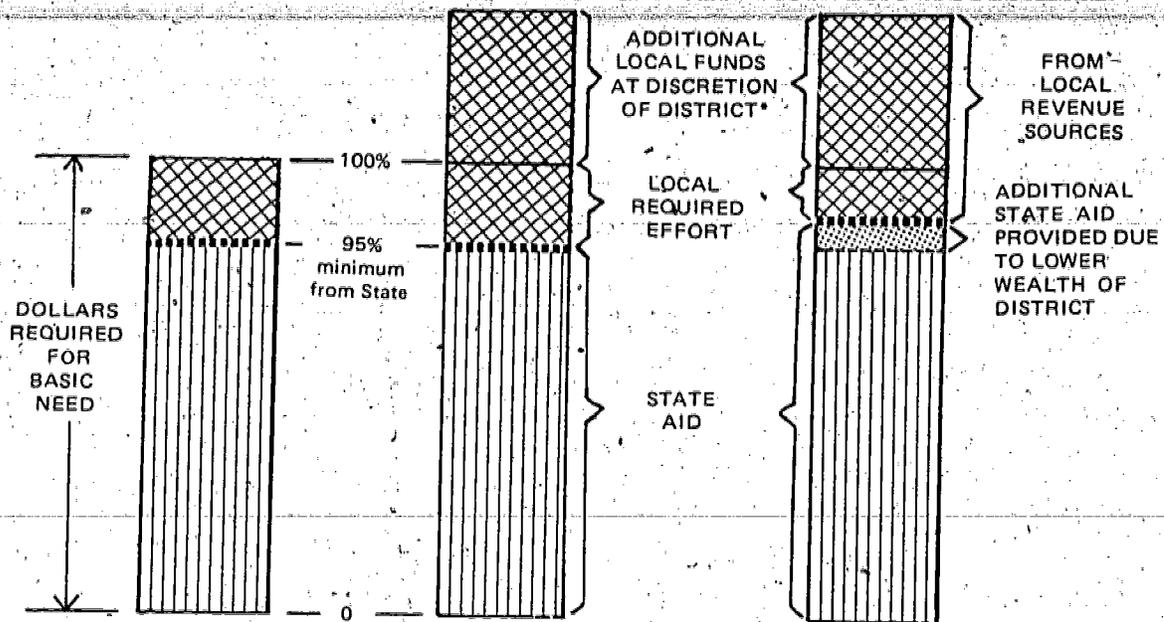
6. State Aid equals Basic Need multiplied by equalized percentage;  
 $\$1,185,198 \times 95.83\% = \$1,135,775$

#### THEN DETERMINE LOCAL REQUIRED EFFORT:

7. Local Required Effort equals Basic Need minus State Aid.

$$\$1,185,198 - \$1,135,775 = \$49,423$$

Two important points must be emphasized here. One is that in no case will the amount of local funds required to qualify for state aid under the PSFP exceed 5% of basic need. This is because the PSFP guarantees 95% of basic need will be provided by the State regardless of the relative wealth of the district. The second important point is that no district is prevented from providing additional local funds for school purposes above and beyond those it is required to provide under the PSFP. Figure 9 illustrates the equalization feature of the PSFP which provides for payment of additional state aid to districts with relative wealth lower than the state average.



\*The amounts beyond basic need come not only from local revenues but from other state and federal sources.

Figure 9: State Aid Equalization Feature of the Public School Foundation Program, 1976-77

Application of the PSFP formula to REAAs. The PSFP formula is also used to determine the amount of state aid for basic need to be paid to Regional Education Attendance Areas. No local required share will be provided by the REAAs, since they have no local source of revenue, and so the State will provide funds to meet the entire basic need of each REAA.

The State also will provide added funds in order that the REAAs' revenues beyond the basic need requirement are more nearly comparable on a per student basis to the revenues of city and borough districts.

The additional state payments to REAAs in

lieu of local revenue sources will be based upon the average amount per student raised from local property taxes in the city and borough districts. In 1975-76 this was \$475.50 per student. In 1976-77 the amount in lieu of local revenues is estimated to be \$575 per student. Note that in this respect decisions by city and borough school boards on the amount of local funds they utilize for the schools determines the amount REAAs receive beyond basic need. In effect, this "substitute local effort" figure is established by city and borough boards. Figure 10 shows how the state will support REAAs compared to city and borough schools.

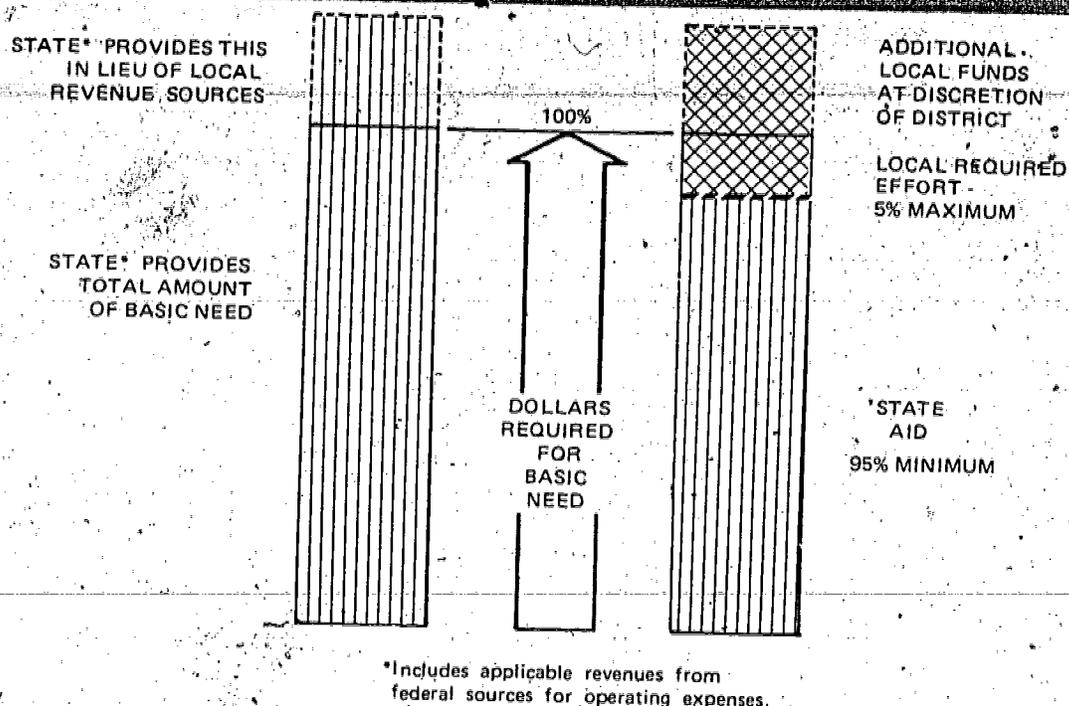


Figure 10. Foundation Program Support of Regional Education Attendance Areas Compared to City and Borough Districts.

### Revenue Sources

The next section of this chapter identifies the various state, local and federal sources which provide revenues to support each kind of school in Alaska. Sources of revenue, by kind of school, are shown in Table 1.

### Local Sources

City and borough appropriations from local property tax collections and other tax revenues is the largest local source of revenue available to operate the schools. Rental of facilities, sale of properties and fees and other charges provide only small amounts of revenue.

Bond issue proceeds, which is borrowed money, finances the construction of new school buildings. Repayment of these borrowed funds

comes from the proceeds of a special tax levied on property in the city or borough.

### State Sources

Annual appropriations by the State Legislature provide the bulk of state funds which are distributed to the city and borough districts and the REAAs. The appropriations, of course, come from state funds collected from income taxes, both personal and corporate, from the proceeds of lease sales and from other kinds of taxes and fees.

The largest appropriation for schools goes to support the state aid portion of the Public School Foundation Program. Newly enacted legislation to foster the growth of bilingual education programs and community schools will also provide revenue to some districts and REAAs.

Table 1

Major Sources of Revenue for Operating Expenses  
for Alaska Schools, by System

Sources	System		
	City and Borough	REAA	BIA
<b>Local:</b>			
City or borough appropriation	X		
Other local Revenues	X		
<b>State:</b>			
Public school foundation program	X	X	
Special programs, i.e.—bilingual, community schools	X	X	
Pupil transportation program	X	X	
Tuition	X		
State impact program (Mini-874)	X		
Payment in lieu of local revenues		X	
<b>Federal:</b>			
Federal appropriation			X
Elementary and secondary education act	X	X	X
Vocational education	X	X	
Adult basic education	X	X	
Johnson-O'Malley	X	X	
Federal impact (P.L. 874)	X	X	
School lunch and milk	X	X	
Other federal aid programs	X	X	

The costs of pupil transportation to and from school is fully reimbursed to the districts by the State. The State also provides funds to pay a portion of the interest on money borrowed by city and borough districts to construct school buildings. Cigarette taxes are distributed to the districts to pay a portion of the cost of maintenance of school buildings.

Proceeds of state bond issues are used to pay the construction costs of schools in the Unorganized Borough where no local property taxes are available for this purpose. A sizeable bond issue primarily for this purpose will be considered by Alaska voters in the fall of 1976. The proceeds of this bond issue will be used to build needed buildings in the new REAAs and in some city and borough districts.

The state impact program (Mini 874) provides state funds to districts which have students whose parents live on or work on state property. Since the district with such students can't tax the state property for school support, the State provides funds in lieu of local taxes.

Payment in lieu of local property taxes is made to the REAAs. This has been previously described and is to bring REAA revenues more in line with the city and borough school districts.

## Federal Sources

Federal education funds available to city and borough districts, REAAs and in some instances to BIA schools, are "categorical" in nature since they are directed toward specific, highly visible educational issues or problems of national concern. Some of the better known federal categorical aid programs in Alaska are the Elementary and Secondary Education Act, Vocational Education, Adult Basic Education, Johnson-O'Malley, School Lunch and Milk, Education for the Handicapped, Career Education and Bilingual Education. Each of these programs has specific compliance requirements which must be met in order to be eligible for receiving funds.

A major share of federal aid comes to Alaska city and borough districts and REAAs under provision of Public Law 81-874, School Assistance in Federally Affected Areas. This federal impact aid is commonly referred to as P.L. 874. It provides funds in lieu of local property taxes for districts which enroll students whose parents work on or live on federal property, such as military bases or Indian lands. For some years, Alaska has received P.L. 874 funds at double the rate received by eligible schools in the lower 48 states, but is now being cut back to the regular rate over a four year period which started in 1975-76. In the case of REAAs, P.L. 874 revenues are included with state revenues used to support these schools.

The BIA schools scattered throughout the State are supported totally by federal funds from direct appropriations by the U.S. Congress. Although the BIA schools are to operate in compliance with Alaska school laws, no state or local support is required because the BIA is solely responsible for these schools.

## Summary

Revenues to finance elementary and secondary education are provided from local, state and federal sources in a variety of ways. Some of the

methods of distributing these revenues to the schools have been used for some time, while others are relatively new. The amount and kind of revenue available to educate a student depends upon where that student lives and in what kind of school he or she is enrolled.

#### Questions

1. Are there sources of revenue other than those identified in this chapter which might be used to support the schools?
2. Should every district or REAA provide some revenue from local sources to support the schools?
3. Is the Public School Foundation Program working well now?
4. Do the current regional differentials need review?
5. Could the fairly complex process of computing basic need under the PSFP be simplified?

6. Should the amount of state funds paid to REAAs beyond basic need depend upon decisions of city and borough school boards?
7. Should the State provide a greater proportion of funds for constructing buildings in city and borough school districts?
8. What will be the effect on state funding as BIA schools leave the federal system and become part of the REAAs?
9. Should Alaskan children be afforded the same kind of educational opportunities regardless of where they live?

These are only a few of the questions which will be asked as the study of financing is conducted. The answers will help to determine what kind of educational experiences will be available to students in the years to come.

## Chapter 4

# Analysis of Financial Information

The cost of public elementary and secondary education depends mainly upon the number of students and the kind of school programs they are offered. The kind of school programs is of course affected by many things, including school location and size, grade levels and courses taught, number of staff and their salaries, type of supporting services, and perhaps most importantly, which of the systems operates the programs.

In Alaska, with three school systems, each with different sources of revenue, the compilation of facts about school financing in a manner that permits comparison and analysis poses a special challenge. This chapter will present selected financial information and apparent trends as follows:

1. revenues and expenses for 1973-74 for all schools,
2. selected analyses for 1974-75 of city and borough schools, and
3. selected changes and trends in financing city and borough schools.

### Revenues and Expenses for 1973-74

As previously explained, revenues to operate public and BIA schools in Alaska come from

local, state and federal sources. In 1973-74 revenues for current operating expenses amounted to \$171,510,829. Note that current operating expense includes the costs of the educational program but does not include costs of constructing buildings or paying the principal of or interest on money borrowed to construct buildings.

Sources of revenue in 1973-74 for city and borough schools, the Alaska State-Operated School System and Bureau of Indian Affairs schools were as follows: local, \$26,478,868; state, \$91,400,568; and federal, \$52,723,314 (see Fig. 11).

**Sources of Revenue.** The sources of revenue are quite different for each of the three systems. While federal funds account for 100% of BIA school revenue, and 74% of the revenue for the state-supported schools, only 6% of city and borough district revenues come from this source. State sources provide 71% of revenues for city and borough districts and 25% of revenues for the state-operated schools. Local sources account for 23% of the revenue for city and borough districts and 1% for the state-supported schools.

The revenue sources for operating expenses, by amount and percent for each system in 1973-74, are shown in Table 2.

Table 2

### Revenue Sources for Operating Expenses of Alaska's School Systems, 1973-74

(1) Revenue Source	(2) City and Borough School Districts		(3) Alaska State Operated School System		(4) Bureau of Indian Affairs Schools	
	Amount	Percent	Amount	Percent	Amount	Percent
Local	\$ 26,025,556	23%	\$ 453,312	1%	—	—
State	\$ 81,714,249	71%	\$ 9,986,319	25%	—	—
Federal	7,135,251	6%	\$28,146,493	74%	\$17,441,570	100%

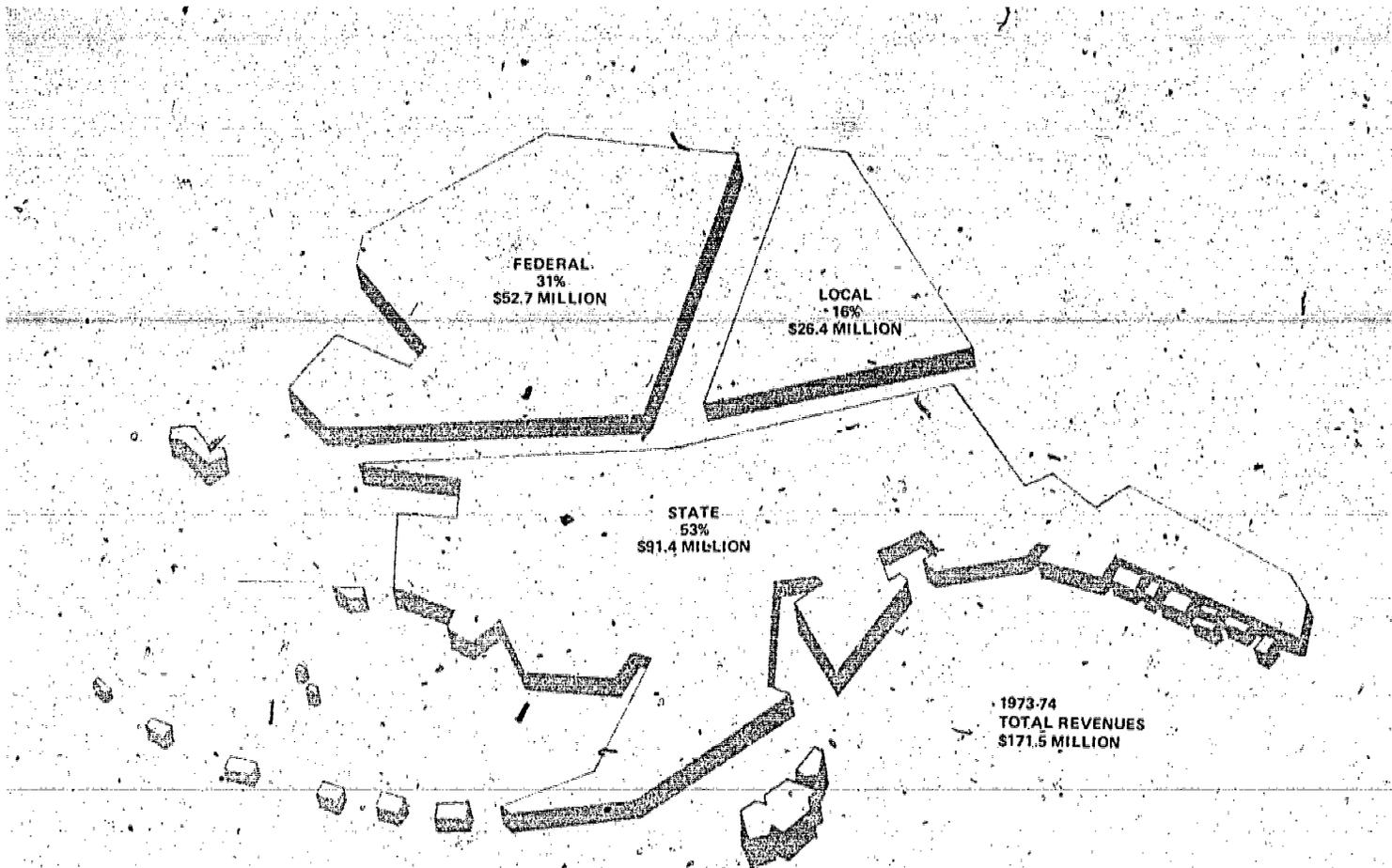


Figure 11. Alaska Public Education Sources of Revenue for all Schools, 1973-74

**Variations in Operating Expenses.** The variations in costs of operating the schools can also be compared on a per student basis. For 1973-74 the number of students in ADM for the systems was as follows: city and borough districts, 68,440; Alaska State-Operated Schools, 14,680; and Bureau of Indian Affairs schools, 5,478. Using these ADM figures and the total operating expenses shows that average per student operating costs were \$1,664 for city and borough districts, \$2,403 for ASOSS, and \$3,020 for BIA schools. The average cost per student in all three systems is \$1,871. These figures are displayed in Table 3.

These average costs per student, while useful to show that costs are higher in schools in the Unorganized Borough, do not show which costs are higher in the rural schools. The differences in costs can be identified by examining the use of the revenues in each system. Table 4 shows the expenses for each system broken down into eight common expense items: administration, instruc-

tion, auxiliary services, pupil transportation, plant operation, plant maintenance, fixed charges, and food services.

Table 3  
Current Operating Expense per Student in Average Daily Membership, 1973-74

System	Average Cost per ADM
City and Borough School Districts	\$1,664
Alaska State Operated School System	2,403
Bureau of Indian Affairs	3,020
State Average	\$1,871

The comparison of the varying amounts spent per student for similar expense items raises further questions, but also begins to provide some answers. For example, the higher per student costs of operating school buildings in rural Alaska is shown in plant operation and plant maintenance categories for ASOSS and BIA. Direct costs

**Table 4**  
**Alaska Education Costs**  
**for Current Operating Expenses per Student**  
**in Average Daily Membership**  
**1973-74**

(1) Expenses *	(2) City and Borough Schools	(3) Alaska State Operated Schools	(4) Bureau of Indian Affairs Schools	(5) Average for Systems
Administration	\$ 64	\$ 184	\$ 212	\$ 93
Instruction	1,120	1,587	1,371	1,213
Auxiliary Svcs.	92		16	72
Pupil Trans- portation	89	55	50	82
Plant Operation	109	336	729	185
Plant Main- tenance	67	116	391	95
Fixed Charges	102			79
Food Services	21	125	251	52
<b>Total</b>	<b>\$1,664</b>	<b>\$2,403</b>	<b>\$3,020</b>	<b>\$1,871</b>

*\*Explanation of Expense Items*

**Administration:** Those expenses which have as their purpose the general regulations, direction and control of the affairs of the school district that are system wide and not confined to one school (if the system has more than one school) or narrow phase of school activity.

**Instruction:** The expenses dealing directly with the teaching of students or improving the quality of teaching.

**Auxiliary Services:** Those expenses which have as their purpose providing health services to students and working outside the school with parents on attendance matters.

**Pupil Transportation:** Those expenses which have as their purpose the conveyance of pupils to and from school activities, either between house and school or on trips for curricular or noncurricular activities.

**Plant Operation:** Those expenses which are concerned with keeping the physical plant open and ready for use, not including repairing. It includes janitorial services, utilities, and care of grounds.

**Maintenance of Plant:** Those expenses which are concerned with keeping the grounds, building and equipment at their original condition of completeness or efficiency through repair or replacement.

**Fixed Charges:** Those expenses such as employee benefits, rent, interest on short-term loans and judgments.

**Food Services:** Those expenses which have as their purpose the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

for education reflected in amounts per student for instruction do not vary as much as one might expect and may show the effect of lower teacher-student ratios in the smaller rural schools. Food services expenses in rural schools are also much higher than in city and borough districts.

Another way to examine school expenses is in terms of how each revenue dollar is used in each of the systems. Table 5 shows the cents used for

**Table 5**

**Use of the Education Dollar**  
**By School System, 1973-74**

(1) Expense	(2) City & Borough School Districts	(3) State Operated Schools	(4) Bureau of Indian Affairs Schools
Administration	3.8	7.7	7.0
Instruction	67.3	66.0	45.4
Auxiliary Services	5.6		.5
Pupil Trans- portation	5.4	2.3	1.7
Plant Operation	6.5	14.0	24.1
Plant Main- tenance	4.0	4.8	13.0
Fixed Charges	6.2		
Food Services	1.2	5.2	8.3
<b>Totals:</b>	<b>\$ 1.00</b>	<b>\$ 1.00</b>	<b>\$ 1.00</b>

each expense item from each dollar available for current operating expenses in the three systems for 1973-74.

Thus far the comparison and analyses have all been based upon 1973-74 figures. A selective examination of some more current figures is presented in the next section of this chapter.

**Selected Analyses for 1974-75 for City and Borough Districts**

The selected analyses which follow concern city and borough school districts using detailed financial information from audit reports and *Annual Report - Statistics 1974-75*, issued by the Alaska State Department of Education in January 1976. The analyses will concern several aspects of the Public School Foundation Program (PSFP). Although there have been several changes in the PSFP since the 1974-75 school year, the basic procedures used have not changed.

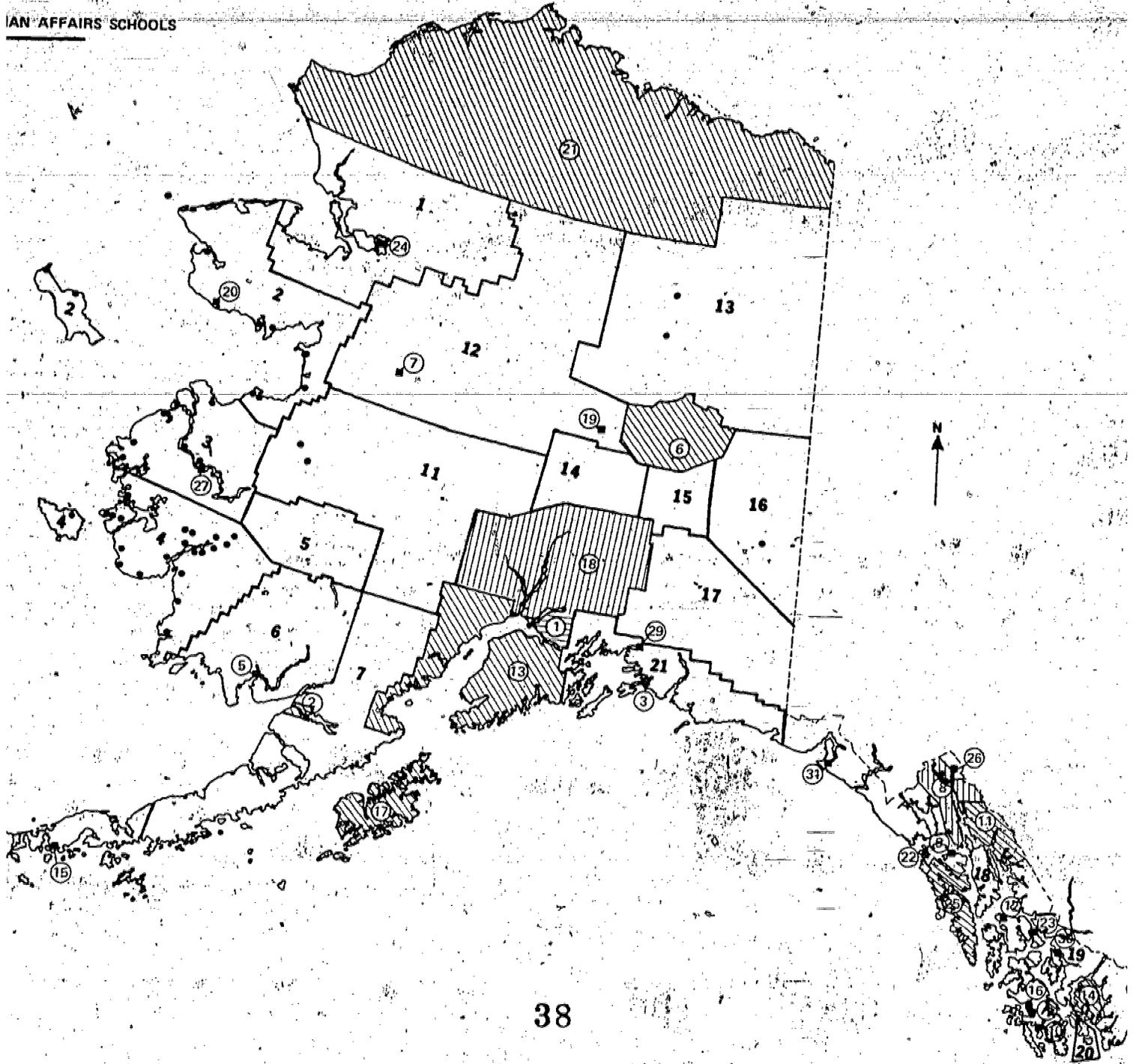
Figure 12.

# LOCATION OF SCHOOLS AND SCHOOL DISTRICTS IN ALA

BOROUGH AND CITY SCHOOL DISTRICTS		REGIONAL EDUCATION ATTENDANCE AREA SCHOOLS AND ADMINISTRATION HEADQUARTERS LOCATION		BUREAU	
①	ANCHORAGE BOROUGH SCHOOLS	1	NORTHWEST ARCTIC SCHOOLS	KOTZEBUE	●
②	BRISTOL BAY BOROUGH SCHOOLS	2	BERING STRAITS SCHOOLS	NOME	●
③	CORDOVA CITY SCHOOLS	3	LOWER YUKON SCHOOLS	MOUNTAIN VILLAGE	●
④	CRAIG CITY SCHOOLS	4	LOWER KUSKOKWIM	BETHEL	
⑤	DILLINGHAM CITY SCHOOLS	5	KUSPUK SCHOOLS	ANIAK	
⑥	FAIRBANKS-NORTH STAR BOROUGH SCHOOLS	6	SOUTHWEST REGION SCHOOLS	DILLINGHAM	
⑦	GALENA CITY SCHOOLS	7	THE LAKE AND PENINSULA SCHOOLS	NAKNEK	
⑧	HAINES BOROUGH SCHOOLS	8	ALEUTIAN CHAIN	COLD BAY	
⑨	HOONAH PUBLIC SCHOOLS	9	PRIBILOF SCHOOLS AT ST. PAUL	ST. PAUL	
⑩	HYDABURG CITY SCHOOLS	10	ADAK REGION SCHOOLS	ADAK NAVAL STATION BOX 34, FPO, SEATTLE INTRA-ALASKA	
⑪	GREATER JUNEAU BOROUGH SCHOOLS	11	IDITAROD AREA SCHOOLS	MC GRATH	
⑫	KAKE CITY SCHOOLS	12	YUKON-KOYUKUK	NENANA	
⑬	KENAI PENINSULA BOROUGH SCHOOLS	13	YUKON FLATS	FORT YUKON	
⑭	KETCHIKAN GATEWAY BOROUGH SCHOOLS	14	UPPER RAILBELT SCHOOLS	CLEAR	
⑮	KING COVE CITY SCHOOLS	15	DELTA/GREELY SCHOOLS	DELTA JUNCTION	
⑯	KLAWOCK CITY SCHOOLS	16	ALASKA GATEWAY SCHOOLS	TOK	
⑰	KODIAK ISLAND BOROUGH SCHOOLS	17	COPPER RIVER SCHOOLS	GLEN ALLEN	
⑱	MATANUSKA-SUSITNA BOROUGH SCHOOLS	18	CHATHAM SCHOOLS	ANGOON	
⑲	NENANA CITY SCHOOLS	19	SOUTHEAST ISLANDS	KETCHIKAN	
⑳	NOME CITY SCHOOLS	20	ANNETTE ISLAND SCHOOLS	METLAKATLA	
㉑	NORTH SLOPE BOROUGH SCHOOLS	21	CHUGACH SCHOOLS	WHITTIER	
㉒	PELICAN CITY SCHOOLS				
㉓	PETERSBURG CITY SCHOOLS				
㉔	SELAWIK CITY SCHOOLS				
㉕	GREATER SITKA BOROUGH SCHOOLS				
㉖	SKAGWAY CITY SCHOOLS				
㉗	ST. MARY'S PUBLIC SCHOOLS				
㉘	UNALASKA CITY SCHOOLS				
㉙	VALDÉZ CITY SCHOOLS				
㉚	WRANGELL CITY SCHOOLS				
㉛	YAKUTAT CITY SCHOOLS				

**A - JULY 1, 1976**

**IAN AFFAIRS SCHOOLS**



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The initial analysis here concerns the amount of state revenues provided to all districts under the PSFP compared to the amount of revenue from all other sources. This will provide one way to examine the relationship of the state aid share of basic need to total revenues.

**School Revenue in 1974-75.** The total estimated revenues for operating expenses of city and borough school districts for 1974-75 was \$143,679,991. The major amount (62%) of this revenue came from the Public School Foundation Program, which provided \$88,765,788 in state aid. Examining the relationship of the sources of revenue is somewhat simplified if the figures are converted to the average amount per student, as shown in Table 6.

Table 6

Amount and Percent of Revenue Sources Per ADM, City and Borough School Districts, 1974-75

Revenue Sources	Amount Per ADM*	Percent per Student in ADM
State Aid	\$1,279	61.8
Local Required Effort	123	5.9
BASIC NEED subtotal	\$1,402	
Other Sources (other local, other state, and federal)	668	32.3
<b>TOTAL</b>	<b>\$2,070</b>	<b>100.0</b>

\*This computation uses a PSFP ADM of 69,398.

**Revenue Variations.** As noted earlier, the average revenues per student for city and borough districts in 1974-75 amounted to \$2,070, of which \$1,279 was revenue from the state aid portion of the Public School Foundation Program. In this same period total revenues received per student ranged from \$1,851 in Anchorage to \$6,004 in the North Slope. State aid revenues per student under the PSFP ranged from \$1,110 in Anchorage to \$2,990 in Pelican.

These district variations in total revenue per student in ADM, state aid revenues per ADM, and percent of total revenues derived from the PSFP are shown in Table 7, with the districts ranked by the percent of total revenue obtained from the PSFP. It should be noted that the instructional unit allotment (instructional unit value as adjusted by regional differentials and the isolation factor) ranged from \$21,750 to \$25,121 in 1974-75.

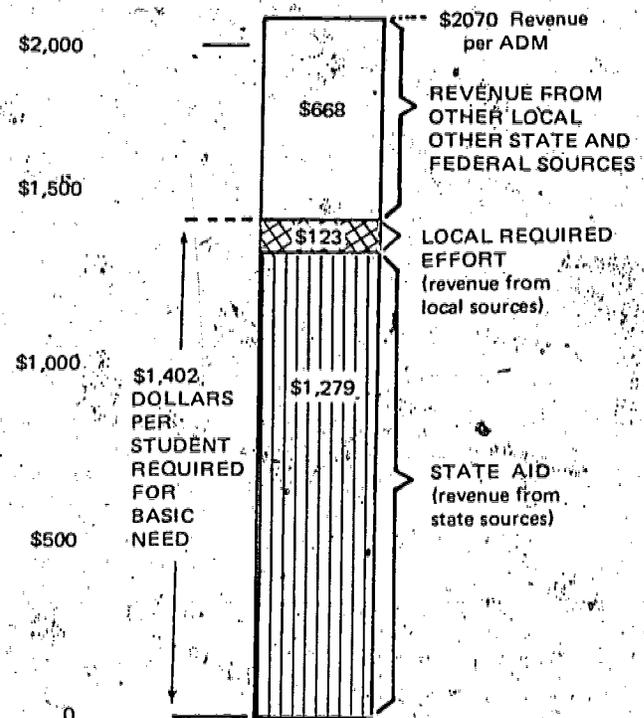


Figure 13. Estimated Foundation Program Support Per Student in Average Daily Membership, City and Borough Districts, 1974-75

This information is presented in Figure 13 where the relationship of the basic need revenues to other revenues is shown in graphic form. Perhaps most significant is the \$668 per student in ADM above the amounts required per student in ADM for basic need. The other significant point is that such figures, while useful to examine state average relationships, fail to illustrate the tremendous variance in these figures from district to district.

**Table 7**  
**School Districts Ranked by Percent of Revenues**  
**Received as State Aid Under the PSFP for**  
**Operating Expenses in 1974-75**

(1) District	(2) Average Daily Membership	(3) Total Revenue Per ADM	(4) State Aid Revenue for PSFP Per ADM	(5) Percent of Total Revenue From State Aid of PSFP
Pelican	43	\$ 3339	\$ 2990	89.5
Skagway	209	2048	1780	86.9
Wrangell	600	1861	1572	84.5
Cordova	526	2211	1758	79.5
Petersburg	660	1819	1429	78.6
Kodiak	2162	2092	1570	75.0
King Cove	124	3776	2793	74.0
Nenana	203	3136	2288	73.0
Kake	176	3018	2186	72.4
Hydaburg	89	3524	2527	71.7
Yakutat	155	3491	2479	71.0
Haines	492	2176	1533	70.5
Klawock	59	3795	2668	70.3
Bristol Bay	256	3066	2120	69.1
Ketchikan	2762	1937	1313	67.8
Sitka	1715	2040	1383	67.8
Galena	147	4007	2696	67.3
Mat-Su	2802	2051	1334	65.0
Juneau	4257	1959	1267	64.7
Valdez	523	2675	1729	64.6
Selwick	201	2683	2375	64.5
Fairbanks	8488	2020	1288	63.8
Craig	156	3853	2442	63.4
Unalaska	116	4393	2772	63.1
Kenai	4913	2165	1343	61.7
Hoonah	256	3600	2200	61.1
Nome	893	2967	1792	60.4
Anchorage	34913	1851	1110	60.0
Dillingham	404	3554	2001	56.3
St. Mary's	132	3769	2084	55.3
North Slope	966	6004	1732	28.8
TOTAL	69398			
STATE AVERAGE		\$ 2,070	\$ 1,279	61.8

Instructional Units and Personnel. As noted in the preceding chapter, the number of instructional units is used in determining the basic need figure for the district. The number of instruc-

tional units is based upon the number and enrollment of schools, and the number of students in average daily membership, with additional units generated for students in special education, voca-

tional education and correspondence study.

An instructional unit is intended to be a rough measure of "the average classroom." The schedule of allowable instructional units permits 1 instructional unit for as few as 5 students in ADM (in vocational education, correspondence study and special education) to as many as 23 students in ADM (in districts over 1,000 in ADM on ADMs of 3,006 or more).

There does appear to be a direct relationship of the number of instructional units to the number of professional personnel in most districts. Professional personnel includes superintendents, specialists, auxiliary staff, principals, counselors, librarians, classroom teachers and school nurses.

In 1974-75 five Alaska districts had the same number of professional staff as instructional units. Another 14 districts had a number of professional staff which varied by only 10%, plus or minus, from the number of instructional units they were eligible for under the Public School Foundation Program. It should be noted there is no requirement that the number of professional personnel equal the number of instructional units.

Table 8 shows the city and borough districts ranked by the percent professional personnel is of the number of instructional units. Both sets of figures are estimates for the 1974-75 school year.

**Effect of Relative Wealth Factor.** As explained in Chapter 3, the relative wealth of a district which affects state aid payments under the foundation program is based upon the property valuation per student in average daily membership. Districts which have valuations per student at or above the state average valuation per pupil qualify for the minimum level of state aid support for basic need, which in 1974-75 was 90%. Districts which have valuation per pupil below the state average receive additional state aid.

In 1974-75, with a state average assessed valuation of students in ADM of \$58,937, there were six districts which, because of their high relative wealth, qualified for only the minimum amount of state aid. These six districts had a combined total ADM of some 9,669. The districts qualifying for minimum state aid, under the PSPF, were Bristol Bay, Kenai, Matanuska-Susitna, North Slope, Skagway, and Valdez. All other districts

qualified for more than the minimum of 90% of state aid, some as high as 99.5%.

### Changes and Trends

The final portion of this chapter presents selected changes and apparent trends in financing city and borough schools.

Table 8

Ranking of School Districts by Percent Professional Personnel is of Instructional Units Estimated for 1974-75

(1) Districts	(2) Instructional Units	Professional Personnel (3) Personnel	(4) Personnel Differences	(5) Percent Personnel is of Instructional Units
Skagway	19	22	+3	115%
Hoonah	25	28	+3	112
King Cove	14	15	+1	107
Sitka	120	129	+9	107
Wrangell	45	48	+3	106
Cordova	43	45	+2	104
Haines	37	38	+1	102
Nome	65	66	+1	101
Fairbanks	529	529	0	100
Galena	16	16	0	100
Kake	17	17	0	100
Mat-Susitna	191	191	0	100
Petersburg	46	46	0	100
Ketchikan	184	182	-2	98
Bristol Bay	24	23	-1	95
Juneau	270	259	-11	95
Kenai	337	313	-24	92
Unalaska	14	13	-1	92
Kodiak	158	145	-13	91
Anchorage	1,974	1,786	-178	90
Valdez	44	40	-4	90
Craig	17	15	-2	88
Klawock	7	6	-1	85
Nonana	21	18	-3	85
Dillingham	33	28	-5	84
North Slope	74	62	-12	83
Pelican	6	5	-1	83
Yakutat	17	14	-3	82
Selawik	19	15	-4	76
St. Mary's	11	8	-3	72
Hydaburg	10	6	-4	60

**Foundation Program Changes.** The Public School Foundation Program *formula* for determining state aid for city and borough districts has not changed since 1971. But each year there have been changes in some of the *unit values*. There have also been increases in the *minimum level of state aid* provided by the PSFP. These changes have been made in recognition of rising costs, inflation, and special needs of the districts.

The major changes in the PSFP from 1973-74 through 1977-78 are shown in Table 9. The four major changes shown in the table follow.

1. The *base instructional unit value* has been increased from \$20,250 in 1973-74 to \$27,500 for 1977-78. These changes have been intended to keep the value more consistent with increased costs of an "average classroom" of students.
2. The *instructional unit computation* for special education students was changed for 1975-76. These students may now be counted first in their school's regular

average daily membership total, and then counted on an average daily membership full-time equivalent basis for the time spent in special education classes or programs. This provided a more equitable way to determine instructional units for students who are in regular classes part-time, and special education part-time.

3. The *instructional unit allotment*, which applies a regional differential to the *instructional unit value* to recognize the higher cost of doing business in rural and remote areas of the state, was changed for 1975-76. Previously, the instructional unit value was adjusted upwards only 5% or 10% for outlying districts. Now, depending upon its location, a district may qualify for a 3.75%, 7.5%, 11.25%, 15%, 26.25%, 30% or 33.75% increase in the value of its instructional unit. For example, the value of the base instructional unit for a district in the Middle Yukon, North of the Arctic Circle, in

Table 9

Major Legislative Changes in the Public School Foundation Program  
1973-74 — 1977-78

Foundation Program Factor	School Year				
	1973-74	1974-75	1975-76	1976-77	1977-78
Base Instructional Unit Value	\$20,250	\$21,750	\$23,500	\$25,000	\$27,500
Instruction Unit computation for Special Ed.			'75-76—Students counted in regular ADM and then counted on a full-time equivalent basis for time in special ed. program		
Instructional Unit allotment (range of regional differentials)	0-10%	0-10%	0-33.75%	0-33.75%	0-33.75%
Minimum level of State Aid for Basic Need	90%	90%	93%	95%	95%

1975-76 would qualify for a 33.75% increase, from \$23,500 to \$31,431 (before addition of a 5% isolation factor increase for which such a district would be eligible).

4. The final major change in the PSFP has been in the minimum level of state aid for basic need. For 1975-76 this was increased from 90% to 93%. For 1976-77 it will be 95%. These increases in the minimum level of state aid have the following effects:

- a. A reduction in the proportion of local revenues necessary for the required local effort portion of basic need, and
- b. Application of the equalizing effect of the relative wealth of the district on a smaller portion of basic need.

This second effect has considerable ramifications. For example, if the State in the future should provide 100% of basic need, there would be no local required effort. The relative wealth of the district would no longer be a factor in the PSFP. The equalization feature of the PSFP would be lost.

The changes described above are all evidence of widespread interest in having a Public School Foundation Program directed toward its stated purpose "... to assure an adequate level of educational opportunities for those in attendance in the public schools of the state" [S.L.A. Sec. 14.17:220]. The effect of these changes, along with other modifications in financial support programs for the schools, have resulted in shifts in revenue sources for schools.

#### Valuation Per Student Increases

The state average valuation per student in average daily membership has increased by more than \$40,000 in just four years, from \$46,237 per ADM to \$86,614 per ADM. The state average valuation per student in ADM used or to be used in determining a district's relative wealth is shown in Table 10.

The increases in valuation are attributable to a number of things, including annual revaluations of existing property, newly constructed buildings and other taxable improvements, and inclusion of property in newly formed districts. But again,

state averages don't tell the whole story, since valuation per student varies widely from district to district, depending upon the district's total valuation of property. Also, none of the property in the Unorganized Borough is assessed and the value of it is not included in the state average.

#### Trends

While there are many factors which affect the financing of education, several of the more significant ones will be presented here. These factors, for borough and city districts in the ten-year period ending June 30, 1975, include (1) the number of students, and the number of professional personnel, (2) expenditures for operating expenses, and (3) source and percent of revenues for operating expenses.

**Students and Professional Personnel.** The number of students in borough and city schools increased 56%, from 45,544 in 1965-66 to 71,120 in 1974-75 (These ADMs differ slightly from those used in computing the PSFP). Part of the increase is due to population growth while some is from the creation of new districts. Professional personnel increased 81%, from 2,280 in 1965-66 to 4,128 in 1974-75. The figures for each year are shown in Table 11.

Table 10

State Average Valuation Per Student in ADM  
City and Borough Districts  
1973-74 - 1976-77

School Year	Average Daily Membership	State Average Valuation Per Average Daily Membership *
1973-74	66,967	\$46,237
1974-75	69,398	58,937
1975-76 (est.)	71,832	67,209
1976-77 (est.)	74,496	86,614

\*The state valuation used is from the calendar tax year preceding the school year. For example, the 1973-74 figures are based upon the valuation of all real and personal property in the cities and organized borough on January 1, 1972.

Table 11

Number of Students and Professional Personnel  
City and Borough Districts  
1965-66 - 1974-75

School Year	Number of Students in ADM	Professional Personnel
1965-66	45,544	2,280
1966-67	48,229	2,461
1967-68	52,165	2,618
1968-69	56,773	2,791
1969-70	60,935	2,949
1970-71	64,262	3,408
1971-72	66,293	3,603
1972-73	66,067	2,658
1973-74	68,733	3,857
1974-75	71,120	4,128

**Expenditures.** Expenditures for operating expenses of borough and city school districts increased 350%, from \$31,219,445 in 1965-66 to \$141,086,624 in 1974-75. During this ten-year period, about one-third of the increase could be attributed to a loss in purchasing power of the dollar, as indicated by the Consumer Price Index for Anchorage, which went from a base of 100 in October 1967 to 150.0 in April 1975. An increase in staff for improved programs and for the greater number of students was also a factor in this increase. Expenses of operating and maintaining new school buildings would also add to the operating expenses of the borough and city districts. The ten-year expenditure figures are shown in Table 12.

**Sources of Revenues.** The proportion of revenues from state, local and federal sources has changed considerably during the past ten years. In 1965-66, revenue from state sources accounted for 56% of all revenues received by borough and city school districts for operating expenses. For 1974-75, state revenues are expected to account for 74.4% of all revenues.

During the ten-year period, revenue received from local sources declined from 32.7% to 15.6% of the total. The proportion from federal revenues has also decreased slightly, from 11.3% in 1965-66 to 10.0% in 1974-75. The most dramatic shift in revenue sources occurred in 1969-70 and

Table 12

Expenditures for Operating Expenses  
Borough and City Districts  
1965-66 - 1974-75

School Year	Total Expenditures <sup>1</sup>	Number of Districts
1965-66	\$ 31,219,445	27
1966-67	38,330,907	27
1967-68	41,754,261	27
1968-69	51,116,024	28 <sup>2</sup>
1969-70	58,633,925	28
1970-71	82,025,427	28
1971-72	91,814,496	28
1972-73	98,568,665	29 <sup>3</sup>
1973-74	114,875,056	30 <sup>4</sup>
1974-75	141,086,624	31 <sup>5</sup>

1. Not including capital outlay and debt service.
2. St. Mary's School District added
3. North Slope Borough District added
4. Galena City School District added
5. Selawik City School District added

1970-71 when revenues from the North Slope oil lease sales were used by the legislature to increase the amount of state support of schools.

Table 13 shows the source, by percent, of revenues received by borough and city school districts in the ten-year period ending June 30, 1975. These same figures are also presented in Figure 13 where the relationships of revenue sources can be examined graphically.

Table 13

Sources of Revenue for Operating Budgets  
Borough and City Districts  
1965-66 through 1974-75

School Year	Source and Percent		
	STATE	LOCAL	FEDERAL
1965-66	56.0%	32.7%	11.3%
1966-67	52.5%	36.5%	11.0%
1967-68	51.3%	37.5%	11.2%
1968-69	53.8%	37.0%	9.2%
1969-70	69.1%	22.1%	8.8%
1970-71	78.8%	15.2%	6.0%
1971-72	73.7%	19.6%	6.7%
1972-73	71.1%	23.9%	5.0%
1973-74	71.1%	22.7%	6.2%
1974-75	74.4%	15.6%	10.0%

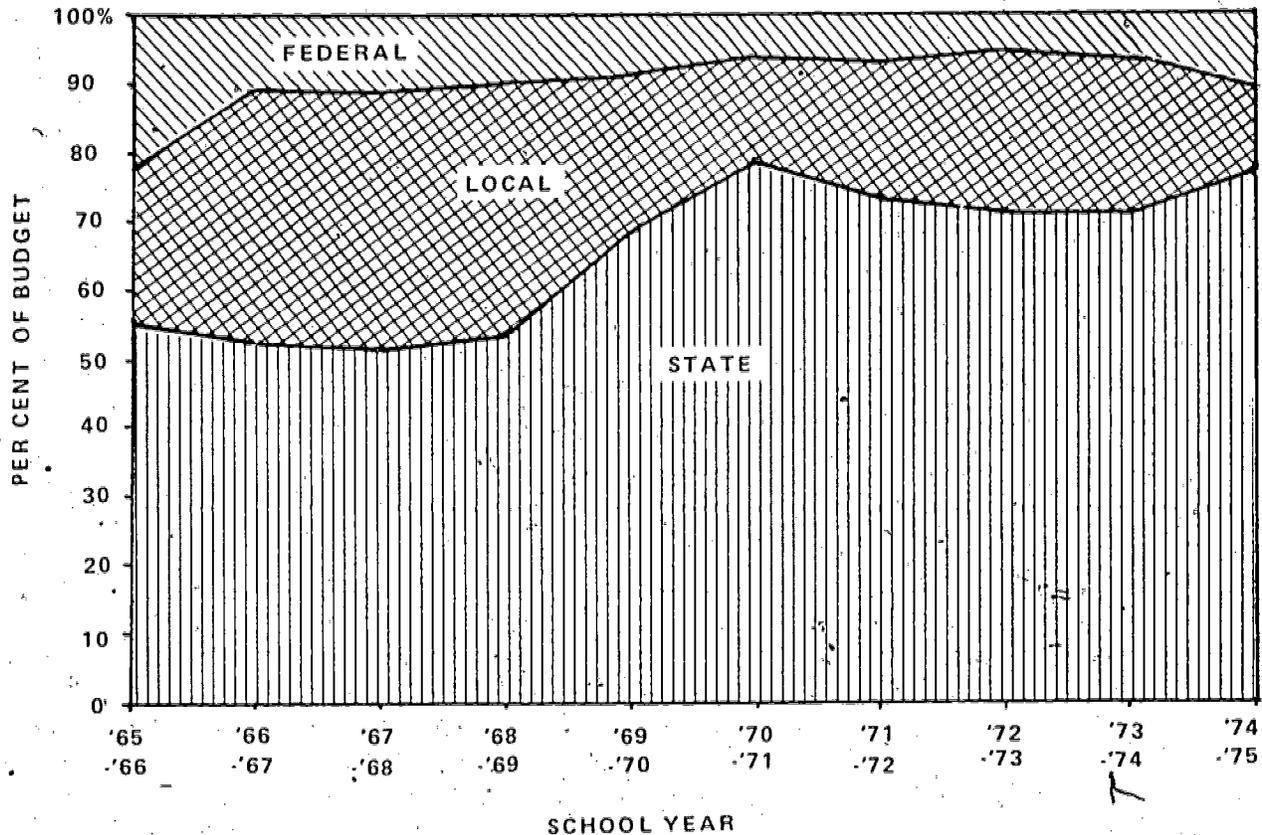


Figure 14. Percent of School Districts' Operating Budgets by Source 1965-66 through 1974-75

### Questions

The revenue sources, the method of distributing the revenues, and the ultimate use of these revenues at the local level must all be considered in an examination of cost and financing. Some questions raised by the facts and analyses in this chapter follow.

1. Can continuing federal support from the BIA be expected for education programs in communities where BIA schools leave the federal system?
2. What circumstances, other than just generally higher costs, account for the high relative cost of school building operation and maintenance in rural Alaska?
3. Does the current computation of basic need in the PSFP reflect the actual costs of "... a level of standard instruction for a group of students ... ?"
4. Are the methods of determining the valuation of property consistently applied in all cities and boroughs?
5. What will be the legal and funding implications if the state should in the future pay 100% of basic need?
6. Should there be any kind of controls on the amount of increase allowed in school district budgets each year?

## Chapter 5

# Some Final Considerations

The purpose of this report has been to provide an overview of the current issues, sources and distribution of funds for public elementary and secondary education in Alaska. This overview was a necessary requisite to a more thorough examination and exhaustive analysis of financing schemes in use for the three systems — city and borough school districts, Regional Education Attendance Area schools, and the federal system of schools operated by the Bureau of Indian Affairs. The overview has identified problem areas and issues which must be addressed by the agencies and persons responsible for providing elementary and secondary education to Alaska's students. A review of the more significant points is now in order.

### A System of Systems

Despite substantial improvements in organization and financing of public education, Alaska has not yet fully met the constitutional mandate to "... establish a system of public schools open to all children of the State." With three systems of schools, each operated and financed in a different manner, the type and quality of education which students can obtain is still an accident of location within the State. Further reform of these systems into one is a solution not advocated by those who favor the status quo.

Although it is too early to tell, the much-heralded local control now afforded the new Regional Education Attendance Areas may not prove to meet citizen expectations or needs. With financial resource allocation for the REAAs established by the Legislature, and with a portion of the amount of resources allocated based upon actions by city and borough school boards, the discretion of REAA boards in financial matters is severely limited. Even the city and borough districts are fiscally dependent for a portion of their

revenues upon the actions of city councils and borough assemblies. Such shared governance of education can provide opportunities for actions not always in the best interest of children.

### Equity in Funding

Alaska must also consider the ramifications of the court-pressured school finance reform movement in other states. Although the level of state aid to city and borough school districts in Alaska is relatively high compared to other states, these districts might fail the test of fiscal neutrality. The gradual increases in state support of basic need, while laudable, may eventually destroy the state-local equalization feature of the Public School Foundation Program and tend to make the quality of education more dependent upon the wealth of the local districts than on the State. The fact that no taxes for school purposes are assessed on property in the Unorganized Borough puts the city and borough districts at some disadvantage with regard to sources of revenue. The current and potential inconsistencies in resource availability seem to demand attention.

### PSFP Purpose

While the Public School Foundation Program (PSFP) is neither the simplest nor most complex method in use by any state, the extent to which it meets its original purpose must now be questioned. Does the PSFP only need some "fine tuning" or does it need major revision? The definition of "basic need" is so clouded in formulas and confusing definitions that even those who advocate that the State pay "100% of basic need" (for city and borough school districts) often follow with the second question, "100% of what?" Currently at issue, too, is the validity of the PSFP's regional differentials, which are in-

tended to compensate for the higher cost of operating schools in rural and remote areas. Related problems have arisen with the establishment of REAAs, and include questions regarding the proper portion of utility expenses to be borne by the schools in some communities, the immediate and long-term costs of new secondary school programs and possibly extraordinary expenses associated with operating school buildings transferred from the Bureau of Indian Affairs. Can the PSFP respond to such changing conditions through mere changes in rates, or is more substantial modification indicated?

Another inconsistency in the systems not even addressed in this report is the method of paying for school building construction. Is it proper for the State to finance entirely the construction of buildings in rural Alaska while city and borough districts continue to bond themselves in order to finance new construction? This issue deserves a complete study in itself.

#### Expenditure Variations

Immense variations in amounts spent per student in the three systems were revealed in the analysis of expenditures per student for 1973-74. The per student expenditure (per ADM) for operating expenses in 1973-74 was \$1,644 in city and borough schools, \$2,403 in ASOSS, and \$3,020 in BIA schools. Examination of the items making up these expenses revealed that the cost of instruction was similar in the three systems, while plant maintenance and operation was much higher in the rural areas.

Almost 62% of school revenues for operating expenses in city and borough districts in 1974-75 came from the state aid portion of the Public School Foundation Program. This is a dramatic illustration that the PSFP, despite the guarantee that year to support 90% of a district's basic need, provided far less funds to the larger, more wealthy districts than was commonly thought. It also illustrates that many districts choose to spend much more per student than would be possible were state and local revenues for basic need the sole resource for school operating expenses.

#### PSFP Changes

Major adjustments have been made by the Legislature in several PSFP factors the past few years. The value of the instructional unit has increased from \$20,250 in 1973-74 to \$27,500 in 1977-78. The regional differentials, which are add-ons to the instructional unit value, went from a maximum of 10% more, to 33.75% more. The State's share of basic need guaranteed all districts increased from 90% to 95%. How equitable these changes were with respect to a district's ability to offer quality education programs remains a major question. The possibility that the State will someday provide 100% of basic need, and subsequently eliminate the equalization feature of the PSFP, makes the definition of basic need a prime concern.

#### Upward Trends

The trend was up for almost everything in education. In the 10-year period ending June 30, 1975, Alaska's city and borough schools marked a 56% increase in students, an 81% increase in staff, and a 350% increase in operating expenses. During this same period, revenue sources for operating expenses provided from the state level went from 56% in 1965-66 to a high of 78% in 1970-71, and ended the period at 74%. This clearly shows that the state share of school revenues was not keeping pace with the increased expenses of providing local school programs.

#### Summary

From the foregoing, it seems evident that Alaska's methods of financing schools are ripe for improvement. Such improvement must consider (1) the current organization of the schools into three systems, (2) the imbalances of revenue sources and distribution, (3) the ability of a much-amended Public School Foundation Program to meet changing requirements of a rapidly growing system, (4) the type and quality of school programs desired, and (5) the revenues and revenue sources to be utilized in paying for the costs of education. Future reports of the study will consider these and other problems and conclude with recommendations for each.

# Appendices

## Appendix A

### Schools and School Districts

#### Appendix A-1

#### Schools in the Unorganized Borough, by REAA, July 1976

Note: Bureau of Indian Affairs Schools are not under REAA jurisdiction but are shown here for information purposes. Grade levels and number of students are estimated from Spring 1976 figures for BIA and from Fall 1976 figures for REAA.

Regional Education Attendance Area (Administrative Headquarters)							
REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in-ADM	REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in ADM
1	Northwest Arctic Schools (Kotzebue)						
	Ambler	1-8	54		Fortuna Ledge/Marshall	1-8	45
	Buckland	1-8	43		Hooper Bay	K-12	216
	Deering	1-12	29		Kotlik	K-8	99
	Kiana	K-12	121		Mountain Village	K-6	172
	Kivalina	1-12	68		Mountain Village	7-12	70
	Kobuk	1-7	13		Pilot Station	1-8	85
	Kotzebue	K-12	625		Pitka's Point	1-8	30
	Noatak	1-9	100		Russian Mission	1-8	31
	Noorvik	1-12	182		Scammon Bay	1-8	56
	Shungnak	1-9	58		Sheldon Point	1-8	32
2	Bering Straits Schools (Nome)			4	Lower Kuskokwim (Bethel)		
	Brevig Mission	1-8	38		Akiakchak	K-8	99
	Council	1-8	8		Akiak	1-8	46
	Diomedé	1-8	35		Atmaultluak	1-8	43
	Elim	1-8	38		Bethel	1-12	1,249
	Gambell	1-8	99		Chefornak	1-8	51
	Golovin	1-8	27		Eek	1-8	52
	Koyuk	1-8	30		Goodnews Bay	1-8	81
	St. Michael	1-8	50		Kasigluk	1-8	72
	Savoonga	1-8	108		Kipnuk	K-8	108
	Shaktolik	1-8	28		Kongiganak	1-9	74
	Shishmaref	1-8	69		Kwethluk	K-8	127
	Stebbins	1-8	60		Kwigillingok	1-8	68
	Teller	1-8	36		Mekoryuk	1-8	62
	Unalakleet	K-8	126		Napakiak	1-8	78
	Wales	1-8	19		Napaskiak	1-8	72
	White Mountain	1-8	17		Newtok	1-9	45
3	Lower Yukon Schools (Mountain Village)				Nightmute	1-8	42
	Alakanuk Elementary	1-8	140		Nunapitchuk	1-9	97
	Alakanuk	9-12	46		Oscarville	1-8	8
	Chevak	1-8	130		Platinum	1-8	19
	Emmonak	K-12	221		Quinhagak	1-8	93
					Toksook Bay	1-8	92

REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in ADM	REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in ADM
	<i>Tuluksak</i>	1-8	58	9	Pribilof Schools at St. Paul (St. Paul)		
	<i>Tuntutuliak</i>	1-8	57		St. George	1-8	31
	<i>Tunūnak</i>	K-8	91		St. Paul	K-10	149
5	Kuspuk Schools (Aniak)			10	Adak Region Schools (Adak)		
	Aniak	1-12	116		Adak	K-12	650
	Chuathbaluk	1-8	37	11	Iditarod Area Schools (McGrath)		
	Crooked Creek	1-8	34		Anvik	1-8	23
	Kalskag -- Lower	1-8	25		<i>Grayling</i>	1-8	44
	Kalskag	1-8	53		Holy Cross	1-10	74
	Red Devil	K-8	10		Lime Village	1-8	15
	Sleetmute	1-8	28		McGrath	1-12	122
	Stony River	1-8	20		Nikolai	1-8	22
6	Southwest Region Schools (Dillingham)				<i>Shageluk</i>	1-8	36
	Aleknagik	1-8	20		Takotna	1-11	10
	Aleknagik -- North Shore	1-5	17		Telida	1-8	11
	Clark's Point	1-8	23	12	Yukon-Koyukuk (Nenana)		
	Ekwok	1-8	32		Allakaket	1-8	40
	Koliganek	K-8	40		Bettles	1-8	14
	Levelock	1-8	21		Hughes	K-8	21
	Manokotak	1-10	100		Huslia	K-10	62
	New Stuyahok	1-9	87		Kaltag	1-10	76
	Portage Creek (Ohgsenakale)	K-8	15		Koyukuk	1-8	35
	Togiak	1-11	143		Manley Hot Springs	1-10	14
	Twin Hills	K-8	25		Minto	1-9	45
7	The Lake and Peninsula Schools (Naknek)				Nulato	1-12	148
	Chignik	K-8	27		Ruby	1-10	46
	Chignik Lagoon	1-8	20		Tanana	K-12	162
	Chignik Lake (Bay)	1-8	31	13	Yukon Flats (Fort Yukon)		
	Egegik	K-8	23		Arctic Village	1-8	29
	Igiugig	1-8	10		<i>Beaver</i>	1-8	17
	Ivanof Bay	1-8	8		Birch Creek	K-7	9
	Kokhanok	1-8	23		Chalkyitsik	1-8	23
	Newhalen	1-11	69		Circle	1-8	14
	Nondalton	K-10	74		Fort Yukon	K-12	189
	Pedro Bay	5-8	7		Rampart	1-6	12
	Perryville	1-8	25		Stevens Village	1-8	13
	Pilot Point	1-8	13		<i>Venetie</i>	1-8	17
	Port Heiden	1-10	26	14	Upper Railbelt Schools (Clear)		
8	Aleutian Chain (Cold Bay)				Anderson	K-12	142
	Akutan	1-8	10		Brown's Court	1-7	12
	Atka	1-8	12		Cantwell	1-8	19
	Belkofski	1-8	9		Tri-Valley	K-12	179
	Cold Bay	1-10	27	15	Delta/Greely Schools (Delta Junction)		
	False Pass	1-8	10		Delta Greely	K-12	665
	Nelson Lagoon	1-8	10		Fort Greely	K-8	135
	Nikolski	1-8	10				
	Sand Point	K-12	133				

REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in ADM	REAA Number	REAA Schools BIA Schools	Grade Levels	Est. no. students in ADM
16	Alaska Gateway Schools (Tok)			19	Southeast Island (Ketchikan)		
	Dot Lake	1-8	22		Cape Pole	1-8	39
	Eagle	1-8	35		Coffman Cove	1-8	37
	Mentasta Lake	K-7	25		El Capitan	1-7	10
	Northway	K-10	79		Gildersleeve	1-8	9
	Tetlin	1-8	28		Flat Creek	1-8	15
	Tok	K-12	202		La Bouchere Bay (Tuxekan)	1-8	20
17	Copper River Schools (Glenallen)				Natikati Bay	1-6	11
	Chistochina	1-8	32		New Kasaan	1-8	15
	Copper Center	1-8	110		Port Alice	1-8	17
	Gakona	1-8	40		Roosevelt Harbor	1-7	13
	Glenallen	K-12	409		Rowan Bay	1-8	21
	Kenny Lake	1-8	128		St. John's Harbor	1-8	15
	Paxson	K-8	14		Thorne Bay	1-12	99
18	Chatham Schools (Angoon)				Whale Pass	1-8	19
	Angoon	1-8	114	20	Annette Island Schools (Metlakatla)		
	Gustavus	1-6	8		Annette	1-6	73
	Klukwan	1-8	9		Metlakatla	1-12	331
	Tenakee Springs	1-8	7	21	Chugach Schools (Whittier)		
	Larabee (Log Camp)	1-6	20		Tatitlek	K-9	19
					Whittier	1-12	33



## APPENDIX B

### The Public School Foundation Program

The following explanation of the Public School Foundation Program (PSFP) is presented in two parts: (1) Definitions, and (2) How the PSFP Works, which is a step-by-step example of a calculation for a district. In addition, the second part contains sample computations showing how differences in the relative wealth of a district affects the amount of state aid received by a district. Appendix C of this report contains the Public School Foundation Program statute.

#### Definitions

1. **Average Daily Membership** for a school means the aggregate days membership of its pupils during a given period (usually a school year or reporting period) divided by the number of days the school is in session during this period of time. Aggregate days membership is the sum of the pupils present and absent for each day when the school is in session during the period.
2. **Average Daily Membership full-time equivalent** means the quotient of the aggregate periods of pupil membership per day in specified classes, divided by the number of class periods in the school day. This is used for vocational education. For example, two students, each enrolled for one-half day in a special program, would count as one full-time equivalent. ADM FTE for special education is based upon the level of services received by the students. Level one (less than one-fourth time in special education) equals 0.25 FTE; level two (from one-fourth to one-half time in special education) equals 0.50 FTE; level three (between one-half to three-fourths) equals 0.75 FTE; and level four (above three-fourths time) equals 1.00 FTE.

3. **Instructional Unit** is "... the aggregate of all direct and indirect services necessary to provide a standard level of instruction for a group of pupils." [A.S. 14:17.250. (18)] The law further defines direct and indirect services as follows:

1. "direct services" include, but are not limited to supplying teacher services, textbooks, reference materials, pupil and teacher supplies, as well as utilities and custodial services;
2. "indirect services" are those auxiliary or supporting functions that complement direct services and include, but are not limited to administration, transportation, food, attendance and activities. Costs to be excluded from the instructional unit are items of community service, capital outlay and debt service.

(Despite this very specific definition of what is included in instructional unit, the unit is actually a derived number for each district based upon the number and size of schools and the number of students in average daily membership in elementary, secondary, special education, vocational education, and correspondence programs. Direct and indirect costs of instruction are not utilized.)

4. **Base Instructional Unit** is a dollar value set by the Legislature and is intended to represent the cost of an instructional unit. The Value of the base instructional unit for 1975-76 was \$23,500; for 1976-77 it is \$25,000 and for 1977-78 it will be \$27,500.
5. **Instructional Unit Allotment** is a percentage, based upon the geographical location of the district, used to adjust the base instructional unit value to reflect the different costs of doing business in various areas of the state. The allotment results in a "regional differential" of costs for rural and remote schools. (A map of allotment districts is shown in

## Appendix D.)

6. **Basic Need** is a dollar amount, different for each district, which is determined by multiplying the adjusted base instructional unit value of the district by the number of instructional units in that district. Basic need, as thus derived, is based on political and budgetary constraints and *does not* represent an actual prior determination of total costs of direct and indirect services to provide a standard level of instruction for students in the districts.
7. **District Valuation Per Pupil** is the value of taxable real and personal property in a city or borough district divided by the average daily student membership in the district.
8. **State Average Valuation Per Pupil** is the value of taxable real and personal property in all city and borough districts, divided by the total average daily student membership for all districts of the state.
9. **Equalized Percentage** is a derived figure showing the percent of basic need to be provided by the state to a district. The minimum equalized percentage for 1975-76 was 93%; for 1976-77 it is 95%.
10. **State Aid** is the amount of funds which the state pays to the district under provisions of the Public School Foundation Program. It is determined by multiplying basic need by the equalized percentage.
11. **Required Local Effort** is the amount of funds which must be provided from local district sources. It is the difference between the total amount of basic need and the state aid share of basic need.

### How the Foundation Program Works

Three key elements of the Public School Foundation Program are: (1) the *basic need* of the district, (2) the *state aid* to be paid to the district, and (3) the amount of *required local effort* which the district must provide in order to obtain the state aid. Part one of the following example will explain how the basic need is determined. Part two will explain how the state aid and local required effort are determined. *The example uses PSFP values for 1976-77.*

It should be noted that a school district is required to submit Public School Foundation Program information for any year three times as follows:

1. A report or estimate eight months prior to the year for which state aid will be claimed.
2. A revised report with a new estimate at the end of the first nine weeks of school, and
3. A final report before June 16 of the school year.

State aid is paid to the districts monthly, first on the basis of the estimate (July-December), next on the basis of the revised report (January-first half of June), and finally on the basis of the final report (last half of June).

#### Part One: Determining Basic Need for the District

Facts about the district that are used in determining *basic need* are the number of students, type of school programs, the size of the schools, and the geographic location and transportation access of the district. These facts are then utilized, along with the procedures and values specified by the PSFP, to compute the *basic need* of the district.

This explanation uses fictitious facts about a sample district, called Your School District. The basic need of Your School District depends upon the number of instructional units and the instructional unit allotment.

### Instructional Units

In determining the number of instructional units to which your school district is entitled under the Public School Foundation Program, first it is necessary to identify the average daily student membership in each elementary and secondary school by program, i.e., regular, elementary and secondary, vocational education, special education and correspondence study.

*Average daily membership* for a school means the aggregate days membership of its pupils during a given period (usually a school year or reporting period) divided by the number of days the school is in session during this period of time. Aggregate days membership is the sum of the pupils present and absent for each day when the school is in session during the period as shown in Table B-1.

Table B-1

Determining Average Daily Membership  
Elementary School A  
Your School District  
(For 10 Day Period)

Days in Session	Regular Ed. Membership	
	Present	Absent
1	185	20
2	186	19
3	186	19
4	187	19
5	190	14
6	190	13
7	191	14
8	190	15
9	190	16
10	190	16
Aggregate Membership	1,885	165

Regular Program ADM: aggregate membership present and absent, 1,885 plus 165 = 2,050 divided by 10 days in session = 205 ADM.

The total average daily membership for School A in Table B-1 is 205 but does not include average daily membership full-time equivalencies (ADM FTE) for special education students, which must be computed separately.

Average daily membership full-time equivalency for special education students is determined by the number of students being served and the level of service each receives. There are four levels of services which are used in computing FTE. Level one (less than one-fourth time in special education) equals 0.25 FTE; level two (from one-fourth to one-half time) equals 0.50 FTE; level three (between one-half to three-fourths) equals 0.75 FTE; and level four (above three-fourths time) equals 1.00 FTE. Table B-2 shows how an ADM FTE of 13 is calculated for Elementary School A in the example.

Table B-2

Determining Average Daily Membership  
Full-time Equivalents for Special Education  
Elementary School A

Level of Service	Special Ed. Student ADM*	FTE	ADM FTE
1 (up to 1/4 time)	16	.25	4
2 (from 1/4 through 1/2 time)	8	.50	4
3 (between 1/2 to 3/4)	4	.75	3
4 (above 3/4)	2	1.00	2
			<u>13</u>

\*Based on aggregate membership and derived in the same manner as ADM was in Table B-1.

Average daily membership full-time equivalency for vocational education is based upon the number of hours students are in vocational education divided by the number of hours in the school day. If a school day is six hours, a student enrolled in vocational education for three hours would count as 0.50 FTE. A full-time student in vocational education would count as 1.00 FTE.

Using these methods for the appropriate reporting periods, average daily membership and average daily membership full-time equivalencies would be determined for the entire district. The average daily membership shown in Table B-3 for Your School District has been simulated.

Table B-3

Your School District  
1974-75 School Year  
Average Daily Membership

(1) School	(2) Regular Ed.	(3) Special Ed.* & Vocational Ed.*	(4) Full-time Equivalents in
A Elementary	205	13	
B Elementary	236	5	
C High School	162	8	8
School District ADM:	603		

\*Special Ed. and Vocational Ed. students are included also in ADM for Regular Education.

Instructional Unit Values of ADM

Next the average daily membership by school and program must be converted to instructional units. This conversion is done using the schedule of allowable instructional units specified by law in the PSFP.

Average daily memberships for all elementary schools in a school district are combined and converted to the allowable number of instructional units. ADM for secondary schools is then converted to instructional units, with each secondary school computed individually. The Commissioner of Education may authorize a school district operating a school in a remote area to calculate the number of units to which that school would be entitled separately, whether it be an elementary or secondary school.

ADM Full-Time Equivalencies (FTE) for special education and vocational education are also converted to instructional units. The sum of the equivalency amounts for all special education or vocational education students in a district are reported accordingly. Note that FTE ADM for special education and vocational students is *in addition* to the ADM reported for the students in regular education.

Using the average daily membership of each school from Table B-3, and the number of allowable instructional units from Table B-4, the total number of instructional units for Your School District is determined. Table B-5 shows the conversion.

**Table B-4**

**Schedule of Allowable Instructional Units**

**(1) Elementary and Secondary Schools schedule**

**In districts with ADM  
under 1,000:**

**In districts with ADM  
of 1,000 or over:**

ADM	Instructional Units	ADM	Instructional Units
Under 10	1	Under 10	1
10-20	2	10-20	2
21-32	3	21-32	3
33-46	4	33-46	4
47-62	5	47-62	5
63-80	6	63-80	6
81-999	6 plus 1 for each 18 or fraction of 18 in ADM	81-99	7
		100-3005	.7 plus 1 for each 19 pupils or fraction of 19
		3006 and over	1.60 plus 1 for each 23 pupils or fraction of 23

**(2) Vocational Education  
schedule:**

ADM*	Instructional Units
5-10	1
11-25	2
26-40	3
41 and over	3 plus 1 for each 20 or fraction of 20 in ADM

**(3) Special Education  
schedule:**

ADM*	Instructional Units
5-8	1
9-15	2
16-24	3
25-35	4
36 and over	4 plus 1 for each 11 or fraction of 11 in ADM

**(4) Correspondence Study schedule:** If a district has 5 or more correspondence pupils, the units are computed in the same manner as for elementary and secondary schools in districts with ADM under 1,000.

\*ADM for vocational education and special education is based on full-time equivalent students.

Table B-5

Conversion of ADM to Instructional Units  
Your School District

(1) School	(2) Regular Education		(3) Special Education		(4) Vocational Ed.
	ADM	Instructional Units	FTE ADM	Instructional Units	Instructional Units
A Elementary	205		13		
B Elementary	236		5		
Subtotal Elem.	441	26	18	3	
C High School	162	11	8	1	1
Totals:	603	37	26	4	1

Note that fewer ADM are required for an instructional unit in special education and vocational education. This difference in conversion values recognized the generally smaller classes and higher costs per student in these two important areas. While the example doesn't show it, large schools (over 100 ADM) in large districts generate fewer instructional units per number of specified ADM than smaller schools in smaller districts.

Following the necessary conversions, the ADM and Instructional Unit figures are ready for display in the form required by the Department of Education. An excerpt of the report form is shown as Table B-6.

Table B-6

Report Form Summary  
Public School Foundation Program  
Your School District

(1)	(2) Final ADM	(3) Instructional Units
Elementary (including Kindergarten & Pre-Elem.)	441	26
Secondary	162	11
Vocational Education (Include above)	( 8)*	1
Special Education (Include above)	( 26)*	4
TOTALS:	603	42
Correspondence (NOT included above)	-0-	-0-
GRAND TOTALS:	603	42

\*non-add figures

The sample thus far shows that:

*Your School District has 42 Instructional Units.*

This is a significant figure in the Basic Need calculations. But it cannot be used until the instructional unit allotment is determined for the district.

### Instructional Unit Allotment

For this part of the calculation, facts needed are the basic instructional unit value and the geographic location and transportation access of the district.

The basic instructional unit value for 1975-76 was \$23,500, for 1976-77 it is \$25,000, and for 1977-78 it will be \$27,500. These figures are established by the legislature.

The value of the basic instructional unit must now be adjusted to incorporate regional differentials, or the higher cost of doing business in rural and isolated portions of the state, if the district qualifies for such adjustment. The instructional unit allotment for a district is based upon (1) the election district in which the district is located, and (2) the existence or lack of access to Anchorage, Ketchikan or Fairbanks by road, railroad, or Alaska State Ferry System.

**Table B-7  
Instructional Unit Allotment Table**

(1) <i>If the school district headquarters is located in:</i>	(2) <i>the base instructional unit of \$25,000 is adjusted by:</i>	(3) <i>resulting in the following: Adjusted Value of Instructional Unit</i>	(4) <i>which is further adjusted if applicable by a:</i>
Election District	Instructional Unit Allotment	Instructional Unit	5% Isolation Factor
1 Southern Panhandle (Ketchikan)			
4 Middle Panhandle East (Juneau)	100.00%	\$25,000	\$26,250
8 South Central (Anchorage)			
2 Middle Panhandle (Petersburg)			
3 Middle Panhandle West (Sitka)	103.75	25,938	27,234
7 Matanuska, Susitna Area			
5 Upper Panhandle (Yakutat)			
9 South Central (Seward)	107.50*	26,875	28,219
10 South Central (Kenai)			
11 Kodiak Island			
16 South of Arctic Circle	111.25	27,813	29,203
6 South Central (Valdez)	115.00	28,750	30,188
12 Aleutian Chain			
13 Bristol Bay Area	126.25	31,563	33,141
18 Bering Strait Area			
14 Lower Kuskokwim			
19 Lower Yukon	130.00	32,500	34,125
15 Upper Kuskokwim, McGrath			
16 Middle Yukon, North of Arctic Circle	133.75	33,438	35,110
17 Northwest			

\*This is also the minimum applicable to all districts with fewer than 25 instructional units, regardless of location.

It is important to recognize that the election district boundaries used in the preceding instructional unit allotment table are those established in 1965 for purposes of reapportionment of the House of Representatives.

There is also a minimum instructional unit allotment to recognize higher costs in very small districts. If a school district is entitled to fewer than 25 instructional units, the base instructional allotment will be no less than 107.50%, regardless of the election district in which it is located.

#### Instructional Unit Allotment Adjustment

Using the allotment table, and assuming Your School District is in Election District 9, South Central, the adjustment in the instructional unit value is made as follows:

Basic Instructional Unit Value = \$25,000

Instructional Unit Allotment Factor = 107.5%

Adjustment Calculation: \$25,000 X 107.5%

Adjusted Instructional Unit Value = \$26,875

Since the district has no access to the transportation features specified, the isolation factor is applied.

Adjusted Instructional Unit Value = \$26,875

Additional Allotment Factor for Isolation = 105.0%

Second Adjustment Calculation: \$26,875 X 105.0%

Adjusted Instructional Unit Value = \$28,219

Thus the *adjusted instructional unit value* for Your School District is \$28,219.

#### Determining Basic Need

At this point the two figures necessary to determine basic need are available, and the computation is made as follows:

Adjusted Instructional Unit Value for Your School District = \$28,219

Number of Instructional Units = 42

BASIC NEED of the District = \$28,219 X 42

Basic Need = \$1,185,198

The basic need amount will be used in Part Two of this example.

### Part Two: Determining State Aid and Local Required Effort

The state and local share of basic need must now be determined taking into account the relative wealth of the district. The relative wealth factor is determined through use of a formula to calculate the equalized percentage of basic need to be provided by the state. The amount of state aid is then determined by multiplying the amount of basic need by the equalized percentage.

Simply stated, the Public School Foundation Program establishes the state's minimum share of each dollar spent for basic need as 95 cents. The remaining five cents of each dollar of basic need is the district's maximum potential local required effort.

But the law recognized that school districts vary in their local valuation and ability to pay. Therefore, the Public School Foundation Program provides for an "equalized percentage" of basic need to be borne by the state if the district's relative wealth is less than average. It is found by (1) multiplying the five percent local share by the percentage which results from dividing the local district's property valuation per ADM by the state average property valuation per ADM, and (2) subtracting the result from (1). The formula for this is shown below.

#### The Equalized Percentage Formula

The "equalized percentage" for each school district is computed according to the formula  $P_i = 1 - (1-k) V_1/V_s$  in which

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

$k$  (level of average state support of basic need) = 95 percent;

$V_1$  (valuation per pupil in average daily membership in the district) = full and true value of taxable real and personal property within the district divided by the average daily membership of the district;

$V_s$  = average of the valuation per pupil in average daily membership for all the districts of the state.

In order to compute the formula, the valuation per pupil in ADM in the district, and the average of valuation per pupil in ADM for all districts of the state must be obtained.

For this example, the assessed value of property in the district will be set at \$43,505,847. This is then divided by the 603 ADM for Your School District, as follows:

$$V_1 = \frac{\$43,405,847}{603} = \$72,149 \text{ assessed valuation per pupil per ADM}$$

The state average valuation per pupil is calculated in the same manner. For this simulation, the assessed value of property in all the districts of the state will be set at \$6,452,432,112 and the ADM for all districts in the state will be set at 74,496. The computation:

$$V_s = \frac{\$6,452,432,112}{74,496} = \$86,614 \text{ average assessed valuation per ADM for the state.}$$

With these figures, the formula to calculate the equalized percentage can be applied. Following are the steps in determining the equalized percentage:

$$P_i = 1 - (1 - k) \frac{V_1}{V_s}$$

Where  $k = 0.95$

$$V_1 = \$72,149$$

$$V_s = \$86,614$$

$$\text{Step one: clear } (1 - k) = 1.00 - 0.95 = 0.05$$

$$\text{Step two: determine } \frac{V_1}{V_s} = \frac{\$72,149}{\$86,614} = 0.833$$

$$\text{Step three: determine } (1 - k) \frac{V_1}{V_s} = 0.05 \times 0.833 = 0.0417$$

$$\text{Step four: complete } 1 - (1 - k) \frac{V_1}{V_s} = 1.00 - 0.0417 = 0.9583$$

Therefore, Equalized Percentage,  $P_1 = \underline{95.83\%}$

The equalized percentage of basic need to be provided by the state is 95.83%.

#### Calculating State and Local Amounts

Next, the *State Aid* is calculated by multiplying the Basic Need for the district by the applicable equalized percentage. Therefore, the state share of the Basic Need for Your School District for the 1976-77 school year is as follows:

$$\begin{aligned} \text{Basic Need} \times \text{Equalized Percentage} &= \text{State Aid} \\ \$1,185,198 \times 0.9583 &= \$1,135,775 \end{aligned}$$

Finally, Determine the Local Required Effort.

The local required effort is the amount remaining after subtracting State Aid from Basic Need. Carrying the example for Your School District to conclusion:

Basic Need less State Aid = Required Local Effort

\$1,185,198 - \$1,135,775 = \$49,423

In summary, the State Aid, Local Required Effort, and Basic Need can be shown as follows:

State Aid	\$1,135,775
Local Required Effort	49,423
Total Basic Need	\$1,185,198

Because the relative wealth of the district is such an important factor in determining the proportion of basic need to be provided from state or local sources, some additional explanation is being provided. Note that if the state should provide 100% of basic need, the relative wealth of a district would cease to be a factor in the PSFP.

*Relative wealth differences.* Variations in the relative wealth of districts with respect to value of assessed property per ADM result in different proportions of state aid. Sample computations to illustrate these variations follow.

The first portion of the sample calculations in Table B-8 illustrates calculation of the percentage the district valuation is to the state valuation for three simulated districts.

Table B-8  
Effect of Relative Wealth Differences  
on Percentage of District Valuation to the State

(1)	(2)	(3)	(4)	(5)
Real and Personal Property Valuation	Average Daily Membership	District Valuation per ADM	State Average Valuation Per ADM	Percentage District Valuation to State
State:	\$6,452,423,112	74,496	\$86,614	
Your School District	43,505,847	603	\$72,149	86,614 = 83.33%
Dist. A	450,479,414	5,201	86,614	86,614 = 100.00
Dist. B	2,729,759,806	28,357	96,142	86,614 = 111.00%

The five cents local share of each dollar of basic need is multiplied by the appropriate percentage from Table B-8. This is shown in Table B-9.

Table B-9

Example of Variation in Equalized Percentages

	(1) Minimum Local Share Foundation Program	X	(2) Percentage District Valuation to State	=	(3) Adjusted Local Share	(4) Equalized Percentage (State share)
Your School District	.05	X	83.33%	=	0.0417	95.83%
School District A	.05	X	100.00	=	0.05	95.00
School District B	.05	X	111.00	=	0.0555	94.45
					with adjustment to 0.05	95.00
					maximum	minimum
					(of basic need)	

The equalized percentage for state aid shown in column 4 of the above example is derived by subtracting the adjusted local share in column 3 from 1.00.

School District B in this example is entitled to a minimum of 95% of basic need established by the Public School Foundation Program even though the applied percentage in column two (2) above would indicate the local share as 5.55% (0.055).

Appendix C

PUBLIC SCHOOL FOUNDATION PROGRAM STATUTE

from

Alaska Statutes, Title 14, Education

October 1975.

with 1976 Amendments (H.B. 601)

Chapter 17. Public School Foundation Program.

Article

- 1. State Aid to Local School Districts (§§ 14.17.010—14.17.075)
- 2. Preparation of Public School Foundation Budget (§§ 14.17.080—14.17.150)
- 3. Procedure for Payment of Public School Foundation Funds to Districts (§§ 14.17.160—14.17.190)
- 4. General Provisions (§§ 14.17.200-14.17.250)

Article-1. State Aid to Local School Districts.

Section

- 10. Public school foundation account
- 20. [Repealed]
- 21. State aid
- 22. Funds for centralized correspondence study
- 30. [Repealed]
- 31. Instructional units
- 40. [Repealed]
- 41. Table of allowable instructional units

Section

- 50. [Repealed]
- 51. Instructional unit allotment
- 56. Base instructional unit
- 60. [Repealed]
- 61. Supplemental programs
- 70. [Repealed]
- 71. Required local effort
- 75. [Repealed]

Sec. 14.17.010. Public school foundation account. (a) The public school foundation account is established. The account consists of appropriations for distribution to districts or for centralized correspondence study programs under this chapter.

(b) The money of the account may be used only in aid of public schools or for centralized correspondence study programs as provided by this chapter. (§ 1.08 ch 164 SLA 1962; am § 11 ch 95 SLA 1969; am § 2 ch 190 SLA 1975)

Revisor's note. — AS 14.17 became operative and superseded earlier statutes on the transition schedule set out in former AS 14.17.230. The statutes superseded were listed in former AS 14.17.240.

Effect of amendment. — The 1975 amendment, effective July 1, 1975, inserted "or for centralized correspondence study programs" in the second sentence of subsection (a) and in subsection (b).

Legislative committee report. — For report on ch. 190, SLA 1975 (HCS CSSB 367), see 1975 House Journal, p. 1277.

The purpose of the public school foundation program is to provide a uniform system of public school aid

throughout the state 1962 Op. Att'y Gen., No. 18.

Legislature decides what types of education are to be publicly supported. — In Alaska the power of deciding what types of education are to be publicly supported, either under the School Foundation Act or by tax exemption, is vested with the legislature. *McKee v. Evans*, Sup. Ct. Op. No. 740 (File No. 1382), 490 P.2d 1226 (1971).

Am. Jur. references. — 42 Am. Jur., Public Funds, § 1 et seq.; 43 Am. Jur., Public Securities and Obligations, §§ 68 to 70; 47 Am. Jur., Schools, §§ 76 to 107.

Sec. 14.17.020. State aid.

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

Editor's note. — The repealed section derived from § 1.03, ch. 164, SLA 1962.

Sec. 14.17.021. State aid. (a) The amount of state aid for which each school district may qualify is calculated by multiplying the basic need as defined in (b) of this section by the equalized percentage as defined in (c) of this section.

(b) The basic need of each school district is determined by multiplying the instructional unit allotment of the district as defined in § 51 of this chapter by the number of instructional units in the district.

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

(1)  $P_i$  (equalized percentage) = per-cent of need to be provided by

the state;

- \* (2)  $K$  (minimum level of state support of basic need) = 93 per cent;
- (3)  $V_i$  (valuation per pupil in average daily membership in the district) = full and true value of taxable real and personal property within the district divided by the average daily membership of the district;
- (4)  $V_s$  = average of the valuation per pupil in average daily membership for all the districts of the state;
- \*\* (5) state aid as computed under this section constitutes at least 93 per cent of the basic need, as defined by the department, of each school district. (§ 4 ch 238 SLA 1970; am §§ 1, 2, ch.81 SLA 1975)

Effect of amendment. — The 1975 amendment, effective July 1, 1975, in paragraph (2) of subsection (c), inserted "minimum," deleted "average" preceding "state support" and substituted "93 per cent" for "90 per cent". The amendment also substituted "93 per cent" for "90 per cent" in paragraph (5) of that subsection.

That the legislature has seen fit to delegate certain educational functions to local boards in order that Alaska schools

might be adapted to meet the varying conditions of different localities does not diminish constitutionally mandated state control over education under Alaska Const., art. VII, § 1. *Macaulay v. Hildebrand*, Sup. Ct. Op. No. 741 (File No. 1550), 491 P.2d 120 (1971).

—The state supplies a minimum of 90% of school operating funds under subsection (c)(5) of this section. *Macaulay v. Hildebrand*, Sup. Ct. Op. No. 741 (File No. 1550), 491 P.2d 120 (1971).

Sec. 14.17.022. Funds for centralized correspondence study. Funds for providing centralized correspondence study programs for students not enrolled in an approved school district correspondence study program shall include an appropriation from the public school foundation account in an amount calculated by multiplying the base instructional unit by the total number of instructional units as determined by applying the number of correspondence students to § 41 (a) of this chapter. (§ 3 ch 190 SLA 1975)

Effective date. — Section 6, ch 190, SLA 1975, provides: "This Act takes effect July 1, 1975."

Legislative committee report. — For report on ch. 190, SLA 1975 (HCS CSSB 367), see 1975 House Journal, p. 1277.

Sec. 14.17.030. Required local effort.

Repealed by § 11 ch 95 SLA 1969.

Editor's note. — The repealed section derived from § 1.07, ch. 164, SLA 1962, as amended by § 1, ch. 70, SLA 1963.

\* Note: AS 14.17.021 [c] [2] is amended to read:

[2]  $K$  (minimum level of state support of basic need) = 95 [93] per cent;

\*\* Note: AS 14.17.021 [c] [5] is amended to read:

[5] state aid as computed under this section constitutes at least 95 [93] per cent of the basic need, as defined by the department, of each school district.

**Sec. 14.17.031. Instructional units.** (a) The total number of instructional units within each school district is the sum of

(1) the number of units for elementary schools and the number of units for secondary schools as determined from § 41 (a) or § 41 (b) of this chapter;

(2) the number of units for vocational education determined from § 41 (c) of this chapter as approved by the department;

(3) the number of units from special education determined from § 41(d) of this chapter as approved by the department; and

(4) if the district has five or more correspondence pupils enrolled in an approved district correspondence study program, the number of units for correspondence pupils determined by applying the number of correspondence pupils to § 41(a) of this chapter.

(b) A school district shall compute separately the number of allowable instructional units for each of its secondary schools.

(c) The commissioner may authorize any school district operating a school in a remote area to calculate the number of units to which that school would be entitled if it were a separate district and to include that number of units in the total number of instructional units within that district. (§ 4 ch 238 SLA 1970; am § 3 ch 81 SLA 1975; am § 4 ch 190 SLA 1975)

**Effect of amendments.**— The first 1975 amendment, effective July 1, 1975, inserted "as approved by the department" in paragraph (3) of subsection (a).

The second 1975 amendment, effective July 1, 1975, inserted "enrolled in an approved district correspondence study program" in paragraph (4) of subsection (a).

**Legislative committee report.**— For report on ch. 190, SLA 1975 (HCS CSSB 367), see 1975 House Journal, p. 1277.

**Sec. 14.17.040. Basic need.**

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

**Editor's note.**— The repealed section derived from § 1.02, ch. 164, SLA 1962.

**Sec. 14.17.041. Table of allowable instructional units.**

(a) Elementary and secondary schools in districts with ADM under 1,000:

ADM	No. Instructional Units
under 10	1
10 — 20	2
21 — 32	3
33 — 46	4
47 — 62	5
63 — 80	6
81 — 999	6 plus 1 for each 18 pupils or fraction of 18.

(b) Elementary and secondary schools in districts with ADM of 1,000 or over:

ADM	No. Instructional Units
under 10	1
10 — 20	2
21 — 32	3
33 — 46	4
47 — 62	5
63 — 80	6
81 — 99	7
100 — 3005	7 plus 1 for each 19 pupils or fraction of 19
3006 and over	160 plus 1 for each 23 pupils or fraction of 23.

(c) Vocational education schedule:

ADM	No. Instructional Units
Full-Time Equivalent	
5 — 10	1
11 — 25	2
26 — 40	3
41 and over	3 plus 1 for each 20 pupils or fraction of 20 pupils in Full-Time Equivalent ADM

(d) Special education schedule:

ADM	No. Instructional Units
Full-Time Equivalent	
5 — 8	1
9 — 15	2
16 — 24	3
25 — 35	4
36 and over	4 plus 1 for each 11 pupils or fraction of 11 pupils in Full-Time Equivalent ADM

(§ 4 ch 238 SLA 1970; am § 1 ch 137 SLA, 1972; am § 4 ch 81 SLA 1975)

**Effect of amendments.**— The 1972 amendment rewrote subsection (c). The 1975 amendment, effective July 1, 1975, rewrote subsection (d).

**Sec. 14.17.050. Teachers' salary allotment.**

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

**Editor's note.**— The repealed section derived from § 1.04, ch. 164, SLA 1962; § 2, 3, ch. 70, SLA 1963; § 1, ch. 78, SLA 1964; § 2, 3, ch. 98, SLA 1966; and § 1, ch. 153, SLA 1966.

**Sec. 14.17.051. Instructional unit allotment.** (a) The instructional unit allotment for each school district or regional educational attendance area is as follows:

(1) if the district or area is in that part of the state lying within the boundaries of election district 1, 4 or 8, the district or area shall receive the base instructional allotment;

(2) if the district or area is in that part of the state lying within the boundaries of election district 2, 3 or 7, the district or area shall receive 103.75 per cent of the base instructional unit allotment;

(3) if the district or area is in that part of the state lying within the boundaries of election district 5, 9, 10 or 11, the district or area shall receive 107.50 per cent of the base instructional unit allotment;

(4) if the district or area is in that part of the state lying within the boundaries of election district 16, south of the Arctic Circle, the district or area shall receive 111.25 per cent of the base instructional unit allotment;

(5) if the district or area is in that part of the state lying within the boundaries of election district 6, the district or area shall receive 115 per cent of the base instructional unit allotment;

(6) if the district or area is in that part of the state lying within the boundaries of election district 12, 13 or 18, the district or area shall receive 126.25 per cent of the base instructional unit allotment;

(7) if the district or area is in that part of the state lying within the boundaries of election district 14 or 19, the district or area shall receive 130 per cent of the base instructional unit allotment;

(8) if the district or area is in that part of the state lying within the boundaries of election district 15, 16 (north of the Arctic Circle), or 17, the district or area shall receive 133.75 per cent of the base instructional unit allotment.

(b) If a school district or regional educational attendance area is entitled to less than 25 total instructional units under § 31 of this chapter, the school district shall receive no less than 107.50 per cent of the base instructional unit allotment, notwithstanding the provisions of (a) (1) — (2) of this section.

(c) The instructional unit allotment established in (a) of this section for any school district which does not have access to Anchorage, Ketchikan or Fairbanks by road, railroad or Alaska State Ferry System shall be increased an additional five per cent above its instructional unit allotment under (a) (1) — (8) of this section.

(d) For the purposes of this section, a school district or regional educational attendance area is considered to be located in the election district in which its administrative offices are located. However, if a school district or a regional educational attendance area operating a

school in a remote area is authorized by the commissioner to calculate the number of units to which that school is entitled under § 31 (c) of this chapter the commissioner may consider that school to lie in the election district in which it is actually located.

(e) For the purposes of this section "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting of December 7, 1961; and retained as to the house of representatives by the governor's proclamation of September 3, 1965. (§ 4 ch 238 SLA 1970; am § 1 ch 40 SLA 1971; am § 5 ch 81 SLA 1975; am § 12 ch 124 SLA 1975)

**Effect of amendments.** — The 1971 amendment rewrote this section. The first 1975 amendment, effective July 1, 1975, rewrote this section.

The second 1975 amendment, effective July 1, 1975, rewrote subsection (a), redesignated subsection (b) as subsection (c), inserted present subsection (b), substituted "established in (a)" for "as determined by (a)(1) — (3)" in present subsection (c), added "above, its instructional unit allotment under (a)(1) — (8) of this section" to the end of that subsection, and added subsections (d) and (e).

**Editor's note.** — This section is set out as it appears in the second 1975 amendatory act. This section as set out by the first 1975 amendatory act reads as follows:

"Sec. 14.17.051. Instructional unit allotment. (a) The instructional unit allotment for each school district is as follows:

"(1) if the school district is in that part of the state lying within the boundaries of election district 1, 4 or 8, the district shall receive the base instructional unit allotment;

"(2) if the school district is in that part of the state lying within the boundaries of election district 2, 3 or 7, the district shall receive 103.75 per cent of the base instructional unit allotment;

"(3) if the school district is in that part of the state lying within the boundaries of election district 5, 9, 10 or 11, the district shall receive 107.50 per cent of the base instructional unit allotment;

"(4) if the school district is in that part of the state lying within the boundaries of election district 16, south of the Arctic Circle, the district shall receive 111.25 per cent of the base instructional unit allotment;

"(5) if the school district is in that part of the state lying within the boundaries of

election district 6, the district shall receive 115 per cent of the base instructional unit allotment;

"(6) if the school district is in that part of the state lying within the boundaries of election district 12, 13 or 18, the district shall receive 126.25 per cent of the base instructional unit allotment;

"(7) if the school district is in that part of the state lying within the boundaries of election district 14 or 19, the district shall receive 130 per cent of the base instructional unit allotment;

"(8) if the school district is in that part of the state lying within the boundaries of election district 15, 16 (north of the Arctic Circle) or 17, the district shall receive 133.75 per cent of the base instructional unit allotment.

"(b) If a school district is entitled to less than 25 total instructional units under § 31 of this chapter, the school district shall receive no less than 107.50 per cent of the base instructional unit allotment, notwithstanding the provisions of (a)(1) — (2) of this section.

"(c) For the purposes of this section, a school district is considered to be located in the election district in which its administrative offices are located. However, if a school district operating a school in a remote area is authorized by the commissioner to calculate the number of units to which that school is entitled under the provisions of sec. 31(c) of this chapter, the commissioner may consider that school to lie in the election district in which it is actually located.

"(d) For the purposes of this section "election district" means an election district designated in the governor's proclamation of reapportionment and redistricting of December 7, 1961 and retained as to the house of representatives by the governor's proclamation of September 3, 1965."

instructional unit from \$20,250 to \$21,750. The 1975 amendment, effective July 1, 1975, rewrote this section.

\* **Sec. 14.17.056. Base instructional unit.** (a) The base instructional unit for the fiscal year beginning July 1, 1975 and ending June 30, 1976 is \$23,500.

(b) The base instructional unit for fiscal years beginning on or after July 1, 1976 is \$25,000. (§ 4 ch 238 SLA 1970; am § 1 ch 88 SLA 1973; am § 1 ch 140 SLA 1974; am § 6 ch 81 SLA 1975)

**Effect of amendments.** — The 1973 amendment increased the base instructional unit from \$19,250 to \$20,250. The 1974 amendment increased the base

\* Note: AS 14.17.056 is amended to read:

**Sec. 14.17.056. BASE INSTRUCTIONAL UNIT.**

(a) The base instructional unit for the fiscal year beginning July 1, 1976 [1975] and ending June 30, 1977 [1976] is \$25,000 [\$23,000].

(b) The base instructional unit for fiscal years beginning on or after July 1, 1977 [1976] is \$27,500 [\$25,000].

**Sec. 14.17.060. Average daily membership allotment.**

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

**Revisor's note (1970).** — AS 14.17.060 was amended in § 17, ch. 69, SLA 1970 and repealed in § 1, ch. 238, SLA 1970. Since the amended version in the earlier enactment never took effect it is not set out here.

**Editor's note.** — The repealed section derived from § 1.05, ch. 164, SLA 1962, and § 2, ch. 163, SLA 1966.

**Sec. 14.17.061. Supplemental programs.** (a) In addition to the amounts authorized to be paid to school districts under this chapter, funding of supplemental programs, on the same basis as determined in the computation of state aid for the applicable district, may be recommended by the commissioner.

(b) Applications for supplemental programs funds shall be submitted by each school district to the commissioner by September 30 of the pre-fiscal year in the form prescribed by the commissioner.

(c) Federal funds available for aid to local school districts will be included with the state's share in applying the matching ratio. (§ 4 ch 238 SLA 1970)

**Sec. 14.17.070. Attendance center allotment.**

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

**Editor's note.** — The repealed section derived from § 1.06, ch. 164, SLA 1962; § 4, ch. 70, SLA 1963; and § 4, ch. 98, SLA 1966.

**Sec. 14.17.071. Required local effort.** (a) Payment of state aid to a local school district under this chapter is contingent upon matching by the district in the amount of the required local effort for that district in the ratio of required local effort: state contribution = 1:Pi / (1-Pi).

(b) For purposes of this section, Pi = equalized percentage as defined in § 21 (c) of this chapter. (§ 4 ch 238 SLA 1970)

**Sec. 14.17.075. Supplemental allocation.**

Repealed by § 1 ch 238 SLA 1970, effective July 1, 1970.

**Editor's note.** — The repealed section derived from § 2, ch. 125, SLA 1968, and § 11, ch. 95, SLA 1969.

**Article 2. Preparation of Public School Foundation Budget.**

<b>Section</b>	<b>Section</b>
80. Computation by district	by Department of Community and Regional Affairs
90. Estimated average daily membership	150. Duty of commissioner to examine and tabulate computations
100 — 130. [Repealed]	
140. Determination of full and true value	

**Sec. 14.17.080. Computation by district.** By October 30 of the pre-fiscal year each district shall submit to the commissioner a preliminary report of computations for the following fiscal year of the district's basic need as defined in § 21 of this chapter; the amount which it expects to match under the provisions of § 71 of this chapter; and the amount for supplemental programs which has been approved for funding consideration by the commissioner. Each district shall make the computations in the manner prescribed by §§ 80 — 150 of this chapter. The computations are the basis for requesting legislative appropriations and for making preliminary payments under the public school foundation program. (§ 2.01 ch 164 SLA 1962; am § 5 ch 238 SLA 1970)

**Sec. 14.17.090. Estimated average daily membership.** Each district shall prepare an estimate of its average daily membership for the fiscal year. In making this estimate, the district shall consider its average daily membership in preceding years, the pattern of growth or decline in preceding years, and other pertinent information available to the district. The result of this estimate is the estimated average daily membership. (§ 2.02 ch 164 SLA 1962)

**Sec. 14.17.100. Computation of teachers' salary allotment.**

Repealed by § 2 ch 238 SLA 1970, effective July 1, 1970.

Editor's note. — The repealed section derived from § 2.03, ch. 164, SLA 1962.

**Sec. 14.17.110. Computation of average daily membership allotment.**

Repealed by § 2 ch 238 SLA 1970, effective July 1, 1970.

Editor's note. — The repealed section derived from § 2.04, ch. 164, SLA 1962.

**Sec. 14.17.120. Computation of attendance center allotment.**

Repealed by § 2 ch 238 SLA 1970, effective July 1, 1970.

Editor's note. — The repealed section derived from § 2.05, ch. 164, SLA 1962.

**Sec. 14.17.130. Computation of required local effort.**

Repealed by § 11 ch 95 SLA 1969.

Editor's note. — The repealed section derived from § 2.06, ch. 164, SLA 1962.

**Sec. 14.17.140. Determination of full and true value by Department of Community and Regional Affairs.** To determine the equalized percentage to be applied to basic need under § 21 of this chapter, and the matching ratio for required local effort under § 71 of this chapter, the Department of Community and Regional Affairs, in consultation with the assessor for each district, shall determine the full value of the taxable real and personal property in each district. Exemptions granted under ch. 129, SLA 1957, known as the Alaska Industrial Incentive Act (AS 43.25), shall be honored. If there is no local assessor or current local assessment for a district, then the Department of Community and Regional Affairs shall make the determination of full value from information available. In making the determination, the Department of Community and Regional Affairs shall be guided by AS 29.10.396. The determination of full value shall be made before October 1 and sent by certified mail, return receipt requested, before that date to the president of the school board in each district. Duplicate copies shall be sent to the commissioner. The governing body of the borough or city which is the district may obtain judicial review of the determination by filing a motion in the superior court of the judicial district in which the district is located within 30 days after receipt of the determination. The superior court may modify the determination of the Department of Community and Regional Affairs only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination. (§ 2.07 ch 164 SLA 1962; am § 2 ch 95 SLA 1969; am § 6 ch 238 SLA 1970; am § 9 ch 200 SLA 1972)

Effect of amendments. — The 1972 amendment substituted "Department of Community and Regional Affairs" for "Local Affairs Agency" throughout this section.

Editor's note. — AS 29.10.396, referred to in the fourth sentence, was repealed by ch. 118, SLA 1972.

**Sec. 14.17.150. Duty of commissioner to examine and tabulate computations.** (a) The commissioner shall examine the preliminary reports submitted by each district to determine that they are correctly computed. If the allotments are incorrectly computed, the commissioner shall either (1) obtain a correct computation from the district, or (2) make a correct computation based on information available to him, and give notice of the corrected computation to the district. The commissioner shall review supplemental program applications and notify the district whether its supplemental program is approved for inclusion in its foundation program computations.

(b) The commissioner shall reduce these computations to a report in tabular form or another form helpful in examining the computations of the districts and shall transmit the report to the governor. The commissioner shall maintain additional copies of this report in his office as a matter of public record. This report shall be entitled "Public School

**Foundation Program Computations.**" (§ 2.08 ch 164 SLA, 1962; am § 7 ch 238 SLA 1970)

**Article 4 Procedure for Payment of Public School Foundation Funds to Districts.**

<b>Section 160.</b> Allocation of funds on preliminary computations	<b>Section 180.</b> Payment under final computation
<b>Section 170.</b> Payment under adjusted computations	<b>Section 190.</b> Restrictions governing receipt and expenditure of money from public school foundation account

**Sec. 14.17.160. Allocation of funds on preliminary computations.** The commissioner shall determine the state aid for each school district on the basis of the pre-fiscal year computations. Beginning July 15 of the fiscal year and on the 15th of each month, for seven successive months, one-twelfth of each district's state aid shall be distributed. (§ 3.01 ch 164 SLA 1962; am § 3 ch 95 SLA 1969; am § 8 ch 238 SLA 1970)

**Sec. 14.17.170. Payment under adjusted computations.** Each district shall make a report at the end of the first nine weeks of school, which contains a new estimate of its average daily membership for the fiscal year and other information which will aid the commissioner in making a more accurate determination of each district's state aid. This new estimate and information of average daily membership shall be the basis for the computation and distribution of each district's state aid for the balance of the fiscal year. The commissioner shall, on the basis of this new estimate and information, make a recomputation of each district's state aid. Before December 2, the commissioner shall notify each district of changes made in its state aid. The commissioner shall also determine whether the money in the public school foundation account is sufficient to meet each district's state aid for the fiscal year, and, if the money is not sufficient, he shall immediately inform the governor of the amount of additional appropriation he estimates will be necessary to carry out the public school foundation program for the rest of the fiscal year. Beginning February 15 and on the 15th of each subsequent month, one-fifth of the recomputed balance of each district's state aid shall be distributed. However, one-half of the June payment shall be withheld pending a final determination of the district's state aid. (§ 3.02 ch 164 SLA 1962; am § 1 ch 169 SLA 1968; am § 4 ch 95 SLA 1969; am § 9 ch 238 SLA 1970; am § 1 ch 135 SLA 1975)

Effect of amendment. — The 1975 amendment, effective July 1, 1975, added the present second sentence.

**Sec. 14.17.180. Payment under final computation.** Before June 16 each district shall transmit to the commissioner a final computation of the district's state aid. The commissioner shall process each district's computation in the manner provided by § 150(a) of this chapter. However, in no event may the entitlement of a school district to state aid be less than that computed under § 170 of this chapter. Additional state aid shall be obligated by the commissioner before June 30. If the district received more state aid money than it was entitled to under this chapter, it shall immediately, after notice from the commissioner of the overpayment, remit the amount of overpayment to the commissioner to be returned to the public school foundation account. (§ 3.03 ch 164 SLA 1962; am § 5 ch 95 SLA 1969; am § 10 ch 238 SLA 1970; am § 2 ch 135 SLA 1975)

Effect of amendment. — The 1975 amendment, effective July 1, 1975, added the present third sentence.

**Sec. 14.17.190. Restrictions governing receipt and expenditure of money from public school foundation account.** (a) The public school foundation money distributed to a district during a year shall be received, held, and expended by the district subject to the provisions of law and regulations promulgated by the department.

(b) Each district shall maintain financial records of the receipt and disbursement of public school foundation money and money acquired from local effort. The records must be in the form required by the commissioner and are subject to audit by the commissioner or the board at any time. (§ 3.04 ch 164 SLA 1962; am § 5 ch 98 SLA 1966; am § 6 ch 95 SLA 1969)

Article 4. General Provisions.

<b>Section</b>	<b>Section</b>
200. Regulations	225. Construction and implementation of chapter
210. State aid to newly established district schools	230. [Repealed]
215. State aid to districts affected by state activities	240. [Repealed]
220. Purpose	250. Definitions

**Sec. 14.17.200. Regulations.** The department shall promulgate regulations to implement this chapter. (§ 4.01 ch 164 SLA 1962; am § 6 ch 98 SLA 1966)

**Sec. 14.17.210. State aid to newly established district schools.** (a) A regional educational attendance area school which becomes a city or borough district school is considered a regional educational attendance area school for purposes of financial support until the expiration of a complete fiscal year after the date on which the school becomes a city or borough district school. This subsection does not prevent a local government from spending money to contribute to the financial support of a regional educational attendance area school which becomes a city or borough district school.

(b) For each subsequent fiscal year, the state shall disburse to the city or borough school district only the money to which the district is entitled under the public school foundation program.

(c) [deleted]. (§ 5.02 ch 164 SLA 1962; am § 25 ch 53 SLA 1973; am § 13 ch 124 SLA 1975)

**Effect of amendments.** -- The 1973 amendment inserted "or State-Operated School System" in paragraph (1) of former subsection (c).

The 1975 amendment, effective July 1, 1975, in subsection (a), substituted "regional educational attendance area" for "state" twice in the first sentence and once in the second sentence, and inserted "city or borough" twice in the first sentence and once in the second sentence. The amendment also inserted "city or borough school" in subsection (b), and deleted subsection (c).

**Legislative committee report.** For report on ch. 53, SLA 1973 (CSHB 382), see 1973 House Journal, pp. 793, 885.

**Section spells out duties of department of education.** The duties of the department of education, in regard to a state-operated school located in a newly incorporated city, are spelled out by this section. 1963 Op. Atty Gen., No. 21, issued prior to 1975 amendment.

**Responsibility of department to**

previously state-operated school. After the formation of an organized borough or a city, the legal responsibility of the department of education toward a previously state-operated school, within the boundaries of the city or borough, is to provide financial support as provided by statute. The department of education must transfer the school to the local political subdivision so that such political subdivision may carry out its functions of providing, operating, and maintaining schools. The department has no authority to continue maintaining and insuring such school buildings after the formation of a newly organized borough or city. If a brief period is necessary for the details of the transfer to be arranged, a time agreement must be executed, whereby the political subdivision assume the major responsibilities of ownership, including costs of maintenance and insurance. 1963 Op. Atty Gen., No. 21, issued prior to 1975 amendment.

**Sec. 14.17.215. State aid to districts affected by state activities.** (a) A school district which provides free public education to a student whose parent or guardian works on or lives on state property shall receive an additional yearly allotment under this chapter equal to the percentage of the state average cost of education, as reflected in the audit report of district schools for the prior fiscal year, per student time, the number of qualifying students in average daily membership, as follows:

- (1) 50 per cent for a student whose parent or guardian lives on and works on state property;
- (2) 25 per cent for a student whose parent or guardian works on state property;
- (3) 20 per cent for a student whose parent or guardian lives on state property;
- (4) In this section "state property" means real property which is owned by the state or is leased by the state and which is not subject to

taxation or payments in lieu of taxes by the state or a political subdivision of the state; the term includes real property owned by the state and leased from it, as well as improvements leased from it, even though the lessee's interest, or an improvement on the property, is subject to taxation by a state or a political subdivision of the state. (§ 7 ch 95 SLA 1969)

**Sec. 14.17.220. Purpose.** It is the intention of the legislature, in enacting this public school foundation program, to assure an adequate level of educational opportunities for those in attendance in the public schools of the state. This chapter shall not be interpreted as preventing a public school district from providing educational services and facilities beyond those assured by the foundation program. (§ 1.01 ch 164 SLA 1962)

**Sec. 14.17.225. Construction and implementation of chapter.** (a) This chapter may not be construed so as to create a debt of the state.

(b) Funds to carry out the provisions of §§ 10 — 190 of this chapter may be appropriated annually by the legislature into the public school foundation account. If amounts in the account are insufficient to meet the allocations authorized under §§ 10 — 190 of this chapter, such funds as are available shall be distributed pro rata among each district based upon the district's basic need.

(c) Repealed by § 1 ch 79 SLA 1971.

(d) The average daily membership supplemental account is established. Funds to carry out the provisions of § 215 of this chapter may be appropriated annually by the legislature to the account. If amounts in the account are insufficient to meet the allocations authorized under § 215 of this chapter, such funds as are available shall be distributed pro rata among eligible districts based upon § 215 of this chapter.

(e) Repealed by § 1 ch 79 SLA 1971. (§ 8 ch 95 SLA 1969; am § 1 ch 79 SLA 1971)

**Effect of amendment.** The 1971 report on ch. 79, SLA 1971 (HR 365), see amendment repealed subsections (c) and (e) legislative committee report. For 1971 House Journal, p. 586

Sec. 14.17.230. Transition.

Repealed by § 2 ch 71 SLA 1972.

**Editor's note.** The repealed section derived from § 191 ch. 164 SLA 1962. legislative committee report. For report on ch. 71, SLA 1972 (HCSSB 384) am. (H) see 1972 House Journal, p. 898

Sec. 14.17.240. Repealer.

Repealed by § 2 ch 71 SLA 1972

**Editor's note.** The repealed section derived from § 191 ch. 164 SLA 1962. legislative committee report. For report on ch. 71, SLA 1972 (HCSSB 384) am. (H) see 1972 House Journal, p. 898

**Sec. 14.17.250. Definitions.** In this chapter, unless the context otherwise requires:

- (1) "average daily membership" means the aggregate days of membership of pupils divided by the actual number of days in session for the school term;
- (2) "commissioner" means the commissioner of the Department of Education;
- (3) "district" means any city or borough school district;
- (4) "elementary school" means a school consisting of grades one through eight, kindergarten through eight, or an appropriate combination of grades within this range;
- (5) "fiscal year" means the year beginning July 1 and ending June 30 for which allotments and entitlements are computed or distributed;
- (6) "pre-fiscal year" means the year immediately before the fiscal year;
- (7) Repealed by § 3 ch 738 SLA 1970
- (8) "public school foundation account" means the account created by § 10 of this chapter for use in financing education in public elementary and secondary schools;



(9) "secondary school" means a school of grades seven through twelve, or an appropriate combination of grades within this range. When grades seven through eight, nine, or ten are organized separately as a junior high school, or grades ten through twelve are organized separately as a senior high school and are conducted in separate school plant facilities, each is considered a separate secondary school for the purposes of this chapter;

(10) Repealed by § 3 ch 238 SLA 1970.

(11) "taxable real and personal property" means all real and personal property taxable under the laws of the state, but does not include household goods and personal effects;

(12) Repealed by § 3 ch 238 SLA 1970.

(13) Repealed by § 2 ch 40 SLA 1971.

(14) Repealed by § 2 ch 40 SLA 1971.

(15) Repealed by § 2 ch 40 SLA 1971.

(16) Repealed by § 2 ch 40 SLA 1971.

(17) "ADM full-time equivalent" means the quotient of the aggregate periods of pupil membership per day in specified classes, divided by the number of class periods in the school day;

(18) "instructional unit" means the aggregate of all direct and indirect services necessary to provide a standard level of instruction for a group of pupils;

(A) "direct services" include, but are not limited to supplying teacher services, textbooks, reference materials, pupil and teacher supplies, as well as utilities and custodial services;

(B) "indirect services" are those auxiliary or supporting functions that complement direct services and include, but are not limited to administration, transportation, food, attendance and activities;

(C) "instructional unit" does not include items of community service, capital outlay or debt service. (§ 4.02 ch 164 SLA 1962; am §§ 7, 8 ch 98 SLA 1966; am § 3 ch 153 SLA 1966; am § 18 ch 69 SLA 1970; am §§ 3, 11 ch 238 SLA 1970; am § 2 ch 40 SLA 1971; am § 14 ch 124 SLA 1975)

**Effect of amendments.** — The 1971 amendment repealed paragraphs (13), (14), (15) and (16).

The 1975 amendment, effective July 1, 1975, deleted "but does not include schools in the state-operated school district" from the end of paragraph (3).

**Legislative committee report.** — For report on ch. 69, SLA 1970 (HB 564), see 1970 House Journal Supplement No. 2, p.

**Differences in taxing powers of "districts."** — Differences exist with respect to the extent to which each of the governmental units defined as a "district" in this section has the power to levy, assess and collect taxes, and it is necessary to analyze the powers and the statutorily created limitations upon the taxing powers of each, in order to ascertain the extent to which property may be valued for the purposes of this chapter. 1962 Op. Atty Gen., No. 18.

Appendix D

District and REAA Instructional Unit Allotments and Election District Map

Table D-1

Instructional Unit Allotments for City and Borough School Districts  
1976-77  
(\$25,000 Base Instructional Unit)

Table D-2

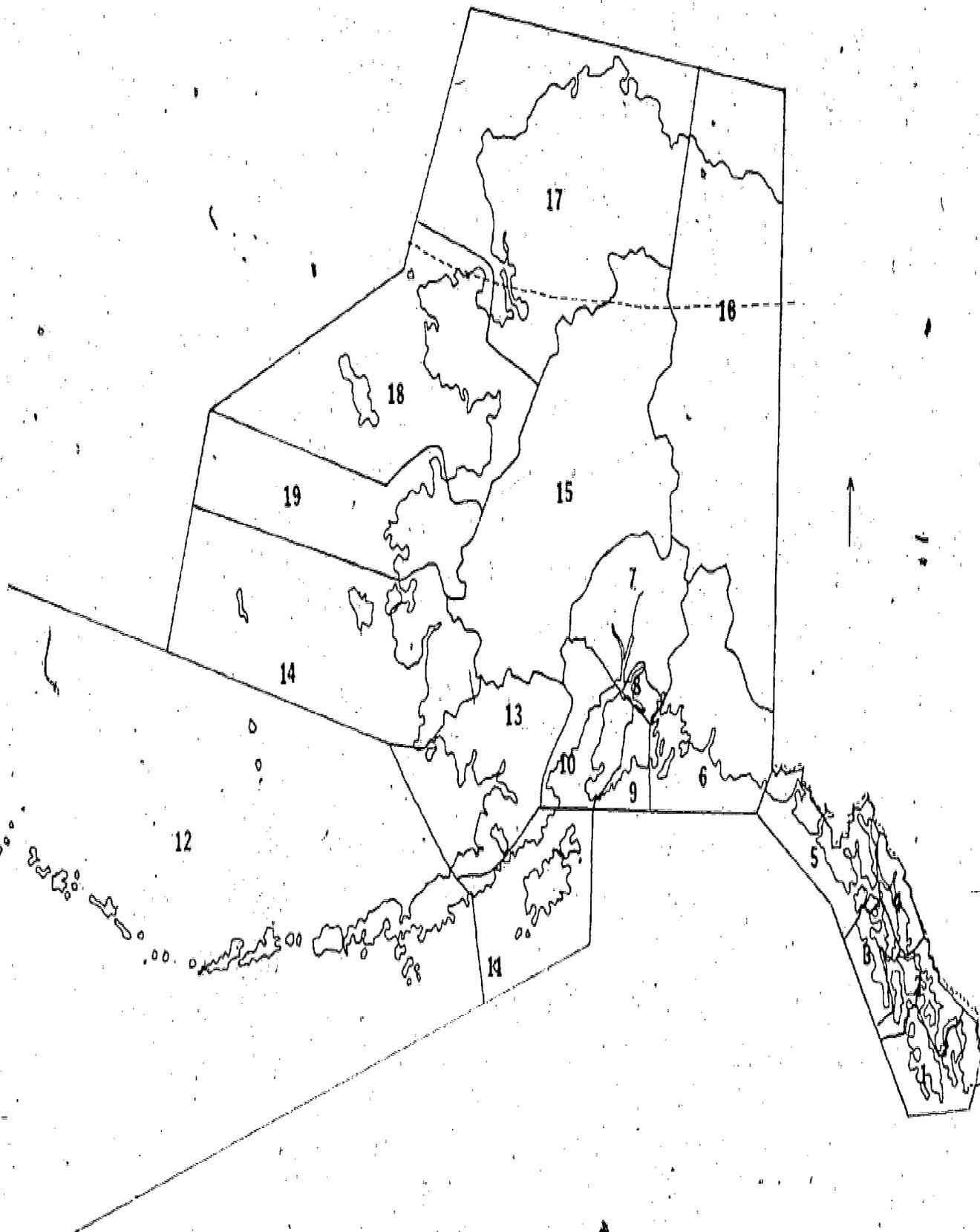
Instructional Unit Allotments for Regional Education Attendance Areas  
1976-77  
(\$25,000 Base Instructional Unit)

School District	Election District	Inst. Unit Allotment	Adjusted Base Instructional Unit	REAA No.	Election District	Inst. Unit Allotment	Adjusted Base Inst. Unit
Anchorage	8	100.00	\$25,000	1 Northwest Arctic Schools	17	133.75	\$35,110*
Bristol Bay	13	126.25	33,141*	2 Bering Straits Schools	18	126.25	33,141*
Cordova	6	115.00	28,750	3 Lower Yukon Schools	19	130.00	34,125*
Craig	1	107.50**	26,875	4 Lower Kuskokwim	14	130.00	34,125*
Dillingham	13	126.25	33,141*	5 Kuspuks Schools	15	133.75	35,110*
Fairbanks	16	111.25	27,813	6 Southwest Region Schools	13	126.25	33,141*
Galena	15	133.75	35,110*	7 The Lake and Peninsula Schools	13	126.25	33,141*
Haines	5	107.50	26,875	8 Aleutian Chain	12	126.25	33,141*
Hoonah	5	107.50	26,875	9 Pribilof Schools at St. Paul	12	126.25	33,141*
Hydaburg	1	107.50**	26,875	10 Adak Region Schools	12	126.25	33,141*
Juneau	4	100.00	25,000	11 Iditarod Area Schools	15	133.75	35,110*
Kake	2	107.50**	26,875	12 Yukon Koyukuk	15	133.75	35,110*
Kenai	10	107.50	26,875	13 Yukon Flats	16	133.75	35,110*
Ketchikan	1	100.00	25,000	14 Upper Railbelt Schools	15	133.75	33,438
King Cove	12	126.25	33,141*	15 Delta/Greely Schools	16	111.25	27,813
Klawock	1	107.50**	26,875	16 Alaska Gateway Schools	16	111.25	27,813
Kodiak	11	107.50	26,875	17 Copper River Schools	6	115.00	28,750
Matanuska-Susitna	7	103.75	25,938	18 Chatham Schools	1	107.50**	26,875
Nenana	15	133.75	33,438	19 Southeast Islands	4	100.00	26,250*
Nome	18	126.25	33,141*	20 Annette Island Schools	1	100.00	26,250*
North Slope	17	133.75	35,110*	21 Chugach Schools	6	115.00	28,750
Pelican	5	107.50	28,219*				
Petersburg	2	103.75	25,938				
St. Mary's	19	130.00	34,125*				
Selawik	17	133.75	35,110*				
Sitka	3	103.75	25,938				
Skagway	5	107.50	26,875				
Unalaska	12	126.25	33,141*				
Valdez	6	115.00	28,750				
Wrangell	2	103.75	25,938				
Yakutat	5	107.50	28,219*				

\* Includes an additional 5% since the district is not served by highways, railroads, or the Alaska State Ferry system.

\*\* This is the minimum applicable to all districts with fewer than 25 instructional units, regardless of location.

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