SPONSOR SUBSTITUTE FOR SENATE BILL NO. 46

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FIRST SESSION

BY SENATOR CLAMAN

Introduced: 2/28/25
Referred: Education, Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to education funding; relating to the public education fund; relating to the base student allocation; and providing for an effective date."

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

*** Section 1.** AS 14.03.150(c) is amended to read:

(c) The department may not award a school construction or major maintenance grant under AS 14.11 to a municipality that is a school district or a regional educational attendance area that is not in compliance with (a) of this section. The department shall reduce the amount of state aid under <u>**AS 14.17.410**</u> [AS 14.17.400] for which a school district may qualify by the amount, if any, paid by the department under (b) of this section.

*** Sec. 2.** AS 14.17.410(b) is amended to read:

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid determined as follows:

(1) state aid equals <u>**the amount appropriated by the legislature for**</u>

public school funding; except as otherwise provided in this section, a district's basic need **equals the amount of the district's state aid calculated under (g) of this section plus the district's** [MINUS A] required local contribution and 90 percent of **the district's** eligible federal impact aid for that fiscal year; [BASIC NEED EQUALS THE SUM OBTAINED UNDER (D) OF THIS PARAGRAPH, MULTIPLIED BY THE BASE STUDENT ALLOCATION SET OUT IN AS 14.17.470;] district adjusted ADM is calculated as follows:

(A) the ADM of each school in the district is calculated by applying the school size factor to the student count as set out in AS 14.17.450;

(B) the number obtained under (A) of this paragraph is multiplied by the district cost factor described in AS 14.17.460;

(C) the ADMs of each school in a district, as adjusted according to (A) and (B) of this paragraph, are added; the sum is then multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the secondary school vocational and technical instruction funding factor set out in AS 14.17.420(a)(3);

(D) the number obtained for intensive services under AS 14.17.420(a)(2) and the number obtained for correspondence study under AS 14.17.430 are added to the number obtained under (C) of this paragraph or under (H) and (I) of this paragraph;

(E) notwithstanding (A) - (C) of this paragraph, if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;

(ii) for the second fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 50 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the second fiscal year after the base fiscal year;

(iii) for the third fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 25 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the third fiscal year after the base fiscal year;

(F) the method established in (E) of this paragraph is available to a school district for the three fiscal years following the base fiscal year determined under (E) of this paragraph only if the district's ADM adjusted for school size determined under (A) of this paragraph for each fiscal year is less than the district's ADM adjusted for school size in the base fiscal year;

(G) the method established in (E) of this paragraph does not apply to a decrease in the district's ADM adjusted for school size resulting from a loss of enrollment that occurs as a result of a boundary change under AS 29;

(H) notwithstanding (A) - (C) of this paragraph, if one or more schools close and consolidate with one or more other schools in the same community and district and, as a result of the consolidation, basic need generated by the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph decreases, the district may use the last fiscal year before the consolidation as the base fiscal year to offset that decrease for the first four fiscal years following consolidation according to the following method:

(i) for the first two fiscal years after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (A) -

(C) of this paragraph is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph for the base fiscal year by the sum of the district's ADM of the consolidated schools for the base fiscal year without adjustment, and subtracting the quotient obtained by dividing the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph by the sum of the district's ADM of the consolidated schools for the current fiscal year without adjustment, multiplying that number by the sum of the district's ADM of the consolidated schools for the current fiscal year without adjustment, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(ii) for the third fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph for the base fiscal year by the sum of the district's ADM of the consolidated schools for the base fiscal year without adjustment, and subtracting the quotient obtained by dividing the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph by the sum of the district's ADM of the consolidated schools for the current fiscal year, multiplying that number by the sum of the district's ADM of the consolidated schools for the current fiscal year without adjustment, multiplying that number by 66 percent, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(iii) for the fourth fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph is calculated by dividing the sum of the district's

ADM of the consolidated schools as adjusted under (A) - (C) of this paragraph for the base fiscal year by the sum of the district's ADM of the consolidated schools for the base fiscal year without adjustment, and subtracting the quotient obtained by dividing the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph by the sum of the district's ADM of the consolidated schools for the current fiscal year, multiplying that number by the sum of the district's ADM of the consolidated schools for the current fiscal year without adjustment, multiplying that number by 33 percent, and adding that number to the sum of the district's ADM of the consolidated schools for the current fiscal year as adjusted under (A) - (C) of this paragraph;

(iv) to calculate the district's basic need for each fiscal year, the number obtained through the calculation in (i), (ii), or (iii) of this subparagraph is added to the number obtained under (C) of this paragraph for the remainder of the district;

(I) if the basic need calculated under (H)(i) - (iii) of this paragraph for one of the first four fiscal years after consolidation is less than the basic need calculated under (A) - (C) of this paragraph for that fiscal year, the basic need may not be adjusted under (H) of this paragraph for that fiscal year;

(J) a district may not offset a decrease under (H) of this paragraph if

(i) a new facility is constructed in the district for the consolidation; or

(ii) the district offset a decrease under (E) of this paragraph in the same fiscal year;

(K) a district that offsets a decrease under (H) of this paragraph may not reopen a school that was closed for consolidation in the district until

(i) seven or more years have passed since the school closure; and

(ii) the district provides evidence satisfactory to the department that the schools affected by the consolidation are over capacity;

(L) a district may not reopen and reconsolidate a school that was consolidated in the district more than once every seven years for purposes of the calculations made under (H) of this paragraph;

(M) a district offsetting a decrease under (H) of this paragraph shall provide the department with the list of schools participating in the consolidation and the corresponding ADM;

(2) the required local contribution of a city or borough school district is the equivalent of a 2.65 mill tax levy on the full and true value of the taxable real and personal property in the district as of January 1 of the second preceding fiscal year, as determined by the Department of Commerce, Community, and Economic Development under AS 14.17.510 and AS 29.45.110, not to exceed 45 percent of a district's basic need for the preceding fiscal year as determined under (1) of this subsection.

*** Sec. 3.** AS 14.17.410 is amended by adding a new subsection to read:

(g) The department shall distribute state aid to each district. The department shall determine the amount of a district's state aid by

(1) dividing the district adjusted ADM of the district by the combined total of the district adjusted ADMs of all districts in the state;

(2) multiplying the number obtained under (1) of this subsection by the combined total of

(A) state aid appropriated by the legislature;

(B) the total required local contributions for all districts in the state; and

(C) 90 percent of eligible federal impact aid received by all districts in the state for that fiscal year; and

(3) subtracting the district's required local contribution and 90 percent of the district's eligible federal impact aid for that fiscal year from the number obtained under (2) of this subsection.

*** Sec. 4.** AS 14.17.430 is amended to read:

Sec. 14.17.430. State funding for correspondence study. **<u>Funding</u>** [EXCEPT AS PROVIDED IN AS 14.17.400(b), FUNDING] for the state centralized correspondence study program or a district correspondence program, including a district that offers a statewide correspondence study program, includes [AN ALLOCATION FROM THE PUBLIC EDUCATION FUND IN] an amount calculated by multiplying the ADM of the correspondence program by 90 percent.

*** Sec. 5.** AS 14.17.440(a) is amended to read:

(a) **<u>Funding</u>** [EXCEPT AS PROVIDED IN AS 14.17.400(b), FUNDING] for state boarding schools established under AS 14.16.010 includes [AN ALLOCATION FROM THE PUBLIC EDUCATION FUND IN] an amount **<u>appropriated by the legislature</u>** [CALCULATED BY

(1) DETERMINING THE ADM OF STATE BOARDING SCHOOLS BY APPLYING THE SCHOOL SIZE FACTOR TO THE STUDENT COUNT AS DESCRIBED IN AS 14.17.450;

(2) MULTIPLYING THE NUMBER OBTAINED UNDER (1) OF THIS SUBSECTION BY THE SPECIAL NEEDS FACTOR IN AS 14.17.420(a)(1) AND THE SECONDARY SCHOOL VOCATIONAL AND TECHNICAL INSTRUCTION FUNDING FACTOR SET OUT IN AS 14.17.420(a)(3) AND MULTIPLYING THAT PRODUCT BY THE BASE STUDENT ALLOCATION; AND

(3) MULTIPLYING THE PRODUCT DETERMINED UNDER (2) OF THIS SUBSECTION BY THE DISTRICT COST FACTOR THAT IS APPLICABLE TO CALCULATION OF THE STATE AID FOR THE ADJACENT SCHOOL DISTRICT UNDER AS 14.17.460].

*** Sec. 6.** AS 14.17.500(a) is amended to read:

(a) A district shall prepare and submit to the department by November 5 of each fiscal year, in the manner and on forms prescribed by the department, an estimate of its ADM and other student count data, including per school student count data, for the succeeding fiscal year upon which computations can be made to estimate the amount of state aid for which the district may be eligible under **<u>AS 14.17.410</u>**

[AS 14.17.400] in the succeeding fiscal year. In making its report, the district shall consider its ADM, other student count data, the pattern of growth or decline of the student population in preceding years, and other pertinent information available to the district.

* **Sec. 7.** AS 14.17.610(b) is amended to read:

(b) Distribution of state aid under (a) of this section shall be made as required under **<u>AS 14.17.410(g)</u>** [AS 14.17.410]. If a district receives more state aid than it is entitled to receive under this chapter, the district shall immediately remit the amount of overpayment to the commissioner, to be returned to the **<u>general</u>** [PUBLIC EDUCATION] fund. The department may make adjustments to a district's state aid to correct underpayments made in previous fiscal years.

* **Sec. 8.** AS 14.17.900(b) is amended to read:

(b) Money to carry out the provisions of this chapter may be appropriated annually by the legislature [INTO THE PUBLIC EDUCATION FUND. IF THE AMOUNT APPROPRIATED TO THE FUND FOR THE PURPOSES OF THIS CHAPTER IS INSUFFICIENT TO MEET THE ALLOCATIONS AUTHORIZED UNDER AS 14.17.400 - 14.17.470 FOR A FISCAL YEAR, STATE AID SHALL BE REDUCED ACCORDING TO AS 14.17.400(b)].

* **Sec. 9.** AS 37.07.020(b) is amended to read:

(b) In addition to the budget and bills submitted under (a) of this section, the governor shall submit a capital improvements program covering the succeeding six fiscal years. The governor shall also submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years. The fiscal plan

(1) must include sufficient details to identify

(A) significant sources of funds;

(B) significant uses of funds, including lump sum projections of

(i) operating expenditures;

(ii) capital expenditures;

(iii) debt service expenditures;

(iv) fund capitalizations;

(v) appropriations of income of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), if any;

(2) must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state;

(3) must include projected balances of significant funds held in separate accounts, including the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) [, THE PUBLIC EDUCATION FUND (AS 14.17.300),] and the Alaska capital income fund (AS 37.05.565);

(4) must set out significant assumptions used in the projections with sufficient detail to enable the legislature to rely on the fiscal plan in understanding, evaluating, and resolving issues of state budgeting, including information that supports major areas of operating increases, such as population demographics that affect the need for particular government services.

*** Sec. 10.** AS 37.07.020 is amended by adding a new subsection to read:

(h) On December 15 and March 15 of each year, the governor shall

(1) for information purposes only, adjust the total amount of appropriations enacted for public school education in the state for the current fiscal year in proportion to changes in the Consumer Price Index for all urban consumers for urban Alaska during the previous calendar year, as determined by the United States Department of Labor, Bureau of Labor Statistics; the March 15 calculation must include supplemental appropriations enacted for the current fiscal year on or before February 28; in this paragraph, "public school" does not include the University of Alaska or another postsecondary institution;

(2) publish the amount adjusted for inflation in (1) of this subsection on the Internet website of the Office of the Governor; and

(3) report the amount adjusted for inflation in (1) of this subsection to the senate secretary and the chief clerk of the house of representatives and notify the legislature that the amount is available.

*** Sec. 11.** AS 14.17.300, 14.17.400, 14.17.410(a), 14.17.470, 14.17.480(b), and 14.17.490(c) are repealed.

*** Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. This Act applies to a contract that becomes legally binding on or after the effective date of this Act.

*** Sec. 13.** This Act takes effect July 1, 2025.