

HOUSE BILL NO. 280

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE PRAX

Introduced: 1/18/24

Referred: Education, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to education; relating to local contributions of a city or borough school**
2 **district; relating to school funding; and providing for an effective date."**

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

4 * **Section 1.** AS 14.03.260(a) is amended to read:

5 (a) A local school board shall provide an approved charter school with an
6 annual program budget. The budget shall be not less than the amount generated by the
7 students enrolled in the charter school less administrative costs retained by the local
8 school district, determined by applying the indirect cost rate approved by the
9 department up to four percent. Costs directly related to charter school facilities,
10 including rent, utilities, and maintenance, may not be included in an annual program
11 budget for the purposes of calculating the four percent cap on administrative costs
12 under this subsection. A local school board shall provide a charter school with a report
13 itemizing the administrative costs retained by the local school board under this section.
14 The "amount generated by students enrolled in the charter school" is to be determined

in the same manner as it would be for a student enrolled in another public school in that school district and includes funds generated by grants, appropriations, federal impact aid, [THE REQUIRED LOCAL CONTRIBUTION,] the local contribution under AS 14.17.410(c), special needs under AS 14.17.420(a)(1), and secondary school vocational and technical instruction under AS 14.17.420(a)(3). A school district shall direct state aid under AS 14.11 for the construction or major maintenance of a charter school facility to the charter school that generated the state aid, subject to the same terms and conditions that apply to state aid under AS 14.11 for construction or major maintenance of a school facility that is not a charter school.

* **Sec. 2.** AS 14.12.020(c) is amended to read:

(c) The legislature shall provide the state money necessary to maintain and operate **districts of the state public school system described in AS 14.12.010** [THE REGIONAL EDUCATIONAL ATTENDANCE AREAS]. The borough assembly for a borough school district, and the city council for a city school district, **may** [SHALL] provide [THE] money **for a local contribution under AS 14.17.410(c)** [THAT MUST BE RAISED] from local sources to maintain and operate the district.

* **Sec. 3.** AS 14.17.410(b) is amended to read:

(b) Public school funding consists of state aid, a [REQUIRED] local contribution **under (c) of this section**, and eligible federal impact aid. **State** [DETERMINED AS FOLLOWS:

(1) STATE] aid equals basic need [MINUS A REQUIRED LOCAL CONTRIBUTION] and 90 percent of eligible federal impact aid for that fiscal year. **Basic** [; BASIC] need equals the sum obtained under **(4)** [(D)] of this **subsection** [PARAGRAPH], multiplied by the base student allocation set out in AS 14.17.470. **The** [;] district adjusted ADM is calculated as follows:

(1) [(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;

(2) [(B)] the number obtained under **(1)** [(A)] of this **subsection** [PARAGRAPH] is multiplied by the district cost factor described in AS 14.17.460;

(3) [(C)] the ADMs of each school in a district, as adjusted according to **(1) and (2)** [(A) AND (B)] of this **subsection** [PARAGRAPH], are added; the sum

1 is then multiplied by the special needs factor set out in AS 14.17.420(a)(1) and the
 2 secondary school vocational and technical instruction funding factor set out in
 3 AS 14.17.420(a)(3);

4 **(4)** [(D)] the number obtained for intensive services under
 5 AS 14.17.420(a)(2) and the number obtained for correspondence study under
 6 AS 14.17.430 are added to the number obtained under **(3)** [(C)] of this **subsection**
 7 [PARAGRAPH] or under **(8) and (9)** [(H) AND (I)] of this **subsection**
 8 [PARAGRAPH];

9 **(5)** [(E)] notwithstanding **(1) - (3)** [(A) - (C)] of this **subsection**
 10 [PARAGRAPH], if a school district's ADM adjusted for school size under **(1)** [(A)] of
 11 this **subsection** [PARAGRAPH] decreases by five percent or more from one fiscal
 12 year to the next fiscal year, the school district may use the last fiscal year before the
 13 decrease as a base fiscal year to offset the decrease, according to the following
 14 method:

15 **(A)** [(i)] for the first fiscal year after the base fiscal year
 16 determined under this **paragraph** [SUBPARAGRAPH], the school district's
 17 ADM adjusted for school size determined under **(1)** [(A)] of this **subsection**
 18 [PARAGRAPH] is calculated as the district's ADM adjusted for school size,
 19 plus 75 percent of the difference in the district's ADM adjusted for school size
 20 between the base fiscal year and the first fiscal year after the base fiscal year;

21 **(B)** [(ii)] for the second fiscal year after the base fiscal year
 22 determined under this **paragraph** [SUBPARAGRAPH], the school district's
 23 ADM adjusted for school size determined under **(1)** [(A)] of this **subsection**
 24 [PARAGRAPH] is calculated as the district's ADM adjusted for school size,
 25 plus 50 percent of the difference in the district's ADM adjusted for school size
 26 between the base fiscal year and the second fiscal year after the base fiscal
 27 year;

28 **(C)** [(iii)] for the third fiscal year after the base fiscal year
 29 determined under this **paragraph** [SUBPARAGRAPH], the school district's
 30 ADM adjusted for school size determined under **(1)** [(A)] of this **subsection**
 31 [PARAGRAPH] is calculated as the district's ADM adjusted for school size,

1 plus 25 percent of the difference in the district's ADM adjusted for school size
2 between the base fiscal year and the third fiscal year after the base fiscal year;

3 (6) [(F)] the method established in (5) [(E)] of this **subsection**
4 [PARAGRAPH] is available to a school district for the three fiscal years following the
5 base fiscal year determined under (5) [(E)] of this **subsection** [PARAGRAPH] only if
6 the district's ADM adjusted for school size determined under (1) [(A)] of this
7 **subsection** [PARAGRAPH] for each fiscal year is less than the district's ADM
8 adjusted for school size in the base fiscal year;

9 (7) [(G)] the method established in (5) [(E)] of this **subsection**
10 [PARAGRAPH] does not apply to a decrease in the district's ADM adjusted for school
11 size resulting from a loss of enrollment that occurs as a result of a boundary change
12 under AS 29;

13 (8) [(H)] notwithstanding (1) - (3) [(A) - (C)] of this **subsection**
14 [PARAGRAPH], if one or more schools close and consolidate with one or more other
15 schools in the same community and district and, as a result of the consolidation, basic
16 need generated by the district's ADM of the consolidated schools as adjusted under (1)
17 - (3) [(A) - (C)] of this **subsection** [PARAGRAPH] decreases, the district may use the
18 last fiscal year before the consolidation as the base fiscal year to offset that decrease
19 for the first four fiscal years following consolidation according to the following
20 method:

21 (A) [(i)] for the first two fiscal years after the base fiscal year,
22 the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) -
23 (C)] of this **subsection** [PARAGRAPH] is calculated by dividing the sum of
24 the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) -
25 (C)] of this **subsection** [PARAGRAPH] for the base fiscal year by the sum of
26 the district's ADM of the consolidated schools for the base fiscal year without
27 adjustment, and subtracting the quotient obtained by dividing the district's
28 ADM of the consolidated schools for the current fiscal year as adjusted under
29 (1) - (3) [(A) - (C)] of this **subsection** [PARAGRAPH] by the sum of the
30 district's ADM of the consolidated schools for the current fiscal year without
31 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 (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH];

(B) [(ii)] for the third fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH] is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) - (C)] of this subsection [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 (1) - (3) [(A) - (C)] of this subsection [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 (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH];

(C) [(iii)] for the fourth fiscal year after the base fiscal year, the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH] is calculated by dividing the sum of the district's ADM of the consolidated schools as adjusted under (1) - (3) [(A) - (C)] of this subsection [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 (1) - (3) [(A) - (C)] of this subsection [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 (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH];

(D) [(iv)] to calculate the district's basic need for each fiscal year, the number obtained through the calculation in (A), (B), or (C) [(i), (ii), OR (iii)] of this paragraph [SUBPARAGRAPH] is added to the number obtained under (3) [(C)] of this subsection [PARAGRAPH] for the remainder of the district;

(9) [(I)] if the basic need calculated under (8)(A) - (C) [(H)(i) - (iii)] of this subsection [PARAGRAPH] for one of the first four fiscal years after consolidation is less than the basic need calculated under (1) - (3) [(A) - (C)] of this subsection [PARAGRAPH] for that fiscal year, the basic need may not be adjusted under (8) [(H)] of this subsection [PARAGRAPH] for that fiscal year;

(10) [(J)] a district may not offset a decrease under (8) [(H)] of this subsection [PARAGRAPH] if

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

(B) [(ii)] the district offset a decrease under (5) [(E)] of this subsection [PARAGRAPH] in the same fiscal year;

(11) [(K)] a district that offsets a decrease under (8) [(H)] of this subsection [PARAGRAPH] may not reopen a school that was closed for consolidation in the district until

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

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

(12) [(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 (8) [(H)] of this subsection [PARAGRAPH];

(13) [(M)] a district offsetting a decrease under (8) [(H)] of this subsection [PARAGRAPH] shall provide the department with the list of schools

1 participating in the consolidation and the corresponding ADM [;

2 (2) THE REQUIRED LOCAL CONTRIBUTION OF A CITY OR
3 BOROUGH SCHOOL DISTRICT IS THE EQUIVALENT OF A 2.65 MILL TAX
4 LEVY ON THE FULL AND TRUE VALUE OF THE TAXABLE REAL AND
5 PERSONAL PROPERTY IN THE DISTRICT AS OF JANUARY 1 OF THE
6 SECOND PRECEDING FISCAL YEAR, AS DETERMINED BY THE
7 DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC
8 DEVELOPMENT UNDER AS 14.17.510 AND AS 29.45.110, NOT TO EXCEED 45
9 PERCENT OF A DISTRICT'S BASIC NEED FOR THE PRECEDING FISCAL
10 YEAR AS DETERMINED UNDER (1) OF THIS SUBSECTION].

11 * **Sec. 4.** AS 14.17.410(c) is amended to read:

12 (c) A [IN ADDITION TO THE LOCAL CONTRIBUTION REQUIRED
13 UNDER (b)(2) OF THIS SECTION, A] city or borough school district in a fiscal year
14 may make a local contribution of not more than the greater of

15 (1) the equivalent of a two mill tax levy on the full and true value of
16 the taxable real and personal property in the district as of January 1 of the second
17 preceding fiscal year, as determined by the Department of Commerce, Community,
18 and Economic Development under AS 14.17.510 and AS 29.45.110; or

19 (2) 23 percent of the total of the district's basic need for the fiscal year
20 under (b) [(b)(1)] of this section and any additional funding distributed to the district
21 in a fiscal year according to (b) of this section.

22 * **Sec. 5.** AS 14.17.420(a) is amended to read:

23 (a) As a component of public school funding, a district is eligible for special
24 needs and secondary school vocational and technical instruction funding and may be
25 eligible for intensive services funding as follows:

26 (1) special needs funding is available to a district to assist the district
27 in providing special education, gifted and talented education, vocational education,
28 and bilingual education services to its students; a special needs funding factor of 1.20
29 shall be applied as set out in AS 14.17.410(b) [AS 14.17.410(b)(1)];

30 (2) in addition to the special needs funding for which a district is
31 eligible under (1) of this subsection, a district is eligible for intensive services funding

for each special education student who needs and receives intensive services and is enrolled on the last day of the count period; for each such student, intensive services funding is equal to the intensive student count multiplied by 13;

(3) in addition to the special needs and intensive services funding available under (1) and (2) of this subsection, secondary school vocational and technical instruction funding is available to assist districts in providing vocational and technical instruction to students who are enrolled in a secondary school; a secondary school vocational and technical instruction funding factor of 1.015 shall be applied as set out in **AS 14.17.410(b)** [AS 14.17.410(b)(1)]; in this paragraph, "vocational and technical instruction" excludes costs associated with

(A) administrative expenses; and

(B) instruction in general literacy, mathematics, and job readiness skills.

* **Sec. 6.** AS 14.17.460(a) is amended to read:

(a) For purposes of calculating a district's adjusted ADM under **AS 14.17.410(b)** [AS 14.17.410(b)(1)], the district cost factor for a school district is (1) for the fiscal year ending June 30, 2009, the factor set out under column (A) of this subsection, (2) for the fiscal year ending June 30, 2010, the factor set out under column (B) of this subsection, (3) for the fiscal year ending June 30, 2011, the factor set out under column (C) of this subsection, (4) for the fiscal year ending June 30, 2012, the factor set out under column (D) of this subsection, and (5) for fiscal years ending on or after June 30, 2013, the factor set out under column (E) of this subsection:

DISTRICT COST FACTOR

DISTRICT	(A)	(B)	(C)	(D)	(E)
Alaska Gateway	1.443	1.481	1.519	1.557	1.594
Aleutians East	1.707	1.778	1.849	1.920	1.991
Aleutians Region	1.838	1.864	1.890	1.916	1.939
Anchorage	1.000	1.000	1.000	1.000	1.000
Annette Island	1.175	1.216	1.257	1.298	1.338
Bering Strait	1.762	1.821	1.880	1.939	1.998

1	Bristol Bay	1.370	1.397	1.424	1.451	1.478
2	Chatham	1.348	1.405	1.462	1.519	1.576
3	Chugach	1.395	1.420	1.445	1.470	1.496
4	Copper River	1.246	1.264	1.282	1.300	1.316
5	Cordova	1.165	1.182	1.199	1.216	1.234
6	Craig	1.108	1.133	1.158	1.183	1.206
7	Delta/Greely	1.174	1.191	1.208	1.225	1.241
8	Denali	1.323	1.326	1.329	1.332	1.332
9	Dillingham	1.300	1.312	1.324	1.336	1.346
10	Fairbanks	1.055	1.059	1.063	1.067	1.070
11	Galena	1.370	1.376	1.382	1.388	1.391
12	Haines	1.104	1.128	1.152	1.176	1.200
13	Hoonah	1.227	1.270	1.313	1.356	1.399
14	Hydaburg	1.295	1.348	1.401	1.454	1.504
15	Iditarod	1.658	1.705	1.752	1.799	1.846
16	Juneau	1.075	1.093	1.111	1.129	1.145
17	Kake	1.242	1.296	1.350	1.404	1.459
18	Kashunamiut	1.504	1.533	1.562	1.591	1.619
19	Kenai Peninsula	1.088	1.109	1.130	1.151	1.171
20	Ketchikan	1.085	1.106	1.127	1.148	1.170
21	Klawock	1.160	1.196	1.232	1.268	1.302
22	Kodiak Island	1.191	1.216	1.241	1.266	1.289
23	Kuspuk	1.584	1.622	1.660	1.698	1.734
24	Lake and Peninsula	1.776	1.831	1.886	1.941	1.994
25	Lower Kuskokwim	1.577	1.599	1.621	1.643	1.663
26	Lower Yukon	1.650	1.703	1.756	1.809	1.861
27	Matanuska-Susitna	1.040	1.048	1.056	1.064	1.070
28	Mt. Edgecumbe	1.098	1.123	1.148	1.173	1.195
29	Nenana	1.304	1.313	1.322	1.331	1.338
30	Nome	1.385	1.402	1.419	1.436	1.450
31	North Slope	1.648	1.684	1.720	1.756	1.791

1	Northwest Arctic	1.686	1.720	1.754	1.788	1.823
2	Pelican	1.384	1.408	1.432	1.456	1.477
3	Petersburg	1.122	1.153	1.184	1.215	1.244
4	Pribilof	1.555	1.589	1.623	1.657	1.691
5	Sitka	1.098	1.123	1.148	1.173	1.195
6	Skagway	1.159	1.163	1.167	1.171	1.174
7	Southeast Island	1.264	1.299	1.334	1.369	1.403
8	Southwest Region	1.554	1.587	1.620	1.653	1.685
9	St. Mary's	1.488	1.522	1.556	1.590	1.624
10	Tanana	1.641	1.677	1.713	1.749	1.786
11	Unalaska	1.343	1.368	1.393	1.418	1.441
12	Valdez	1.133	1.143	1.153	1.163	1.170
13	Wrangell	1.080	1.100	1.120	1.140	1.159
14	Yakutat	1.229	1.275	1.321	1.367	1.412
15	Yukon Flats	1.892	1.948	2.004	2.060	2.116
16	Yukon/Koyukuk	1.669	1.711	1.753	1.795	1.835
17	Yupiit	1.596	1.628	1.660	1.692	1.723.

18 * **Sec. 7.** AS 14.17.510(a) is amended to read:

19 (a) To [DETERMINE THE AMOUNT OF REQUIRED LOCAL
20 CONTRIBUTION UNDER AS 14.17.410(b)(2) AND TO] aid the department and the
21 legislature in planning, the Department of Commerce, Community, and Economic
22 Development, in consultation with the assessor for each district in a city or borough,
23 shall determine the full and true value of the taxable real and personal property in each
24 district in a city or borough. If there is no local assessor or current local assessment for
25 a city or borough school district, then the Department of Commerce, Community, and
26 Economic Development shall make the determination of full and true value guided by
27 AS 29.45.110 and based on a determination of full and true value made by the state
28 assessor at least every two years using the best information available, including on-site
29 inspections made by the state assessor in each of those districts at least once every four
30 years. For purposes of this subsection, the full and true value of taxable real and
31 personal property in any area detached shall be excluded from the determination of the

full and true value of the municipality from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district, or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a tax is not levied under AS 29.45.080 by the municipality that is the school district. The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Commerce, Community, and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

* **Sec. 8.** AS 14.17.990(3) is amended to read:

(3) "district adjusted ADM" means the number resulting from the calculations under **AS 14.17.410(b)** [AS 14.17.410(b)(1)];

* **Sec. 9.** AS 14.20.177(a) is amended to read:

(a) A school district may implement a layoff plan under this section if it is necessary for the district to reduce the number of tenured teachers because

(1) school attendance in the district has decreased; or

(2) the basic need of the school district determined under **AS 14.17.410(b)** [AS 14.17.410(b)(1)] decreases by three percent or more from the previous year.

* **Sec. 10.** AS 29.45.050(m) is amended to read:

(m) A municipality may by ordinance partially or totally exempt all or some types of economic development property from taxation for a designated period. [EXCEPT AS OTHERWISE PROVIDED BY AN ORDINANCE ENACTED BY THE MUNICIPALITY BEFORE JANUARY 1, 2017, A MUNICIPALITY THAT IS A SCHOOL DISTRICT MAY ONLY EXEMPT ALL OR A PORTION OF THE AMOUNT OF TAXES THAT EXCEEDS THE AMOUNT LEVIED ON OTHER PROPERTY FOR THE SCHOOL DISTRICT'S REQUIRED LOCAL

CONTRIBUTION UNDER AS 14.17.410(b)(2).] A municipality may by ordinance permit deferral of payment of taxes on all or some types of economic development property for a designated period. A municipality may apply an exemption or deferral under this subsection to taxes levied for special services in a service area that is supervised by an elected service area board under AS 29.35.460 unless the elected service area board objects to the exemption or deferral by resolution adopted not later than 60 days after the effective date of the municipal ordinance enacting the tax exemption or deferral. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require a written application for each exemption or deferral.

* **Sec. 11.** AS 43.23.220(d) is amended to read:

(d) On July 1 of each year, the commissioner shall

(1) determine the fund balance for the previously closed fiscal year, including the earnings of the fund; and

(2) when the average market value for that fiscal year exceeds \$1,000,000,000, transfer 4.5 percent of the average fiscal-year-end market value of the balance of the fund for the last five fiscal years, including the fiscal year just ended, and including any unrealized gains and losses, to the Department of Education and Early Development for distribution as supplemental grants to school districts according to the average daily membership for each district adjusted under AS 14.17.410(b)(1) - (4) [AS 14.17.410(b)(1)(A) - (D)], subject to appropriation.

* **Sec. 12.** AS 43.23.230(c) is amended to read:

(c) Of the donations received in a year under (b) of this section, the legislature shall appropriate 25 percent to the education endowment fund established in AS 43.23.220 and shall appropriate 25 percent to the dividend raffle fund. The legislature shall appropriate the remaining 50 percent of the donations received under (b) of this section to the Department of Education and Early Development for distribution as supplemental grants to school districts according to the average daily

1 membership for each district adjusted under **AS 14.17.410(b)(1) - (4)**
2 [AS 14.17.410(b)(1)(A) - (D)].

3 * **Sec. 13.** AS 14.17.410(d), 14.17.410(e), and 14.17.410(f) are repealed.

4 * **Sec. 14.** This Act takes effect July 1, 2024.