

**IN THE SUPREME COURT FOR THE STATE OF ALASKA**

STATE OF ALASKA, MICHAEL HANLEY,  
COMMISSIONER OF ALASKA  
DEPARTMENT OF EDUCATION AND  
EARLY DEVELOPMENT, in his official  
capacity,

Appellants/Cross-Appellees,

v.

KETCHIKAN GATEWAY BOROUGH, an  
Alaska municipal corporation and political  
subdivision; AGNES MORAN, an individual,  
on her own behalf and on behalf of her minor  
son; JOHN COSS, a minor; JOHN  
HARRINGTON, an individual; and DAVID  
SPOKLEY, an individual,

Appellees/Cross-Appellants.

Supreme Court Nos. S-15811/S-15841

Trial Court Case No. 1KE-14-00016 CI

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APPEAL FROM THE SUPERIOR COURT  
FIRST JUDICIAL DISTRICT AT ANCHORAGE, ALASKA  
HONORABLE WILLIAM B. CAREY

**BRIEF OF AMICI CURIAE**  
**ASSOCIATION OF ALASKA SCHOOL BOARDS**  
**ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, &**  
**ALASKA SUPERINTENDENTS ASSOCIATION**

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Filed in the Supreme Court for the State of  
Alaska, this \_\_\_\_\_ day of May, 2015.  
Marilyn May, Clerk

By \_\_\_\_\_  
Deputy Clerk

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### ALASKA CONSTITUTION

#### **Article VII, § 1. *Public Education***

The legislature shall by general law establish and maintain a system of public schools open to all children of the State, and may provide for other public educational institutions. Schools and institutions so established shall be free from sectarian control. No money shall be paid from public funds for the direct benefit of any religious or other private educational institution.

#### **Article IX, § 7. *Dedicated Funds***

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

#### **Article X, § 3. *Boroughs***

The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law. The standards shall include population, geography, economy, transportation, and other factors. Each borough shall embrace an area and population with common interests to the maximum degree possible. The legislature shall classify boroughs and prescribe their powers and functions. Methods by which boroughs may be organized, incorporated, merged, consolidated, reclassified, or dissolved shall be prescribed by law.

#### **Article X, § 7. *Cities***

Cities shall be incorporated in a manner prescribed by law, and shall be a part of the borough in which they are located. Cities shall have the powers and functions conferred by law or charter. They may be merged, consolidated, classified, reclassified, or dissolved in the manner provided by law.

### ALASKA STATUTES

#### **AS 14.17.410. Public school funding.**

...

(b) Public school funding consists of state aid, a required local contribution, and eligible federal impact aid 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; . . .

...

- (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. . . .
- (c) In addition to the local contribution required under (b)(2) of this section, a city or borough school district in a fiscal year may make a local contribution of not more than the greater of
- (1) the equivalent of a two 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 ; or
  - (2) 23 percent of the total of the district's basic need for the fiscal year under (b)(1) of this section and any additional funding distributed to the district in a fiscal year according to (b) of this section.

**AS 14.17.990. Definitions.**

- ...
- (6) "local contribution" means appropriations and the value of in-kind services made by a district;
- ...

**AS 14.12.010. Districts of State Public School System.**

The districts of the state public school system are as follows:

- (1) each home rule and first class city in the unorganized borough is a city school district;
- (2) each organized borough is a borough school district;
- (3) the area outside organized boroughs and outside home rule and first class cities is divided into regional educational attendance areas.

**AS 14.12.020. Support, Management, and Control in General; Military Reservation Schools.**

- (a) Each regional educational attendance area shall be operated on an areawide basis under the management and control of a regional school board. The regional school board manages and controls schools on military reservations within its regional educational attendance area until the military mission is terminated or so long as management and control by the regional educational attendance area is approved by

the department. However, operation of the military reservation schools by a city or borough school district may be required by the department under AS 14.14.110 . If the military mission of a military reservation terminates or continued management and control by the regional educational attendance area is disapproved by the department, operation, management, and control of schools on the military reservation transfers to the city or borough school district in which the military reservation is located.

- (b) Each borough or city school district shall be operated on a district-wide basis under the management and control of a school board.
- (c) The legislature shall provide the state money necessary to maintain and operate the regional educational attendance areas. The borough assembly for a borough school district, and the city council for a city school district, shall provide the money that must be raised from local sources to maintain and operate the district.

#### **UNITED STATES CODE**

#### **20 U.S.C. § 7709. State consideration of [federal-impact aid] payments in providing State aid**

**(a) General prohibition**

Except as provided in subsection (b) of this section, a State may not-

- (1) consider payments under this subchapter in determining for any fiscal year-
  - (A) the eligibility of a local educational agency for State aid for free public education; or
  - (B) the amount of such aid; or
- (2) make such aid available to local educational agencies in a manner that results in less State aid to any local educational agency that is eligible for such payment than such agency would receive if such agency were not so eligible.

**(b) State equalization plans**

**(1) In general**

A State may reduce State aid to a local educational agency that receives a payment under section 7702 or 7703(b) of this title (except the amount calculated in excess of 1.0 under section 7703(a)(2)(B) of this title and, with respect to a local educational agency that receives a payment under section 7703(b)(2) of this title, the amount in excess of the amount that the agency would receive if the agency were deemed to be an agency eligible to receive a payment under section 7703(b)(1) of this title and not section 7703(b)(2) of this title) for any fiscal year if the Secretary determines, and certifies under subsection (c)(3)(A) of this section, that the State has in effect a program of State aid that equalizes expenditures for free public education among

local educational agencies in the State.

**(2) Computation**

**(A) In general**

For purposes of paragraph (1), a program of State aid equalizes expenditures among local educational agencies if, in the second fiscal year preceding the fiscal year for which the determination is made, the amount of per-pupil expenditures made by, or per-pupil revenues available to, the local educational agency in the State with the highest such per-pupil expenditures or revenues did not exceed the amount of such per-pupil expenditures made by, or per-pupil revenues available to, the local educational agency in the State with the lowest such expenditures or revenues by more than 25 percent.

**(B) Other factors**

In making a determination under this subsection, the Secretary shall-

(i) disregard local educational agencies with per-pupil expenditures or revenues above the 95th percentile or below the 5th percentile of such expenditures or revenues in the State; and

(ii) take into account the extent to which a program of State aid reflects the additional cost of providing free public education in particular types of local educational agencies, such as those that are geographically isolated, or to particular types of students, such as children with disabilities.

**(c) Procedures for review of State equalization plans**

**(1) Written notice**

**(A) In general**

Any State that wishes to consider payments described in subsection (b)(1) of this section in providing State aid to local educational agencies shall submit to the Secretary, not later than 120 days before the beginning of the State's fiscal year, a written notice of such State's intention to do so.

**(B) Contents**

Such notice shall be in the form and contain the information the Secretary requires, including evidence that the State has notified each local educational agency in the State of such State's intention to consider such payments in providing State aid.

...

**(3) Qualification procedures**

If the Secretary determines that a program of State aid qualifies under subsection (b) of this section, the Secretary shall—

(A) certify the program and so notify the State; . . .

. . .

(d) **Treatment of State aid**

(1) **In general**

If a State has in effect a program of State aid for free public education for any fiscal year, which is designed to equalize expenditures for free public education among the local educational agencies of that State, payments under this subchapter for any fiscal year may be taken into consideration by such State in determining the relative-

(A) financial resources available to local educational agencies in that State; and

(B) financial need of such agencies for the provision of free public education for children served by such agency, except that a State may consider as local resources funds received under this subchapter only in proportion to the share that local tax revenues covered under a State equalization program are of total local tax revenues.

. . .

(e) **Remedies for State violations**

(1) **In general**

The Secretary or any aggrieved local educational agency may, not earlier than 150 days after an adverse determination by the Secretary against a State for violation of subsections (a) or (d)(2) of this section or for failure to carry out an assurance under subsection (b)(3)(B) of this section, and if an administrative proceeding has not been concluded within such time, bring an action in a United States district court against such State for such violations or failure.

(2) **Immunity**

A State shall not be immune under the 11th amendment to the Constitution of the United States from an action described in paragraph (1).

(3) **Relief**

The court shall grant such relief as the court determines is appropriate.

## ISSUES PRESENTED FOR REVIEW

1. *Delegated-Local Government Functions Prescribed By Law.* The Legislature has conditionally delegated significant portions of its Article VII, § 1 *Public Education* responsibilities to cities and boroughs, whose “functions” the Legislature is constitutionally entitled to “prescribe[]” or “confer[] by law” under Article X, sections 3 and 7 of the Alaska Constitution. As a condition of its delegation, city and borough school districts must each year make in-kind or cash contributions towards their operations in the amount of 45% of each district’s “basic need,” or less, depending on the value of property located within the district. Does this exercise of the Legislature’s prerogatives under Article VII, section 1 and Article X, sections 3 and 7 violate the “dedicated fund” provision of the Alaska Constitution found in Article IX, section 7?

2. *Dedicated Fund.* The value of the contributions that the Legislature requires of city and borough school districts is significantly less than each district’s “basic need”—and most cities and boroughs annually elect to make voluntary contributions beyond the minimum requirement. Does the requirement for city and borough school districts to make an in-kind or cash contribution toward a fraction of their annual basic need constitute a “dedication” of public revenue, create a “fund,” or undermine the Legislature’s “control of and responsibility for state spending” in violation of Article IX, section 7?

3. *State Participation in the Federal Impact-Aid Program.* The federal government has certified Alaska’s school-funding program, and conditioned the state’s appreciation of over \$71 million in federal “impact aid” on its continued compliance with the program. Judicial invalidation of the RLC would deny to the state its current ability to ensure Alaska follows

the certified program and jeopardize the State's use of the federal funds. Is the RLC "required by the federal government for state participation in [a] federal program[]," as permitted by Article IX, section 7 of the Alaska Constitution?

### INTRODUCTION

The Association of Alaska School Boards, the Alaska Council of School Administrators, and the Alaska Superintendents Association file this brief in favor of the appellants/cross-appellees, the State of Alaska, and Michael Hanley, Commissioner of the Alaska Department of Education and Early Development (the "State").

AASB, ACSA, and ASA agree with the State that the "required local contribution" set out in AS 14.17.410(b)(2) does not violate the "dedicated funds" clause of Article IX, section 7 of the Alaska Constitution, and that the Superior Court's decision to the contrary should be reversed.

### Interest of *Amici Curiae*

The Association of Alaska School Boards ("AASB") is established by law "as the organization and representative agency of the members of the school boards of the state."<sup>1</sup>

The Alaska Council of School Administrators ("ACSA") is a non-profit, tax-exempt corporation established in 1973. It was created to serve as an umbrella organization for four of Alaska's premier educational leadership organizations: the Alaska Superintendents Association ("ASA"), the Alaska Association of School Business Officials ("ALASBO"), the

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<sup>1</sup> AS 14.14.150 *Association of Alaska School Boards the Representative Agency of Board Members*.

Alaska Association of Secondary School Principals (“AASP”), and the Alaska Association of Elementary School Principals (“AAESP”).

Alaska’s school boards and their superintendents are authorized by law to govern, manage, control, administer and operate Alaska’s public schools.<sup>2</sup> Over the years, AASB and its school-board members, and ACSA and its membership of school superintendents and school business officials, have—through their lobbying efforts, testimony, expertise, analysis, and practical knowledge—assisted the State Department of Education and Early Development and the Alaska State Legislature in crafting the public-school funding formula that includes the “required local contribution.” *Amici* are intimately and uniquely familiar with the history and purpose of, and justification for, the RLC and the state’s public-school funding formula.

The Superior Court in this case held that the RLC is unconstitutional. That decision, if allowed to stand, will substantially disrupt the state’s long-standing system of public-school financing, and create significant uncertainty for the interests represented by AASB, ACSA, and ASA.

In short, AASB, ACSA, and ASA, and their memberships, have a unique interest and perspective regarding the core subjects of this case—public-school funding and operations, and the validity and purpose of the RLC. They are also deeply concerned about the uncertainty and turmoil that may occur in the governance and management of Alaska’s school districts if the Superior Court’s decision in this case is upheld.

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<sup>2</sup> See AS 14.12.020 *Support, Management, and Control in General; Military Reservation Schools*; AS 14.14.130 *Chief School Administrator*.

**STATEMENT OF THE CASE**  
**FACTUAL BACKGROUND**

This case involves a challenge to the constitutionality of the “required local contribution” (“RLC”) component of the state’s public-school funding formula. The RLC applies to city and borough school districts. *See* AS 14.17.410(b).

**Education in Alaska: Delegation to Cities, Boroughs, and REAAs**

By law, the state has delegated its constitutional prerogative to manage public schools in Alaska to home-rule and first-class cities, organized boroughs, and regional educational attendance areas (“REAA”s).<sup>3</sup> Of the state’s 53 school districts, 15 are city school districts, 19 are borough districts, and the 19 remaining are REAAs. [Exc. 245] REAAs are educational “service area[s]” of the state itself, not local government units.<sup>4</sup>

The case was brought by the Ketchikan Gateway Borough (“KGB”) and a variety of individual plaintiffs. [Exc. 1] KGB is a second-class borough,<sup>5</sup> without home-rule powers. [*Id.*] As an organized borough, KGB is one of the state’s 19 borough school districts.

**The Public-School Funding Formula**

Current law specifies that public-school funding in Alaska consists of: (1) state aid, (2) required local contributions, and (3) eligible federal impact aid.<sup>6</sup>

*State Aid*

The amount of “state aid” that a school district will annually receive is calculated by

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<sup>3</sup> *See* ALASKA CONST. art. VII, § 1; AS 14.12.010; AS 14.12.020.

<sup>4</sup> *See* AS 14.08.031 *Regional Educational Attendance Areas*.

<sup>5</sup> *See, e.g.*, KGB Ordinance 1.05.040.

<sup>6</sup> *See* AS 14.17.410(b).

reference to the district's "basic need."<sup>7</sup> The district's basic need is determined according to a multi-part formula that takes into account, among other things: the number of students the district serves; the special-needs requirements of the district's student population; and the differences in the cost of doing business in the district, as compared to the cost of doing business in Anchorage.<sup>8</sup>

State aid is then defined by a second formula: each district's state aid is calculated as the district's "basic need" minus a "required local contribution" and "90 percent of eligible federal impact aid for that fiscal year."<sup>9</sup>

State aid is subject to annual appropriations and is not guaranteed to districts.<sup>10</sup>

*The Required Local Contribution*

The RLC is today defined as "45 percent of a district's basic need for the preceding fiscal year," or, if less, the amount equal to that which would be raised by a 2.65 mill tax levy on real and personal property in the district:

(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 . . . not to exceed 45 percent of a district's basic need for the preceding fiscal year. . . .<sup>11</sup>

The statute defines only the magnitude of the required local contribution. Funds used to pay

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<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *See AS 14.17.400 State Aid for Districts.*

<sup>11</sup> AS 14.17.410(b)(2).

the required local contribution need not come from a property tax.<sup>12</sup>

Because it is only required of cities and boroughs, the RLC applies to 34 of the state's 53 school districts. In practice, only 2 districts (the North Slope Borough and Valdez City school districts) are required to make an RLC at the 45%-of-basic-need level; each of the remaining 32 city and borough districts instead contribute at the reduced "equivalent to a 2.65 mill tax levy" rate.<sup>13</sup> On average, a district's RLC amounts to only 16% of the district's basic need. [Exc. 291 ¶4]

Moreover, the required local contribution need not be "paid" at all. The RLC can be contributed in-kind.<sup>14</sup>

In practice, many city and borough school districts contribute in-kind services. In fiscal year 2014, for example, 13 of the state's 34 city and borough school districts made in-kind contributions.<sup>15</sup>

Further, in FY2014, two city districts (the Galena and Saint Mary's school districts) each made their required local contributions without making any local appropriations.<sup>16</sup>

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<sup>12</sup> See *id.*

<sup>13</sup> See ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program, FY2014 Foundation FINAL* at 3 (August 26, 2014) (displaying, for each district, ".00265 x 2012 Full Value," "45% of PY Basic Need" and the resulting "Local Effort [Lesser of .00265 and 45%]"), appended as Attachment 1.

<sup>14</sup> AS 14.17.990 *Definitions* ("(6) 'local contribution' means appropriations and the value of in-kind services made by a district").

<sup>15</sup> See ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015), appended as Attachment 2.

<sup>16</sup> *Id.* In FY2014, Galena and St. Mary's also contributed only in-kind services and "other local revenue," which may have included student-activity revenues; lab or shop fees; facility or equipment rental fees; or any unrestricted cash donations to the district. *Id.*

City and borough districts that do not comply with the RLC are prohibited from receiving funds from the state.<sup>17</sup> Because city and borough schools could not function in the absence of both state and local funds, a district's failure to pay the RLC would result in a state takeover of its public-schooling responsibilities.<sup>18</sup>

#### *Federal-Impact Aid*

Federal-impact aid is defined for purposes of the public-school funding formula to mean certain payments received by local education agencies under Title VIII of the Elementary and Secondary Education Act of 1965, as amended.<sup>19</sup> Because the federal Education Act makes numerous references to the original federal impact-aid statute adopted

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<sup>17</sup> AS 14.07.070 *Withholding State Funds* ("State funds may not be paid to a school district or teacher that fails to comply with the school laws of the state or with the regulations adopted by the department"); AS 14.17.410(d) ("State aid may not be provided to a city or borough school district if the local contributions required under (b)(2) of this section have not been made.")

<sup>18</sup> Cf. AS 14.07.030 at (14) & (15) (permitting the State Department of Education and Early Development, notwithstanding any other provision of Title 14, to "intervene in a school district" and "redirect" the district's public-school funding in response to the district's failure to take required action, or when necessary to improve instructional practices).

<sup>19</sup> See AS 14.17.990 *Definitions* at (5):

"eligible federal impact aid" means the amount of federal impact aid received by a district as of March 1 of the fiscal year as a result of an application submitted in the preceding fiscal year, including advance payments and adjustments received since March 1 of the preceding fiscal year from prior year applications, under 20 U.S.C. 7701-7714, except payments received under former 20 U.S.C. 7703(f)(2)(B), to the extent the state may consider that aid as local resources under federal law.

20 U.S.C. §§ 7701-7714 were originally enacted as Title VIII of the Elementary and Secondary Education Act of 1965 ("ESEA"), Pub. L. 89-10.

in 1950, Public Law 81-874,<sup>20</sup> this aid is sometime referred to as “PL 874 money.”

As the name implies, federal “impact aid” is designed to compensate localities for the “impact” of certain federal activities.<sup>21</sup> In particular, school districts in Alaska (including REAAs) receive aid to compensate for: (1) certain lands located within the district that are exempt from local-taxation under federal law;<sup>22</sup> and (2) increased educational expenses in the district attributable to the enrollment of the children who reside on federal or Indian land.<sup>23</sup>

Federal-impact aid is paid directly to “local educational agencies,”<sup>24</sup> and not to states. In FY2014, Alaska’s school districts (including REAAs) received approximately \$132 million in impact aid.<sup>25</sup>

(Land conveyed under the Alaska Native Claims Settlement Act is treated as “federal land” for purpose of calculating impact-aid payments.<sup>26</sup> Most REAAs encompass significant amounts of ANCSA land and, as a general rule, consequently receive proportionately more

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<sup>20</sup> See, e.g., 20 U.S.C. § 7705(d)(4) (special rule for educational agencies “that had been accepted as an applicant for funds under section 3 of the Act of September 30, 1950 (Public Law 874, 81st Congress)”). Public Law 81-874 was formally repealed in 1994.

<sup>21</sup> Cf. 20 U.S.C. § 7701 *Purpose*.

<sup>22</sup> See 20 U.S.C. § 7702 *Payments Relating to Federal Acquisition of Real Property*.

<sup>23</sup> See 20 U.S.C. § 7703 *Payments for Eligible Federally Connected Children*.

<sup>24</sup> See 20 U.S.C. §§ 7701-7703.

<sup>25</sup> See ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, ALASKA’S PARTICIPATION IN IMPACT AID (Public Law 874) at 21 (Feb. 19, 2015), appended as Attachment 3.

<sup>26</sup> See 20 U.S.C. § 7713(5)(A) (“ . . . the term “Federal property” means real property that is not subject to taxation by any State or any political subdivision of a State due to Federal agreement, law, or policy, and that is-(ii)(III) conveyed at any time under the Alaska Native Claims Settlement Act [ 43 U.S.C. 1601 *et seq.*] to a Native individual, Native group, or village or regional corporation”).

federal-impact aid than most city and borough school districts.<sup>27)</sup>

Under federal law, a state may “consider” federal-impact aid in the state’s school-funding formula—and thereby realize its benefits at the state level—only if the United States Secretary of the Department of Education certifies that “the State has in effect a program of State aid that equalizes expenditures for free public education among local educational agencies.”<sup>28</sup>

Alaska is one of only a very small number of states with a certified school-funding program.<sup>29</sup> By complying with its certified program, in fiscal year 2014, the State was able to reduce its expenditures under AS 14.17.410 by \$71 million.<sup>30</sup> [Exc. 292-93 ¶ 8]

In the absence of a DOE certification, the State could not have considered any of the \$71 million to be “eligible” federal-impact aid, for purposes of its AS 14.17.410 calculations.<sup>31</sup>

*Voluntary Local Contributions; Maximum Local Contribution*

In addition to the RLC, the state’s 34 city and borough school districts (but not REAAs) may make additional, voluntary local contributions to their operations, up to a

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<sup>27</sup> See ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *K-12 Public School Operating Fund and Selected Special Revenue Funds – Audited FY14 Revenues* (modified to sort by federal revenues per student), appended as Attachment 4.

<sup>28</sup> See 20 U.S.C. § 7709 *State consideration of payments in providing State aid*. See also 34 C.F.R. § 222.162 *What disparity standard must a State meet in order to be certified and how are disparities in current expenditures or revenues per pupil measured?*

<sup>29</sup> See, e.g., NATIONAL ASSOCIATION OF FEDERALLY IMPACTED SCHOOLS, *GETTING A GRIP ON THE BASICS OF IMPACT AID* at 16 (March 2013) (“The only 3 states that are currently equalized are New Mexico, Alaska, and Kansas.”), available at: [http://www.ruraledu.org/user\\_uploads/file/ImpactAidTheBasics.pdf](http://www.ruraledu.org/user_uploads/file/ImpactAidTheBasics.pdf)

<sup>30</sup> *Id.* at 22.

<sup>31</sup> *Id.*

capped maximum.<sup>32</sup>

The Legislature has capped voluntary contributions at a specific level above the RLC for the express purpose of ensuring that the State will meet the “equalization” and “disparity tests” requirements of federal law.<sup>33</sup>

In fiscal year 2014, every one of the city and borough districts that complied with the RLC made a supplemental voluntary contribution in excess of the minimum requirement.<sup>34</sup> Most of the voluntary contributions resulted in a combined, net local contribution that exceeded the RLC by a significant amount.<sup>35</sup> Eight of the state’s 34 districts made voluntary

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<sup>32</sup> See AS 14.17.410(c), set out in full at viii-ix.

<sup>33</sup> See, e.g., Materials in Legislative History file for House Health, Education and Social Services (“HESS”) Committee re: HB 126 (1987), including: *Governor’s Public School Foundation Funding Program: SB 119 / HB 126 (1987)* (“Governor Steve Cowper’s proposed Public School Foundation Program is designed to enable the state to meet fiscal equalization criteria outlined in the federal PL-874 ‘disparity test.’ Alaska must meet the guidelines in order to utilize approximately \$60 million in PL-874 funds within the state foundation plan as general revenues.”); *HESS Committee Letter of Intent for CSHB 126* (“CSHB 126 will pass the disparity test which is required to continue the annual receipt of approximately \$60 million of federal PL 81-874 funds.”), appended as Attachment 6.

HB 126, signed into law as ch 91 SLA 1987, enacted former AS 14.17.025 *Local Contributions*, the immediate precursor to current AS 14.17.410.

<sup>34</sup> Compare ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program, FY 2014 Foundation Final* at 4 (column listing each district’s “Required Local Effort”) to ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015) (column showing “City/Borough Appropriations”). In fiscal year 2014, all but one of the state’s 34 city and borough districts made a voluntary contribution.

<sup>35</sup> *Id.*

contributions at, or very near, the maximum allowed by law.<sup>36</sup>

### **The Ketchikan Gateway Borough's 2013 Payments**

In 2013, the Ketchikan Gateway Borough made a required local contribution for the Ketchikan Gateway Borough School District. [Exc. 90] KGB remitted \$4,198,727 by means of a check marked "paid under protest." [Exc. 89] In a separate letter, sent on the same day to the State Department of Education and Early Development, KGB asserted that the required local contribution is a "dedicated State tax that is prohibited by Art. IX, § 7 of the Constitution of the State of Alaska." [Exc. 90] The Borough asserted that its payment was "a tax . . . paid in lieu of a payment of equal amount from the State Treasury." [*Id.*]

Separately, and on top of its RLC, KGB also made a voluntary local contribution to the Ketchikan Gateway Borough School District in an amount exceeding \$3.8 million.<sup>37</sup> KGB has not asked for any amount of its voluntary contribution back.

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<sup>36</sup> Compare ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015) (column showing "City/Borough Appropriations") to ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program, FY 2014 Foundation Final* at 4 (column listing each district's "Maximum Local Contribution"). A comparison of the two spreadsheets reveals that Anchorage, Juneau, Unalaska and Valdez made voluntary contributions at the maximum level permitted by law. Denali, Haines, Kodiak Island, and Skagway made contributions that nearly reached the cap.

<sup>37</sup> See ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015) (showing "City/Borough Appropriations" to the Ketchikan Gateway Borough School District in fiscal year 2014 to have totaled \$8,050,000).

## PROCEDURAL HISTORY

*Amici curiae* AASB, ACSA and ASA adopt the State’s statement of the procedural history of this case.

In brief, the Superior Court resolved this case on cross-motions for summary judgment. It found that the RLC violates the dedicated fund clause because the RLC “consists of public revenue” that is “earmarked for a specific purpose and cannot be used any other way.” [Exc. 255-58] After a motion for partial reconsideration, the Court further held that the RLC “is a tax,” at least for purposes of determining whether KGB is entitled to a refund under the theory advanced by KGB. [Exc. 282-84]

## JURISDICTIONAL STATEMENT

This Court has jurisdiction over this case pursuant to AS 22.05.010(a).

## STANDARD OF REVIEW

This appeal raises only questions of constitutional law, to which the Court applies its independent judgment, adopting the rule that is most persuasive in light of precedent, reason and policy.<sup>38</sup>

## ARGUMENT

The Superior Court’s conclusion that the RLC violates the dedicated-fund clause of the Alaska State Constitution is incorrect. The decision:

- [1] gives inadequate consideration to the State’s prerogative to delegate its Article VII, § 1 “education functions” to cities and boroughs on condition that the cities and boroughs make local contributions, and authority under Article X, §§ 3 and 7 to define the “powers and functions” of cities and boroughs;

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<sup>38</sup> See, e.g., *Alaskans for a Common Language, Inc. v. Kritze*, 170 P.3d 183 (Alaska 2007); *Goldsbury v. State*, 342 P.3d 834 n.11 (Alaska 2015).

- [2] applies the dedicated-fund clause in a manner that is not consistent with its purposes or intent; and
- [3] fails to recognize that cities' and boroughs' compliance with the RLC is a "requirement" for the "state participation" in the federal impact-aid program, and, thus, for the state's continued annual use of more than \$71 million in federal receipts.

**I. THE STATE CAN DELEGATE ITS "EDUCATIONAL FUNCTIONS" TO CITIES AND BOROUGHS ON CONDITION THAT THE CITIES AND BOROUGHS MAKE A MINIMUM CONTRIBUTION TO THEIR SCHOOLS.**

It is well-settled that the State has exclusive constitutional responsibility for and authority over Alaska's public schools. This Court has noted that "state control over education" is a "constitutional mandate":

Article VII, Section 1 of the Alaska Constitution [provides]:

The legislature shall by general law establish and maintain a system of public schools open to all children of the State . . .

This constitutional mandate for pervasive state authority in the field of education could not be more clear. . . . the provision is unqualified; no other unit of government shares responsibility or authority. That the legislature has seen fit to delegate certain educational functions to local school boards in order that Alaska schools might be adapted to meet the varying conditions of different localities does not diminish this constitutionally mandated state control over education.<sup>39</sup>

In the name of local control,<sup>40</sup> the Legislature has seen fit to delegate significant portions of its authority over Alaska's public schools to local school boards. *See, e.g.* AS 14.12.020(b) ("Each borough or city school district shall be operated on a district-wide basis under the management and control of a school board.")

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<sup>39</sup> *Macaulay v. Hildebrand*, 491 P.2d 120, 121-22 (Alaska 1971) (emphasis added).

<sup>40</sup> *See generally* AS 14.14 *Local Administration of Schools*.

The State Legislature has long conditioned this delegation of state power on cities and boroughs assuming some financial responsibility for their schools. Under Articles VII and X of the Alaska Constitution, that is the Legislature’s prerogative—and concluding otherwise would amount to a significant new restriction on the State’s relationship with its localities.

To the extent that this case could be viewed, as at least one case in a similar context was, as requiring the Court to “choose between competing constitutional values,” it should be resolved in favor of preserving the State’s broad authority to regulate public education and Alaska’s local government units, and not as falling within the ambit of the dedicated-fund clause.<sup>41</sup>

**A. In the Interest of “Local Control,” The Legislature Has Delegated Significant Responsibilities for Public Education to Cities and Boroughs.**

The Legislature’s broad delegation of the “management and control” of the state’s school districts to local “school boards”<sup>42</sup> is, in the case of city and borough districts, a delegation of power directly to the cities and boroughs themselves. School boards are a “branch or arm of [local] government,” as this Court made clear in a case involving a city district:

Under the legislative plan of education in Alaska, where no

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<sup>41</sup> Cf. *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386, 391 (Alaska 2003) (“Determining the outcome of this case requires us to choose between competing constitutional values: the prohibition on dedicated funds and the legislative power to manage and appropriate the state’s assets”); *id.* (holding that the State’s sale of tobacco-settlement proceeds, despite the fact that the “effect” of the sale was the “same as a dedication,” was “not an impermissible dedication.”).

<sup>42</sup> See AS 14.12.020.

incorporated or independent school districts have been created, the city has been designated the municipal entity for administration of school affairs. The city school board performs this function on behalf of the city by operating schools within the municipal boundaries. In so doing the board acts as a branch or arm of the city government.<sup>43</sup>

*See also Municipality of Anchorage v. Repasky*, 34 P.3d 302, 306 (Alaska 2001) (“the school board . . . is part of the municipality”).

A review of Title 14 of the Alaska Statutes confirms the expansive scope of the local “management and control” the Legislature has bestowed on cities and boroughs. School boards exercise significant control over curricula, enrollment, and facilities. Among other things, they may:

- establish goals and priorities for education in their district and adopt related plans and measures<sup>44</sup>
- select textbooks and instructional materials<sup>45</sup>
- set the dates that define the school-year term<sup>46</sup>
- implement Saturday-session school days<sup>47</sup>

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<sup>43</sup> *Blue v. Stockton*, 355 P.2d 395, 397 (Alaska 1960). *See also id.* at 397.

[A] city school district is not a distinct entity, independent of a city. It depends for its existence upon the existence of the city. In fact, the school district and city are one and the same thing so far as corporate status is concerned. The only real distinction between the two is that the city’s normal municipal affairs are regulated by a city council, the members of which are elected to office by the voters of the city; whereas, affairs relating to education in the city are managed by members of a school board who also are elected to office by the same voters.

<sup>44</sup> AS 14.03.120 *Education planning; reports.*

<sup>45</sup> AS 14.14.090 *Duties of School Boards.*

<sup>46</sup> AS 14.03.030 *School Term.*

<sup>47</sup> AS 14.03.040 *Day in Session.*

- declare additional school holidays<sup>48</sup>
  - establish one or two grades beyond 12th grade<sup>49</sup>
  - enroll students over or under school age<sup>50</sup>
  - permit part-time enrollment<sup>51</sup>
  - exempt students from college- and career-readiness assessment requirements<sup>52</sup>
  - control non-school use of school buildings<sup>53</sup>
- and
- establish charter schools.<sup>54</sup>

In a similar vein, Title 14 permits city and borough assemblies to themselves “assume the responsibilities relating to the planning, design, and construction of a school or an education-related facility.”<sup>55</sup>

It need not be thus. The State could manage each of the state’s public schools from Juneau. It has run a “state-operated school system” in the past.<sup>56</sup> But, having concluded that local control better “meets the varying conditions of [the State’s] different localities,”<sup>57</sup> the Legislature has granted it to those cities and boroughs willing to make a minimum local contribution.

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<sup>48</sup> AS 14.03.050 *School Holidays*.

<sup>49</sup> AS 14.03.060 *Elementary, Junior High, and Secondary Schools*.

<sup>50</sup> AS 14.03.080 *Right to Attend School*.

<sup>51</sup> AS 14.03.095 *Part-Time School Attendance*.

<sup>52</sup> AS 14.03.075 *College and Career Readiness Assessment*.

<sup>53</sup> AS 14.03.100 *Use of School Facilities*.

<sup>54</sup> AS 14.03.250 *Application for Charter School*.

<sup>55</sup> AS 14.11.020 *Assumption of Responsibilities*.

<sup>56</sup> See, e.g., *Hootch v. Alaska State-Operated School System*, 536 P.2d 793 (Alaska 1975).

<sup>57</sup> *Macauley*, 491 P.2d at 121-22.

**B. The Legislature’s Conditional Delegation of “Education Functions” is a Valid Exercise of the Legislature’s Broad, Constitutional Authority to Establish and Maintain Schools, and To Prescribe the “Functions” of Cities and Boroughs.**

There is nothing suspect about the State’s conditional delegation of its educational functions. As a matter of education policy it is easily justifiable, and as a matter of State authority to define the “functions” of cities and boroughs, it is expressly permitted by the Constitution.

**1. A City or Borough’s Compliance with the RLC Is A Measure of Its Interest in Exercising Local Control, and Increases the Likelihood that State Educational Funds Will Be Used Wisely.**

The United States Supreme Court has directly addressed the merits of local control. In a case that this Court has characterized as holding that “[a] local taxation system rationally furthered the legitimate state purpose of local control of school districts,”<sup>58</sup> the U.S. Supreme Court noted that a chief benefit of local control is that it permits an engaged locality to create “tailor[ed] local programs” and to “experiment[]”:

[Local control] offers . . . participation in the decisionmaking process . . . Each locality is free to tailor local programs to local needs. Pluralism also affords some opportunity for experimentation, innovation, and a healthy competition for educational excellence. An analogy to the Nation-State relationship in our federal system seems uniquely appropriate. Mr. Justice Brandeis identified as one of the peculiar strengths of our form of government each State’s freedom to ‘serve as a laboratory; and try novel social and economic experiments.’ No area of social concern stands to profit more from a multiplicity of viewpoints and from a diversity of approaches than does public education.<sup>59</sup>

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<sup>58</sup> *Matanuska-Susitna Borough Sch. Dist. v. State*, 931 P.2d 391, 401 (Alaska 1997) (characterizing *San Antonio Indep. Sch. Dist. v. Rodriguez*, 411 U.S. 1, 49-50 (1973)).

<sup>59</sup> *San Antonio Indep. Sch. Dist. v. Rodriguez*, 411 U.S. 1, 49-50 (1973).

Viewed in this light, the benefits of local control clearly depend upon an active and invested locality. And a state legislature could rationally conclude that the benefits of local control are not likely to be realized where a city or borough refuses even to make a minimum local contribution to its schools.

Further, a required local contribution, like the RLC adopted in Alaska, serves an important fiscal purpose as well: the RLC can also be fairly expected to help the State ensure that city and borough school districts will spend money wisely. Much like an insurance co-pay, the RLC abates a potential moral hazard. Assemblies and school boards have a stronger incentive to make good financial decisions and sound investments—and can be expected to receive more scrutiny from local constituents—when the resources they are allocating are at least partly their own.

The State Legislature can rationally condition its delegation of education functions to only those cities and boroughs willing to take a seat at the table, ante up, and put some skin in the game. The RLC achieves that result. It is a valid component of a well-constructed delegation of the State’s Article VII, section 1 educational powers.

**2. The Legislature’s Authority to Define The “Powers and Functions” of Cities and Boroughs Permits the State to Direct Cities and Boroughs to Incur Expenses and Take Specific Actions.**

The RLC is also a valid expression of the State’s more general power to define the “powers and functions” of cities and boroughs.

This more general power is also constitutional in origin. The Local Government Article of the Alaska Constitution provides that “[t]he legislature shall classify boroughs and

prescribe their powers and functions,”<sup>60</sup> and that “[c]ities shall have the powers and functions conferred by law or charter.”<sup>61</sup>

Delegates to the Alaska Constitutional Convention in 1955 were expressly informed that “[l]ocal units are creatures of the state”<sup>62</sup> and that “however broad the constitutional grant of legislative authority to local units, in case of conflict general state laws will prevail.”<sup>63</sup>

That understanding is consistent with the great weight of authority from other jurisdictions. As one leading authority has put it:

Legislative authority over municipal corporations and their civil, political and governmental powers exists, except as limited by the federal and state constitutions, and such legislative power is often referred to as plenary, supreme, absolute, complete, or unlimited. . . . [And] it is universally recognized that every municipal corporation is subject to control by the legislature[.]<sup>64</sup>

A state’s power over its localities is specifically understood to permit a state to exercise significant control over a locality’s budget and revenues, *see* EUGENE MCQUILLIN, THE LAW OF MUNICIPAL CORPORATIONS (rev. 3ed. 2011) at § 4:138 *Municipal Funds and Revenues – General Rules* (“Statutory charges imposed upon a municipality by the legislature take precedence over a more permissible use of municipal funds. . . . In short, the fiscal affairs of a municipality may be subject to necessary legislative control for the proper

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<sup>60</sup> ALASKA CONST. art. X, § 3.

<sup>61</sup> ALASKA CONST. art. X, § 7.

<sup>62</sup> 3 ALASKA STATEHOOD COMMISSION, CONSTITUTIONAL STUDIES *Staff Paper VIII: The Constitution and Local Government* at 24 (1955).

<sup>63</sup> *Id.* at 34.

<sup>64</sup> 2 EUGENE MCQUILLIN, THE LAW OF MUNICIPAL CORPORATIONS (rev. 3d ed. 2011) at § 4.3 *General Rule as to Legislative Control* (emphasis added).

enforcement of matters of general state concern”), and public property:

The legislative power over the public property of municipal corporations extends not only to regulation and control, but also to the taking, with or without compensation, of the property, and to the disposition and transfer of it, and, in general, to the exercise of all rights of ownership as to that property.<sup>65</sup>

The general rule is that, where a locality refuses to perform a function validly required by state law, the state can compel its performance, even where the performance will cause the locality to incur financial liabilities, and even if performing the function will require the locality to levy a tax:

In the absence of a constitutional or statutory prohibition, the legislature may compel a municipal corporation, without its consent, to incur debts or assume obligations as to matters of public concern such as related to the performance of functions by the municipal corporation as the agent of the state, where local officers or agencies neglect or refuse to discharge their public duty, and this includes obligations for the promotion of the general welfare and security of the state and community, without regard to whether performance is required by raising moneys by taxation or by devoting revenues already on hand.<sup>66</sup>

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<sup>65</sup> MCQUILLIN at § 4:131 *Municipal Property – General Rules*. See also 1 ANTIEAU ON LOCAL GOVERNMENT LAW (2d. ed. 2014) at § 13.01, page 13-7 (quoting *Enger v. Walker Field, Colo. Pub. Airport Auth.*, 508 P.2d 1245, 1249 (Col. 1973)):

Legislatures may divest local governments of their properties and turn them over to other public bodies without the consent of the local entity and without compensation of any kind. In sustaining the legislatively authorized taking of property from both a city and a county and turning it over to an independent airport authority, a court remarked: “A municipal corporation, whether statutory or created under the constitution, has no privileges or immunities under the state constitution.”

<sup>66</sup> MCQUILLIN at § 4:154 *Power of Legislature to Impose Obligation, Liability or Duty on Municipal Corporation – General Rules and Application – Scope of Legislative Power* (emphasis added).

Such directives can also require local funding at specific levels:

Local governments can be ordered by the state to carry out their duties as defined by the state legislature.

The likelihood that a local government will be forced into debt by complying with a legislative mandate to construct improvements is no defense to the mandate.

[Specific] obligations imposed by state legislatures have . . . been sustained. For example, one state court has upheld legislation requiring local governments to fund public employee pension systems at a level certified by the state pension board.<sup>67</sup>

This Court has not had occasion to rule on issues of this sort at a similarly high level of generality, but it has made clear that the Legislature can issue enforceable commands to a locality, even where a city or borough has assumed home-rule powers. *See, e.g., Jefferson v. State*, 527 P.2d 37, 43 (Alaska 1974) (“to say that home rule powers are intended to be broadly applied in Alaska is not to say that they are intended to be pre-eminent. The constitution’s authors did not intend to create ‘city states with mini-legislature.’ ” (citation omitted)).<sup>68</sup>

To be sure, the Local Government Article of Alaska’s Constitution mandates that a “liberal construction shall be given to the powers of local government units,”<sup>69</sup> but this

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<sup>67</sup> ANTEAU § 13.01 (citing *Shelby Township Police & Fire Retirement Bd. v. Township of Shelby*, 475 N.W.2d 249 (Mich. 1991)).

<sup>68</sup> This Court has also made clear that the legislature may preempt even duly enacted local ordinances by: (a) giving “express legislative direction” to the locality, (b) enacting a statute that “direct[ly] conflict[s]” with the local act, or (c) enacting a state statute or regulation whose “underlying purpose” or “effective functioning” would be substantially frustrated by the local action. *See, e.g., Liberati v. Bristol Bay Borough*, 584 P.2d 1115, 1122 (Alaska 1978) (“preemption . . . exist[s], in the absence of an express legislative direction or a direct conflict with a statute, only where an ordinance substantially interferes with the effective functioning of a state statute or regulation or its underlying purpose.”).

<sup>69</sup> ALASKA CONST. art. X, § 1 . *Purpose and Construction*.

Court has made clear that even a home rule charter cannot override a contrary state statute.<sup>70</sup> (This, too, is consistent with guidance offered to Alaska Constitutional Framers, which advised that liberal construction of home rule powers was primarily needed to prevent the development of “legal vacuums,”<sup>71</sup> and that “[h]ome rule is not and cannot be absolute.”<sup>72</sup>)

Of particular relevance to this case, this Court has also specifically suggested that the Legislature’s powers over local government units are heightened where the Legislature acts in connection with an “express delegation of a constitutionally mandated legislative power,” like the maintenance of a system of schools.<sup>73</sup> In a case involving the ordinance of home-

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<sup>70</sup> See, e.g., *State v. City of Petersburg*, 538 P.2d 263, 268-69 (Alaska 1975):

The City contends that under home rule provisions, its powers should be construed broadly, and the superior court based its decision on such a construction. Article X, § 1 of the Alaska Constitution provides in part that a liberal construction be given to the power of local government units, and Article X, § 11 specifies that a home rule borough may exercise all legislative powers not prohibited by law or charter. . . . Applying a liberal construction to the powers of local government cannot . . . override the express declaration of policy. . . .

(emphasis added).

<sup>71</sup> 3 ALASKA STATEHOOD COMMISSION, CONSTITUTIONAL STUDIES *Staff Paper VIII: The Constitution and Local Government* at 34:

Without home rule, and in the absence of specific legislative direction, any new or unusual exercise of authority by municipal units is almost certain to be challenged in the courts and more likely than not held illegal. The grant of adequate home rule authority may therefore prevent the development of legal vacuums—areas of governmental activity in which the local unit has no authority to enter and in which the state is not yet prepared to enter on a general basis.

<sup>72</sup> *Id.* at 24.

<sup>73</sup> See, e.g., *Jefferson v. State*, 527 P.2d 37, 44 (Alaska 1974):

In *Macauley v. Hildebrand* a state statute permitted borough

rule jurisdiction that conflicted with educational statute, the Court stated its holding succinctly: “A . . . municipality cannot enact an ordinance which conflicts with a state education statute.”<sup>74</sup>

The import of the forgoing authority should be clear. If a local government “may not enact an ordinance” that conflicts with a state education statute, Article X of the Alaska Constitution must be understood to deny to cities and boroughs the prerogative to disregard such a state law as well. The Legislature’s constitutional authority to define the “powers and functions” of cities and boroughs means that cities and boroughs simply must abide by “express legislative direction”<sup>75</sup>—and it would be problematic for the Court to suggest that such “direction” can run afoul of the Constitution’s dedicated-fund clause.

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assemblies to centralize by ordinance their school district accounting systems with other borough operations with school board consent. An ordinance of the City and Borough of Juneau required the Juneau School District to centralize the district’s accounting system without the school board’s consent. Although the statutory prohibition in *Macauley* was direct, this court offered another reason for striking down the questioned ordinance. The statute involved in *Macauley* was an express delegation by the state legislature to municipal corporations of a constitutionally mandated legislative power. We reasoned that the language of the state constitution mandating maintenance of a school system by the state vested the legislature with pervasive control over public education. Thus, home rule municipalities were precluded from exercising power over education unless, and to the extent, delegated by the state legislature; and the local ordinance was therefore overridden by the statute.

(footnotes omitted and emphasis added).

<sup>74</sup> *Municipality of Anchorage v. Repasky*, 34 P.3d 302, 311 (Alaska 2001).

<sup>75</sup> *See, e.g., Liberati*, 584 P.2d at 1122.

**C. Concluding that the RLC Violates the Dedicated Fund Clause Would Alter the Legislature’s Relationship with the State’s Localities, and Amount to a Significant Restraint on the Legislature’s Power and Authority.**

A conclusion that the Legislature may not require a city or borough to comply with the RLC would also have significant ramifications.

The State imposes numerous obligations on cities and boroughs that have financial implications. Cities and boroughs must conduct elections.<sup>76</sup> Organized boroughs must provide for planning, platting and land-use regulation.<sup>77</sup> First-class and all home-rule cities within the Unorganized Borough must as well.<sup>78</sup> The State does not require these activities to be funded at specific levels—but that cannot constitutionally distinguish these mandates from one such as the RLC, given that the mandatory and predictable costs of these various activities is not negligible and—with absolute certainty—will always exceed \$0.00.

One could imaginatively view these directives as a species of legal fiction in which each of the forgoing arrangements actually involved a kind of shadow “state tax by proxy” (notwithstanding the fact that, in each, no money ever passes through the state treasury). The various requirements force cities and boroughs to find money which they must “dedicate” to the aims prescribed by statute. In each case, the Legislature could achieve a similar or nearly identical result to the current regime by: (1) enacting a tax that collects from the cities and boroughs the amount they currently must “dedicate” to a legislative aim; (2)

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<sup>76</sup> See generally AS 29.26 *Elections*.

<sup>77</sup> See generally AS 29.40 *Planning, Platting, and Land Use Regulation*.

<sup>78</sup> See AS 29.35.260(c) *Cities Outside Boroughs*.

placing the proceeds of the tax in the state treasury; and (3) annually appropriating the “public revenue” generated by the tax to achieve the mandated aim.

But the philosophical existence of those possibilities cannot be taken to mean that every species of government mandate with financial implications *must* be understood to violate the dedicated-fund clause; this Court has already indicated that its dedicated-fund jurisprudence does not turn on such counter-factual hypotheticals.<sup>79</sup>

A contrary holding in this case would expand the clause far beyond its intended function. Indeed, like cities and boroughs, individuals are also affected by mandates from the state that are not wholly unlike the RLC. State employees must contribute specified amounts to their retirement plans.<sup>80</sup> Employers must purchase specified amounts of workers’-compensation insurance.<sup>81</sup> Drivers must carry specified amounts of general-liability insurance.<sup>82</sup> These obligations, too, are real, and they are incurred on a “voluntary” basis only in a hyper-technical sense. Individuals must work; employers must hire employees; people must drive. A ruling that the RLC is unconstitutional threatens these long-standing requirements, as well, and would impose uniquely restrictive limitations on the state. The result would be untenable.

The dedicated-fund clause should not be interpreted in a manner that leads to absurd or byzantine results.

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<sup>79</sup> *Cf. Myers*, 68 P.3d at 391 (holding that the State’s sale of tobacco-settlement proceeds was “not an impermissible dedication,” despite the fact that the “effect” of the sale could be viewed as the “same as a dedication”).

<sup>80</sup> *See generally* AS 45.35 *Public Employees’ Retirement System of Alaska*.

<sup>81</sup> *See generally* AS 23.30 *Alaska Workers’ Compensation Act*.

<sup>82</sup> *See* AS 28.22.101 *General Coverage Requirements; Policy Limits*.

\* \* \*

The RLC is a valid exercise of the Legislature’s powers under Article VII and X of the Alaska Constitution. To whatever extent that this case could be viewed as requiring the Court to “choose between competing constitutional values,” it should be resolved in favor of preserving the State’s broad power over education and its local government units, and not as falling within the ambit of the dedicated-fund clause.<sup>83</sup>

**II. THE RLC NEED NOT BE PAID IN CASH, COVERS ONLY A FRACTION OF EACH DISTRICT’S “BASIC NEED,” AND DOES NOT RAISE CONCERNS OF THE SORT THAT THE DEDICATED-FUND CLAUSE WAS DESIGNED TO ADDRESS.**

Even in the absence of countervailing Article VII and X considerations, the RLC should survive judicial scrutiny under the dedicated-fund clause. The payments and in-kind services supplied by districts as a consequence of the RLC are not “proceeds of any state tax or license” and the RLC simply does not raise the type of concerns that the dedicated-fund clause was designed to address.

**A. The Dedicated Fund Clause Was Designed to Prevent The Siloing of Funds, and to Preserve Legislative Involvement in Financial Decisionmaking.**

This Court has noted that the “two main motivations behind the ban on dedicated revenues were [1] to maintain the potential of flexibility in budgeting and [2] to ensure that the legislature did not abdicate responsibility for the budget.”<sup>84</sup> As the Court has also noted, studies provided by the Alaska Statehood Commission to the delegates to Alaska’s

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<sup>83</sup> *Cf. id.*

<sup>84</sup> *City of Fairbanks v. Fairbanks Convention & Visitors Bureau*, 818 P.2d 1153, 1158 (Alaska 1991).

Constitutional Convention bear this out.<sup>85</sup>

Review of the relevant study provided to the delegates makes clear that the motivating concern about “flexibility” related to a fear that dedicated taxes could create funds of money that were both: (a) out of proportion to the needs served by the fund, and (b) unavailable to the Legislature for appropriation to other, potentially more deserving, causes. As the study’s author warned, “in many cases [involving dedicated funds], there is no relationship between the incidence of the tax and the purpose to which its revenue is dedicated.”<sup>86</sup>

The author later expanded this notion, while also clarifying the concern about legislative “abdication.” The emerging view in 1955 was that a legislature constrained by too many budgetary dedications can no longer be “responsive” to the “best interests of the

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<sup>85</sup> See, e.g., *id.* (“In [*State v.*] *Alex*, 646 P.2d [203,] 209-10 [(Alaska 1982)], we cited the Alaska Statehood Commission’s studies on dedicated revenues as the motivation for inclusion of article IX, section 7 in the Alaska Constitution[.]”). *Cf. State v. Alex*, 646 P.2d 203, 209 (Alaska 1982):

The origin of section 7’s prohibition of earmarking can be traced back through the constitutional convention records to the Alaska Statehood Commission’s studies which were prepared for the use of the delegates at the convention. One of the studies noted that “(t)he most severe obstacle to the scope and flexibility of budgeting results from the earmarking or dedication of certain revenue for specified purposes or funds.” 3 *Alaska Statehood Commission, Constitutional Studies* pt. IX, at 27 (1955). The study stated that one of the key reasons for the popularity of dedicated taxes was that they reduced taxpayer resistance by guaranteeing that the tax would be used to benefit those who paid it. *Id.* The study then noted that earmarking curtailed the exercise of budgetary controls and simply amounted to an abdication of legislative responsibility. *Id.* at 29-30.

<sup>86</sup> 3 ALASKA STATEHOOD COMMISSION, CONSTITUTIONAL STUDIES *Staff Paper IX: State Finance* at 27-28.

people” as a whole; the state’s budget comes to be built on autopilot, with priorities baked in at the behest of specific “pressure groups,” not the representative body itself:

[O]ver-all planning of the fiscal program of the state is prevented; the relationship between the dedicated revenue produced bears no consistent relationship to the needs to be met or services to be provided thereby, let alone the comparative needs of other agencies which must rely upon specific appropriations to carry on essential services. The legislature, whose responsibility it is not only to lay taxes but to spend the receipts in the best interests of the people, abdicates its authority and responsibility when it submits to the demands of a pressure group and resorts to the dedication device. As shown, many states have less than half of the money of the state available for the kind of budgeting aimed at carrying out an effective and responsive program of services.<sup>87</sup>

The Court has made clear that the twin purposes of the dedicated-fund clause are central to its analysis of Article IX, section 7 claims.<sup>88</sup> The RLC runs afoul of neither.

**B. In-Kind Contributions Are Not A “Source of Public Revenue” Contemplated By The Dedicated-Fund Clause.**

To begin, the RLC does not violate the dedicated-fund clause because a dedicated fund cannot be created from the “value of in-kind services made by a [city or borough] district.”<sup>89</sup> In-kind services are not “proceeds of any state tax or license,”<sup>90</sup> and cannot properly be characterized as a “source of revenue” to the State.

To be sure, this Court has interpreted the phrase “[t]he proceeds of any state tax or

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<sup>87</sup> *Id.* at 30 (emphasis added).

<sup>88</sup> *Se. Alaska Conservation Council v. State*, 202 P.3d 1162, 1170 (Alaska 2009) (“*Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386 (Alaska 2003)] suggests that the reach of the dedicated funds clause might be extended to statutes that, while not directly violating the clause by dedicating revenues, in some other way undercut the policies underlying the clause.”).

<sup>89</sup> AS 14.17.990.

<sup>90</sup> ALASKA CONST. art. IX, § 7.

license” in Article IX, section 7 quite broadly.<sup>91</sup> “Special [salmon] assessments,”<sup>92</sup> marine highway receipts,<sup>93</sup> tobacco-settlement proceeds,<sup>94</sup> and revenue derived from state land,<sup>95</sup> have each been held subject to the clause. But while the Court has interpreted the phrase broadly, it has never extended the clause beyond true “revenue”—the Court has never suggested that “proceeds,” for purposes of the clause, may be something other than actual money, or marketable assets. And, indeed, the Court has expressly indicated that its willingness to hold that a legislative arrangement violates the dedicated-fund clause diminishes to the extent that the arrangement does not involve “traditional sources of public revenue.”<sup>96</sup>

The “value of in-kind services made by a [city or borough] district” are not a “traditional source[] of public revenue.” They are not considered to be revenue to or an asset of the State for budgetary purposes<sup>97</sup> and, for certain, cannot be locked up in a “fund.” They do not fall within the ambit of the clause.

### **C. The RLC Will Never Create A Needed, But Inaccessible “Fund.”**

Had the Legislature not permitted cities and localities to make their required local

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<sup>91</sup> See *Alex*, 646 P.2d at 210 (“the constitution prohibits the dedication of any source of revenue”).

<sup>92</sup> See *id.* at 208.

<sup>93</sup> See *Sonneman v. Hickel*, 836 P.2d 936 (Alaska 1992).

<sup>94</sup> See *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386 (Alaska 2003).

<sup>95</sup> See *Alaska Conservation Council v. State*, 202 P.3d 1162, 1172 (Alaska 2009).

<sup>96</sup> See *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386, 387 (Alaska 2003).

<sup>97</sup> See, e.g., STATE OF ALASKA, COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) (Dec. 2014), available at <http://doa.alaska.gov/dof/reports/resource/fy14/2014cafr.pdf>

contributions in-kind, such that their RLCs consisted solely of “appropriations,”<sup>98</sup> the RLC still would do no violence to the purposes animating the clause. In stark contrast to the dedicated-fund arrangements that worried the Alaska’s Constitutional framers, there *is* a carefully defined “relationship” between the RLC and the “purpose” to which they are put.<sup>99</sup> By design, the RLC “bears [a] consistent relationship”<sup>100</sup> to cities’ and boroughs’ educational-funding needs: the RLC will never amount to more than a fraction of what a city or borough needs to spend.

This is clear from the very definition of the RLC: even at its maximum extent, a district’s RLC cannot amount to more than 45% of its “basic need.”<sup>101</sup> On average, it actually amounts to 16%. [Exc. 291, ¶ 4]

The public-education clause of the Alaska Constitution requires that schools be funded at some constitutionally required, minimally “adequate” level.<sup>102</sup> That may be 100% of “basic need” as defined by AS 14.17.410(b); it may be more. For certain, it is not significantly less.

Moreover, the Legislature has also provided a mechanism to automatically reduce expenditures on education, should any school district receive more funds than it can put to

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<sup>98</sup> Cf. AS 14.17.990 (“‘local contribution’ means appropriations and the value of in-kind services made by a district”)

<sup>99</sup> Cf. 3 ALASKA STATEHOOD COMMISSION, CONSTITUTIONAL STUDIES *Staff Paper IX: State Finance* at 27-28.

<sup>100</sup> *Id.* at 30 (emphasis added).

<sup>101</sup> AS 14.17.410(b).

<sup>102</sup> Cf. Decision and Order in *Moore et al. v. State*, Case No. 3AN-04-9756 Civil (Alaska Sup. Ct. June 21, 2007) at 174 ¶ 5 (“there must be adequate funding so as to accord to schools the ability to provide instruction in the standards”).

use. If a district accumulates an unreserved year-end balance in its school operating fund that exceeds 10% of the district's expenditures for the year, the state will in the following year reduce its "state aid" to the district, dollar for dollar, in the amount of the excess.<sup>103</sup>

In contrast to a dedicated gasoline tax that may raise significantly more than needed for road construction, or a dedicated room tax that may raise significantly more than is needed for tourism development, the RLC has been carefully tailored to ensure that it will never create a segregated "fund" balance needed for other purposes. It simply does not impose any kind of meaningful constraint on the Legislature's "flexibility."

**D. The State's Expenditures on Education Are Subject to Annual Appropriations, and the RLC Is Not a Practical Constraint on Localities, Who Retain Significant Flexibility to Satisfy Their Obligations.**

Nor does the RLC permit the Legislature to "abdicate" its budgetary responsibilities.

The amount of "state aid" that the State will presumptively pay to districts is set by statute, but is subject to annual appropriations. Subject only to Constitutional limits, the Legislature is free to appropriate less than the amount called for in statute; the funding

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<sup>103</sup> AS 14.17.505 *Fund Balance in School Operating Fund*.

(a) A district may not accumulate in a fiscal year an unreserved portion of its year-end fund balance in its school operating fund, as defined by department regulations, that is greater than 10 percent of its expenditures for that fiscal year.

(b) The department shall review each district's annual audit under AS 14.14.050 for the preceding fiscal year to ascertain its year-end operating fund balance. The amount by which the unreserved portion of that balance exceeds the amount permitted in (a) of this section shall be deducted from the state aid that would otherwise be paid to the district in the current fiscal year.

(emphasis added).

formula specifically accounts for that possibility.<sup>104</sup> The RLC does not make the Legislature any less “responsive” to the “best interests of the people”<sup>105</sup> as a whole, than it would be in the absence of an RLC. It is free, each year, to allocate each state dollar to its highest and best use.

Cities and boroughs who comply with their RLC obligations also retain significant budgetary freedom. The RLC can be paid in-kind, or in cash. If in cash, it can be raised from property tax, sales tax, fish tax, bed tax, or any other “local source” available to a district.<sup>106</sup> And, perhaps most critically, the Legislature has set the RLC at a level so low that, as a practical matter, it simply does not operate as a real constraint on city and borough assemblies.

In the *vast* majority of cases, cities and boroughs do exactly as KGB itself did: they make voluntary contributions above and beyond the RLC. The historical pattern of cities’ and boroughs’ voluntary local contributions strongly suggests that, even with the RLC in place, they too are annually appropriating their funds to what they perceive to be their

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<sup>104</sup> See AS 14.17.400. *State Aid For Districts*.

(a) The state aid for which a school district is eligible in a fiscal year is equal to the amount for which a district qualifies under AS 14.17.410.

(b) If the amount appropriated to the public education fund for purposes of this chapter is insufficient to meet the amounts authorized under (a) of this section for a fiscal year, the department shall reduce pro rata each district’s basic need by the necessary percentage as determined by the department. . . .

(emphasis added).

<sup>105</sup> 3 ALASKA STATEHOOD COMMISSION, CONSTITUTIONAL STUDIES *Staff Paper IX: State Finance* at 30.

<sup>106</sup> See AS 14.17.410(b)(2).

highest and best use—an RLC that “requires” districts to make 50-cent contributions has no effect on behavior when every district, left to its own devices, will appropriate a dollar.

The RLC is sometime referred to as the required “minimum local effort.”<sup>107</sup> That is not by accident or coincidence. It is a district’s ante, not its wager.

**E. If a City or Borough School District Fails to Pay Its RLC, The State Will Provide the District’s Students With a Public Education Funded Exclusively From Annual Appropriations and Federal Grants.**

The misapplication of the dedicated-fund clause to the RLC can also be seen by considering how schools in a city or borough district would be funded if the city or borough refused to comply with the RLC. There is simply no scenario in which a school will be entitled to receive from the State Legislature a “dedicated” dollar; every state dollar directed to a school by the Legislature must be appropriated.

City and borough districts that do not comply with the RLC are prohibited from receiving the “state aid” due to them under the public-school funding formula.<sup>108</sup> Without either state or local funds, the district’s schools simply could not operate. Because the Alaska Constitution’s public-education clause “confers upon Alaska school age children a right to education,”<sup>109</sup> and it falls exclusively to the State to make good on that Constitutional

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<sup>107</sup> See, e.g., ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program Overview* at 9 (Sept. 2014), available at: <https://education.alaska.gov/news/pdf/FundingProgramOverview.pdf>

<sup>108</sup> AS 14.17.410(d) (“State aid may not be provided to a city or borough school district if the local contributions required under (b)(2) of this section have not been made.”). See also AS 14.07.070 *Withholding State Funds* (“State funds may not be paid to a school district or teacher that fails to comply with the school laws of the state or with the regulations adopted by the department.”).

<sup>109</sup> *Hootch v. Alaska State-Operated School System*, 536 P.2d 793, 799 (Alaska 1975) (summarizing the holding of *Breese v. Smith*, 501 P.2d 159 (Alaska 1972)).

guarantee,<sup>110</sup> in the event of a default by a city or borough district, the State would be forced to pick up where the district left off. While the State might constitutionally be permitted to serve the district's suddenly school-less students by means of correspondence-study or boarding-school programs, the predictable result would be a state takeover of the defaulting district's unfunded schools.

This result is expressly authorized by statute. Title 14 permits the State Department of Education and Early Development to "intervene in a school district," and "redirect" the district's public school funding, in response to the district's "failure to take required action,"<sup>111</sup> or when "necessary to improve instructional practices."<sup>112</sup>

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<sup>110</sup> See *Maccauley*, 491 P.2d at 121-22.

<sup>111</sup> See AS 14.07.030:

The department may

...

(15) notwithstanding any other provision of this title, redirect public school funding under AS 14.17 appropriated for distribution to a school district, after providing notice to the district and an opportunity for the district to respond, when

(A) necessary to contract for services to improve instructional practices in the district; or

(B) the district has failed to take an action required by the department to improve instructional practices in the district; if funding is redirected under this subparagraph, the department shall provide the redirected funding to the district when the department has determined that the required action is satisfactorily completed.

<sup>112</sup> See AS 14.07.030:

The department may

...

(14) notwithstanding any other provision of this title, intervene in a school district to improve instructional practices under

In that event, funding for the schools taken over by the state would come from only two sources: (1) federal grants, and (2) unrestricted state appropriations. No state dollars would be “dedicated” to any recipient or program.

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In neither form, nor substance, does the RLC violate the dedicated-fund clause of the Alaska Constitution. The payments and in-kind services supplied by districts are not “proceeds of any state tax or license,” and the RLC simply does not raise the type of concerns that the dedicated-fund clause was designed to address.

**III. THE RLC IS REQUIRED BY THE FEDERAL GOVERNMENT FOR THE STATE’S PARTICIPATION IN THE FEDERAL IMPACT-AID PROGRAM**

Even if it were the case that the RLC could be construed as creating an otherwise impermissible designation, it would nevertheless remain constitutional under the dedicated-fund clause’s “state participation in federal programs” safe harbor. Compliance with the RLC is necessary for the State to participate in the federal impact-aid program.

**A. The Proceeds of A State Tax or License May Be Dedicated To A Special Purpose When “Required By The Federal Government For State Participation In Federal Programs.”**

Article IX, section 7 of the Alaska Constitution permits the proceeds of state tax or license to be dedicated to a special purpose when dedication is “required by the federal

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standards established by the department in regulation, including directing the

(A) employees identified by the department to exercise supervisory authority for instructional practices in the district or in a specified school;

(B) use of appropriations under this title for distribution to a district[.]

government for state participation in federal programs.”<sup>113</sup>

This Court has never been presented with a case that required it to consider the scope of this safe-harbor provision.

**B. The Federal Government Has Conditioned the State’s Use of Impact-Aid Funds on the State’s Use of the RLC.**

As previously noted, federal impact-aid is paid directly to “local educational agencies.”<sup>114</sup> A state, unlike the local educational agencies, may realize a direct financial benefit from impact aid only if it meets stringent federal requirements. In particular, the State must “ha[ve] in effect a program of State aid that equalizes expenditures for free public education among local educational agencies.”<sup>115</sup>

Under this so-called “equalization” or “disparity test” requirement, the amount of “per-pupil revenues available to” a local educational agency cannot vary by more than 25 percent (ignoring districts above the 95th percentile or below the 5th percentile for per-pupil revenues).<sup>116</sup>

Simply meeting the test is not enough, however. A state cannot consider federal aid in its public-school funding formula unless its “program of state aid” is “certified” by the

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<sup>113</sup> ALASKA CONST. art. IX, section 7.

<sup>114</sup> See 20 U.S.C. §§ 7701-7703.

<sup>115</sup> See 20 U.S.C. § 7709 *State consideration of payments in providing State aid*. See also 34 C.F.R. § 222.162 *What disparity standard must a State meet in order to be certified and how are disparities in current expenditures or revenues per pupil measured?*

<sup>116</sup> See 20 U.S.C. § 7709(b)(1); *id.* at (b)(2). The disparity test can also be met on “per-pupil expenditures” basis. See *id.* Alaska has elected to equalize funding on the basis of revenues available, rather than expenditures made. See subsection III.C., below.

Secretary of the U.S. Department of Education.<sup>117</sup> The state's compliance with the certified program then becomes a federal requirement for the state to guarantee its ability to derive a direct benefit from the federal aid.

A state complying with a certified program is entitled to consider impact-aid grants in its formula program even if the program unexpectedly fails to produce acceptable levels of equalization. Certification by the Secretary is the only prerequisite for the State's use of the funds.<sup>118</sup>

By contrast, a state that, after certification, adopts a substantial revision of its funding formula has only a contingent right to appreciate the benefits of federal impact-aid; it must promise to pay its local districts if the revised program fails to generate the necessary level of equalization:

if the Secretary determines that the State has substantially revised its program of State aid, the Secretary may certify such program for any fiscal year only if—

(A) the Secretary determines, on the basis of projected data, that the State's program will meet the disparity standard . . . ;

and

(B) the State provides an assurance to the Secretary that, if final data do not demonstrate that the State's program met such standard for the fiscal year for which the determination is made, the State will pay to each affected local educational agency the amount by which the State reduced State aid to the local educational agency.<sup>119</sup>

An "assurance" made by a state that it will make payments to its local educational agencies if

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<sup>117</sup> See *id.* at (d)(2) ("A State may not take into consideration payments under this subchapter before such State's program of State aid has been certified by the Secretary under subsection (c)(3) of this section"). See also *id.* at (c)(1), (c)(3)(A).

<sup>118</sup> See *id.* at (b)(1).

<sup>119</sup> *Id.* at (b)(3)(B).

its revised program of state aid fails to meet equalization standards is enforceable by both the U.S. Secretary of Education and the state's own local agencies: federal law provides each with a cause of action (and purports to waive the state's 11th Amendment sovereign immunity).<sup>120</sup>

**C. Judicial Invalidation of the RLC Would Jeopardize the State's Use of More than \$71 Million of Federal Funds.**

Judicial invalidation of the RLC would amount to "substantial revision" of the State's "program of State Aid." Because it would leave the maximum voluntary local contribution "ceiling" in place, while removing the RLC "floor," it could render the State's public-school funding formula un-certifiable.

Unless the State were willing and able to guarantee that it would make additional appropriations to fully offset the loss of any city or borough's RLC, the State would no longer be able to guarantee to the U.S. Secretary of Education that Alaska's state-aid program will meet the disparity test. With the RLC in place, Alaska's current disparity

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<sup>120</sup> See *id.* at (e) *Remedies for State violations*:

(1) In general

The Secretary or any aggrieved local educational agency may, not earlier than 150 days after an adverse determination by the Secretary against a State for violation of subsections (a) or (d)(2) of this section or for failure to carry out an assurance under subsection (b)(3)(B) of this section, and if an administrative proceeding has not been concluded within such time, bring an action in a United States district court against such State for such violations or failure.

(2) Immunity

A State shall not be immune under the 11th amendment to the Constitution of the United States from an action described in paragraph (1).

between per-pupil-revenues at its 95th and 5th percentile districts is 21.4%.<sup>121</sup> If RLCs currently averaging 16% of basic need [Exc. 291, ¶ 4] were reduced by law to 0% of basic need, the maximum voluntary contribution “ceiling” of 23% of basic need would simply be too high to guarantee a disparity of less than 25%.<sup>122</sup>

Moreover, even if the program remained certifiable after judicial invalidation of the RLC, the State would likely need to render the “assurance” required by federal law that would make its continued use of impact-aid dollars contingent on “final data . . . demonstrat[ing] that the State’s program met [the equalization] standard.”<sup>123</sup> If the

<sup>121</sup> ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *FY2014 Disparity Test* at 4 (March 2, 2015), appended as Attachment 5.

<sup>122</sup> For example, if just three city school districts—Craig, Tanana and Klawock—had elected not to comply with their RLC obligations in fiscal year 2015, and everything else remained the same, Alaska’s per-pupil-revenue disparity between its 95th and 5th percentile districts would have exceeded 26%. *See id.*; *Public School Funding Program, FY2014 Foundation Final*, Attachment 1 (to realize this hypothetical, the “required local effort” listed for Craig, Tanana and Klawock in Attachment 1 should be subtracted from each of the city’s column R “total audited revenues” found in Attachment 5 and then divided by the city’s column S “adjusted ADM,” also found in Attachment 5; had they not made their RLC contributions in FY 2015, and all else remained the same, Craig, Tanana and Klawock, would have had per-pupil revenues of \$6070, \$5985.91, \$6050.25, respectively:

|                | <b>FY14 RLC</b> | <b>FY 14 Total Adjusted Revenues</b> | <b>Adj. ADM</b> | <b>FY14 Rev/ Adj. ADM</b> | <b>(FY 14 Rev - RLC)/ Adj. ADM</b> |
|----------------|-----------------|--------------------------------------|-----------------|---------------------------|------------------------------------|
| <b>Craig</b>   | \$338,704       | \$5,921,080                          | 919.03          | \$6,443                   | <b>\$6,074</b>                     |
| <b>Tanana</b>  | \$24,863        | \$1,240,594                          | 200.97          | \$6,173                   | <b>\$6,049</b>                     |
| <b>Klawock</b> | \$147,806       | \$2,905,290                          | 461.4           | \$6,297                   | <b>\$5,976</b>                     |

In this scenario, the Alaska Gateway School District (headquartered in Tok) would have been the state’s 5th percentile district, with per-pupil revenues of \$6088, while Hoonah would have remained the state’s 95th percentile district, with per-pupil revenues of \$7693. *Cf.* Attachment 5 (Alaska Gateway would become the district with the 9th lowest per-pupil revenues, up from 6th lowest). Alaska’s disparity-test result would then have been  $(\$7693 - \$6088) / (\$6088) = 26.36\%$ .

<sup>123</sup> 20 U.S.C. § 7709(b)(2)(B).

federal government permitted the State to use the federal funds, the State could find itself in the position of needing to pay an equal amount to its districts if, for any reason, per-pupil funding ultimately did not come out as planned.

The more likely result of judicial invalidation of the RLC is that the State would feel forced to return to the drawing board, with the consequence that, at minimum, the current cap on districts' voluntary local contributions would have to be reduced. But that development would not be without significance. Nearly one out of every four districts that may make a voluntary local contribution, predictably make voluntary contributions at or near the current cap.<sup>124</sup> Depriving those districts of their ability to do so is not a step to be undertaken lightly. *Cf. San Antonio Indep. Sch. Dist. v. Rodriguez*, 411 U.S. 1, 49 (1973) (“In part, local control means . . . the freedom to devote more money to the education of one’s children”).

For certain, the State could devise a new public-school funding formula that, in the years following a judicial invalidation of the RLC, likely would be certifiable by the Department of Education. The State could greatly simplify its calculations by, for example, simply prohibiting local contributions altogether. But the fact that such alternatives are theoretically available to the State should not dictate the outcome of this case. By virtue of the U.S. Department of Education’s certification, the state’s compliance with the RLC is a

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<sup>124</sup> Compare ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015) (column showing “City/Borough Appropriations”) to ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program, FY 2014 Foundation Final* at 4 (column listing the “Maximum Local Contribution” of each district) (data for Anchorage, Juneau, Unalaska and Valdez, which contribute to the cap; and Denali, Haines, Kodiak Island, and Skagway which nearly contributed to the cap).  $8 / 34 = 23.5\%$

federal requirement for the State's participation in the federal impact-aid program.<sup>125</sup> That the State could have proposed a different program to the federal government—imposing greater, and likely unpopular, limits on the ability of cities and boroughs to make voluntary contributions to their schools—should not be judicially converted into a requirement that it must. The State Legislature should be afforded the prerogative to both: (1) accommodate cities' and boroughs' desire to make substantial voluntary contributions and (2) appreciate the benefits, at the state level, of federal impact aid. As this Court has noted, “[t]he very complexity of the problems of financing and managing a statewide public school system suggests that ‘there will be more than one constitutionally permissible method of solving them,’ and that, within the limits of rationality, ‘the legislature’s efforts to tackle the problems’ should be entitled to respect.”<sup>126</sup>

The RLC is an integral part of the Legislature’s carefully crafted and well considered program of public-school funding. It should likewise receive the Court’s approval.

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<sup>125</sup> See UNITED STATES DEPARTMENT OF EDUCATION, *Certification of Alaska’s Program of State Aid* at section III, p.5 (May 23, 2014), appended as Attachment 7:

It is our understanding that the State funding formula has not changed in any aspect relevant to this determination since State FY 2013. It is the State’s obligation to notify us of any relevant changes to the State formula. Based upon that understanding and the final FY 2013 data received by the Department on February 25,2014, the revenue disparity is less than the 25 percent allowed under section 8009(b)(2)(A). The Alaska State aid formula is hereby certified under section 8009(c)(3) of the Impact Aid statute for FY 2015, pursuant to delegation from the Assistant Secretary for Elementary and Secondary Education to the Impact Aid Program Director.

(emphasis added).

<sup>126</sup> *Hootch*, 536 P.2d at 803-04 (quoting *San Antonio Independent School District*, 411 U.S. 1).

## CONCLUSION

The Superior Court's conclusion that the RLC violates the dedicated fund clause of the Alaska State Constitution:

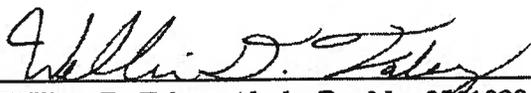
- [1] gave inadequate consideration to the State's prerogative to delegate its Article VII, § 1 "education functions" to cities and boroughs on condition that the cities and boroughs make local contributions, and authority under Article X, §§ 3 and 7 to define the "powers and functions" of cities and boroughs;
- [2] applied the dedicated fund clause in a manner that is not consistent with its purposes or intent; and
- [3] failed to recognize that cities' and boroughs' compliance with the RLC is a "requirement" for the "state participation" in the federal impact-aid program, and, thus, for the state's continued annual use of more than \$71 million in federal receipts.

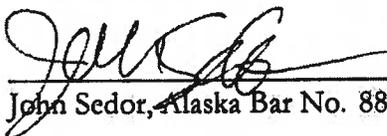
*Amici* respectfully request that the Superior Court's decision in this case be reversed.

DATED this 12th day of May, 2015, at Anchorage, Alaska.

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## LIST OF ATTACHMENTS

### ATTACHMENT 1

ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Public School Funding Program, FY2014 Foundation Final* (August 26, 2014), also available at: [https://education.alaska.gov/schoolfinance/pdf/FY14 Foundation Report.pdf](https://education.alaska.gov/schoolfinance/pdf/FY14_Foundation_Report.pdf)

### ATTACHMENT 2

ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *General Fund (School Operating Fund) Revenues – FY 2014 Actuals* (January 16, 2015), also available at: <https://education.alaska.gov/schoolfinance/pdf/OperatingFund/RevenueFY14Audited.pdf>

### ATTACHMENT 3

ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *Alaska's Participation in Impact Aid (Public Law 874)* at 21 (Feb. 19, 2015), also available at: <http://www.eed.state.ak.us/publications/2015ImpactAidPresentation-2-19-15.pdf>

### ATTACHMENT 4

ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *K-12 Public School Operating Fund and Selected Special Revenue Funds – Audited FY14 Revenues* (modified to sort by federal revenues per student), also available at: [https://education.alaska.gov/stats/AnnualRevenue/14auditedrevenueshb14.03.120\(b\).xlsx](https://education.alaska.gov/stats/AnnualRevenue/14auditedrevenueshb14.03.120(b).xlsx)

### ATTACHMENT 5

ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, *FY2014 Disparity Test* (March 2, 2015), also available at: [https://education.alaska.gov/schoolfinance/pdf/fy\\_14\\_disparitytest.pdf](https://education.alaska.gov/schoolfinance/pdf/fy_14_disparitytest.pdf)

### ATTACHMENT 6

Materials in Legislative History file for House Health, Education and Social Services (“HESS”) Committee re: HB 126 (1987)

### ATTACHMENT 7

UNITED STATES DEPARTMENT OF EDUCATION, *Certification of Alaska's Program of State Aid* (May 23, 2014)

| School District   | \$5,680 Basic Need | Required Local Effort | Eligible Federal Impact AID | Impact AID Percent | Deductible Impact AID 90.0% | State AID     | FY2014 Adjusted Floor | Quality Schools | FY14 Total State Entitlement |
|-------------------|--------------------|-----------------------|-----------------------------|--------------------|-----------------------------|---------------|-----------------------|-----------------|------------------------------|
| Alaska Gateway    | 7,767,059          | 0                     | 314,780                     | 100.00%            | 283,302                     | 7,483,757     | 0                     | 21,879          | 7,505,636                    |
| Aleutian Region   | 1,283,907          | 0                     | 27,538                      | 100.00%            | 24,784                      | 1,259,123     | 12,924                | 3,617           | 1,275,664                    |
| Aleutians East    | 5,578,271          | 615,516               | 697,008                     | 36.36%             | 228,089                     | 4,734,666     | 0                     | 15,713          | 4,750,379                    |
| Anchorage         | 421,828,040        | 95,445,433            | 20,220,105                  | 48.73%             | 8,867,931                   | 317,514,676   | 0                     | 1,188,248       | 318,702,924                  |
| Annette Island    | 4,394,843          | 0                     | 1,557,224                   | 100.00%            | 1,401,502                   | 2,993,341     | 0                     | 12,380          | 3,005,721                    |
| Bering Strait     | 38,564,871         | 0                     | 10,781,828                  | 100.00%            | 9,703,645                   | 28,861,226    | 0                     | 108,633         | 28,969,859                   |
| Bristol Bay       | 2,492,782          | 715,872               | 104,567                     | 58.12%             | 54,697                      | 1,722,213     | 0                     | 7,022           | 1,729,235                    |
| Chatham           | 3,119,570          | 0                     | 200,093                     | 100.00%            | 180,084                     | 2,939,486     | 0                     | 8,788           | 2,948,274                    |
| Chugach           | 2,544,413          | 0                     | 81,068                      | 100.00%            | 72,961                      | 2,471,452     | 5,345                 | 7,167           | 2,483,964                    |
| Copper River      | 6,518,652          | 0                     | 328,179                     | 100.00%            | 295,361                     | 6,223,291     | 0                     | 18,362          | 6,241,653                    |
| Cordova           | 4,243,301          | 709,139               | 25,495                      | 41.77%             | 9,584                       | 3,524,578     | 0                     | 11,953          | 3,536,531                    |
| Craig             | 5,220,090          | 338,704               | 549,217                     | 43.95%             | 217,243                     | 4,664,143     | 0                     | 14,704          | 4,678,847                    |
| Delta/Greely      | 9,829,467          | 0                     | 425,005                     | 100.00%            | 382,505                     | 9,446,962     | 0                     | 27,689          | 9,474,651                    |
| Denali            | 6,836,562          | 658,294               | 6,904                       | 29.87%             | 1,856                       | 6,176,412     | 0                     | 19,258          | 6,195,670                    |
| Dillingham        | 7,245,067          | 526,870               | 645,901                     | 39.94%             | 232,176                     | 6,486,021     | 0                     | 20,409          | 6,506,430                    |
| Fairbanks         | 150,773,101        | 26,940,883            | 13,670,315                  | 55.28%             | 6,801,255                   | 117,030,963   | 0                     | 424,713         | 117,455,676                  |
| Galena            | 20,756,310         | 80,489                | 154,777                     | 7.07%              | 9,848                       | 20,665,973    | 0                     | 58,468          | 20,724,441                   |
| Haines            | 3,873,362          | 907,376               | 0                           | 58.19%             | 0                           | 2,965,986     | 0                     | 10,911          | 2,976,897                    |
| Hoonah            | 2,408,831          | 195,429               | 166,661                     | 27.08%             | 40,619                      | 2,172,783     | 0                     | 6,785           | 2,179,568                    |
| Hydaburg          | 1,494,010          | 40,849                | 102,253                     | 30.75%             | 28,299                      | 1,424,862     | 0                     | 4,208           | 1,429,070                    |
| Iditarod Area     | 5,656,258          | 0                     | 272,896                     | 100.00%            | 245,606                     | 5,410,652     | 0                     | 15,933          | 5,426,585                    |
| Juneau            | 50,131,226         | 12,464,402            | 0                           | 51.63%             | 0                           | 37,666,824    | 0                     | 141,215         | 37,808,039                   |
| Knife             | 1,935,914          | 75,414                | 358,343                     | 51.53%             | 166,189                     | 1,694,311     | 0                     | 5,453           | 1,699,764                    |
| Kashunamiut       | 5,338,746          | 0                     | 2,039,069                   | 100.00%            | 1,835,162                   | 3,503,584     | 0                     | 15,039          | 3,518,623                    |
| Kenai Peninsula   | 97,611,766         | 22,720,017            | 0                           | 51.78%             | 0                           | 74,891,749    | 0                     | 274,963         | 75,166,712                   |
| Ketchikan Gateway | 25,947,546         | 4,198,727             | 0                           | 52.06%             | 0                           | 21,748,819    | 0                     | 73,092          | 21,821,911                   |
| Klawock           | 2,620,752          | 147,806               | 496,121                     | 55.67%             | 248,572                     | 2,224,374     | 0                     | 7,382           | 2,231,756                    |
| Kodiak Island     | 30,205,104         | 3,806,666             | 1,863,753                   | 31.01%             | 520,155                     | 25,878,283    | 0                     | 85,085          | 25,963,368                   |
| Kuspuk            | 7,368,778          | 0                     | 1,892,597                   | 100.00%            | 1,703,337                   | 5,665,441     | 0                     | 20,757          | 5,686,198                    |
| Lake & Peninsula  | 9,134,406          | 391,926               | 1,589,851                   | 29.06%             | 415,810                     | 8,326,670     | 0                     | 25,731          | 8,352,401                    |
| Lower Kuskokwim   | 73,423,770         | 0                     | 17,622,665                  | 100.00%            | 15,860,399                  | 57,563,371    | 0                     | 206,828         | 57,770,199                   |
| Lower Yukon       | 39,568,073         | 0                     | 10,970,729                  | 100.00%            | 9,873,656                   | 29,694,417    | 0                     | 111,459         | 29,805,876                   |
| Mat-Su            | 169,151,309        | 25,355,209            | 0                           | 49.24%             | 0                           | 143,796,100   | 0                     | 476,483         | 144,272,583                  |
| Nenana            | 6,296,791          | 75,994                | 4,460                       | 66.37%             | 2,664                       | 6,218,133     | 0                     | 17,737          | 6,235,870                    |
| Nome              | 9,443,114          | 834,289               | 74,899                      | 39.67%             | 26,741                      | 8,582,084     | 0                     | 26,600          | 8,608,684                    |
| North Slope       | 29,804,664         | 12,884,157            | 3,584,282                   | 36.21%             | 1,168,082                   | 15,752,425    | 0                     | 83,957          | 15,836,382                   |
| Northwest Arctic  | 37,799,321         | 1,972,985             | 4,990,139                   | 26.87%             | 1,206,765                   | 34,619,571    | 0                     | 106,477         | 34,726,048                   |
| Pelican           | 404,643            | 39,553                | 0                           | 76.29%             | 0                           | 365,090       | 78,322                | 1,140           | 444,552                      |
| Petersburg        | 6,678,771          | 901,121               | 0                           | 48.17%             | 0                           | 5,777,650     | 0                     | 18,813          | 5,796,463                    |
| Pribilof          | 2,002,541          | 0                     | 489,987                     | 100.00%            | 440,988                     | 1,561,553     | 0                     | 5,641           | 1,567,194                    |
| Saint Mary's      | 3,736,077          | 36,034                | 0                           | 31.97%             | 0                           | 3,700,043     | 0                     | 10,524          | 3,710,567                    |
| Sitka             | 16,471,602         | 3,051,149             | 12,822                      | 59.55%             | 6,872                       | 13,413,581    | 0                     | 46,399          | 13,459,980                   |
| Skagway           | 1,167,581          | 460,310               | 0                           | 41.33%             | 0                           | 707,271       | 0                     | 3,289           | 710,560                      |
| Southeast Island  | 5,146,137          | 0                     | 171                         | 100.00%            | 154                         | 5,145,983     | 0                     | 14,496          | 5,160,479                    |
| Southwest Region  | 12,711,386         | 0                     | 3,924,646                   | 100.00%            | 3,532,181                   | 9,179,205     | 0                     | 35,807          | 9,215,012                    |
| Tanana            | 1,141,510          | 24,863                | 162,913                     | 100.00%            | 146,622                     | 970,025       | 0                     | 3,216           | 973,241                      |
| Unalaska          | 5,798,712          | 1,462,492             | 26,281                      | 51.25%             | 12,122                      | 4,324,098     | 0                     | 16,334          | 4,340,432                    |
| Valdez            | 7,612,904          | 3,383,888             | 4,972                       | 42.60%             | 1,906                       | 4,227,110     | 0                     | 21,445          | 4,248,555                    |
| Wrangell          | 4,074,434          | 470,852               | 693                         | 69.65%             | 434                         | 3,603,148     | 0                     | 11,477          | 3,614,625                    |
| Yakutat           | 1,666,285          | 181,364               | 148,818                     | 50.72%             | 67,932                      | 1,416,989     | 0                     | 4,694           | 1,421,683                    |
| Yukon Flats       | 7,645,166          | 0                     | 568,366                     | 100.00%            | 511,529                     | 7,133,637     | 0                     | 21,536          | 7,155,173                    |
| Yukon/Koyukuk     | 13,475,800         | 0                     | 1,075,034                   | 100.00%            | 967,531                     | 12,508,269    | 0                     | 37,960          | 12,546,229                   |
| Yupit             | 8,947,704          | 0                     | 2,970,269                   | 100.00%            | 2,673,242                   | 6,274,462     | 0                     | 25,205          | 6,299,667                    |
| Mt. Edgecumbe     | 3,903,864          | 0                     | 0                           | 100.00%            | 0                           | 3,903,864     | 0                     | 10,997          | 3,914,861                    |
| TOTALS:           | 1,410,795,164      | 222,114,072           | 105,203,694                 |                    | 70,470,392                  | 1,118,210,700 | 96,591                | 3,974,071       | 1,145,406,268                |

| School Distri  | FY14 ADM          | FY14 Corresp. ADM | FY14 Total ADM    | Before School Size Adjust HH | School Size ADM; HH included where elig. | District Cost Factor | Adjusted for Cost Factor | Special Needs Factor 1.20 | CTE Factor 1.015  | SPED Intsv.  | Adjust for SPED Intsv *13.00 | Students + Intensive Special Education | District Corresp. 80% | District Adjusted ADM |
|----------------|-------------------|-------------------|-------------------|------------------------------|--|----------------------|--------------------------|---------------------------|-------------------|--------------|------------------------------|--|-----------------------|-----------------------|
| Alaska Gatew   | 312.55            | 75.10             | 387.65            | 572.94                       | 572.94                                   | 1.594                | 913.27                   | 1095.92                   | 1112.36           | 15           | 195                          | 1307.36                                | 60.08                 | 1367.44               |
| Aleutian Regi  | 33.00             | 0.00              | 33.00             | 79.20                        | 79.20                                    | 1.939                | 153.57                   | 184.28                    | 187.04            | 3            | 39                           | 226.04                                 | 0.00                  | 226.04                |
| Aleutians Eas  | 212.70            | 0.00              | 212.70            | 366.43                       | 394.26                                   | 1.991                | 784.97                   | 941.96                    | 956.09            | 2            | 26                           | 982.09                                 | 0.00                  | 982.09                |
| Anchorage      | 46883.07          | 886.78            | 47769.85          | 51745.55                     | 51745.55                                 | 1.000                | 51745.55                 | 62094.66                  | 63026.08          | 810          | 10530                        | 73556.08                               | 709.42                | 74265.50              |
| Annette Islan  | 288.59            | 0.00              | 288.59            | 418.94                       | 418.94                                   | 1.338                | 560.54                   | 672.65                    | 682.74            | 7            | 91                           | 773.74                                 | 0.00                  | 773.74                |
| Bering Strait  | 1660.35           | 0.00              | 1660.35           | 2661.77                      | 2661.77                                  | 1.998                | 5318.22                  | 6381.86                   | 6477.59           | 24           | 312                          | 6789.59                                | 0.00                  | 6789.59               |
| Bristol Bay    | 138.20            | 0.00              | 138.20            | 228.12                       | 236.57                                   | 1.478                | 349.65                   | 419.58                    | 425.87            | 1            | 13                           | 438.87                                 | 0.00                  | 438.87                |
| Chatham        | 144.50            | 2.00              | 146.50            | 257.74                       | 271.74                                   | 1.576                | 428.26                   | 513.91                    | 521.62            | 2            | 26                           | 547.62                                 | 1.60                  | 549.22                |
| Chugach        | 57.10             | 231.45            | 288.55            | 137.09                       | 137.09                                   | 1.496                | 205.09                   | 246.11                    | 249.80            | 1            | 13                           | 262.80                                 | 185.16                | 447.96                |
| Copper River   | 398.69            | 45.08             | 443.77            | 613.15                       | 661.05                                   | 1.316                | 869.94                   | 1043.93                   | 1059.59           | 4            | 52                           | 1111.59                                | 36.06                 | 1147.65               |
| Cordova        | 306.31            | 6.10              | 312.41            | 441.90                       | 441.90                                   | 1.234                | 545.30                   | 654.36                    | 664.18            | 6            | 78                           | 742.18                                 | 4.88                  | 747.06                |
| Craig          | 291.20            | 274.53            | 565.73            | 421.11                       | 449.59                                   | 1.206                | 542.21                   | 650.65                    | 660.41            | 3            | 39                           | 699.41                                 | 219.62                | 919.03                |
| Delta/Greely   | 740.54            | 99.05             | 839.59            | 980.65                       | 980.65                                   | 1.241                | 1216.99                  | 1460.39                   | 1482.30           | 13           | 169                          | 1651.30                                | 79.24                 | 1730.54               |
| Denali         | 208.80            | 650.40            | 859.20            | 355.70                       | 373.09                                   | 1.332                | 496.96                   | 596.35                    | 605.30            | 6            | 78                           | 683.30                                 | 520.32                | 1203.62               |
| Dillingham     | 482.60            | 7.20              | 489.80            | 631.79                       | 631.79                                   | 1.346                | 850.39                   | 1020.47                   | 1035.78           | 18           | 234                          | 1269.78                                | 5.76                  | 1275.54               |
| Fairbanks      | 13795.24          | 267.35            | 14062.59          | 15794.76                     | 15794.76                                 | 1.070                | 16900.39                 | 20280.47                  | 20584.68          | 442          | 5746                         | 26330.68                               | 213.88                | 26544.56              |
| Galena         | 285.25            | 3700.24           | 3985.49           | 385.69                       | 409.68                                   | 1.391                | 569.86                   | 683.83                    | 694.09            | 0            | 0                            | 694.09                                 | 2960.19               | 3654.28               |
| Haines         | 259.75            | 11.10             | 270.85            | 385.08                       | 416.02                                   | 1.200                | 499.22                   | 599.06                    | 608.05            | 5            | 65                           | 673.05                                 | 8.88                  | 681.93                |
| Hoonah         | 101.80            | 0.00              | 101.80            | 173.88                       | 187.85                                   | 1.399                | 262.80                   | 315.36                    | 320.09            | 8            | 104                          | 424.09                                 | 0.00                  | 424.09                |
| Hydaburg       | 65.10             | 0.00              | 65.10             | 108.10                       | 108.10                                   | 1.504                | 162.58                   | 195.10                    | 198.03            | 5            | 65                           | 263.03                                 | 0.00                  | 263.03                |
| Iditarod Area  | 186.70            | 74.20             | 260.90            | 390.77                       | 399.15                                   | 1.846                | 736.83                   | 884.20                    | 897.46            | 3            | 39                           | 936.46                                 | 59.36                 | 995.82                |
| Juneau         | 4787.12           | 60.90             | 4848.02           | 5473.35                      | 5473.35                                  | 1.145                | 6266.99                  | 7520.39                   | 7633.20           | 88           | 1144                         | 8777.20                                | 48.72                 | 8825.92               |
| Knife          | 104.00            | 0.00              | 104.00            | 177.16                       | 177.16                                   | 1.459                | 258.48                   | 310.18                    | 314.83            | 2            | 26                           | 340.83                                 | 0.00                  | 340.83                |
| Kashunamiut    | 316.70            | 0.00              | 316.70            | 450.28                       | 450.28                                   | 1.619                | 729.00                   | 874.80                    | 887.92            | 4            | 52                           | 939.92                                 | 0.00                  | 939.92                |
| Kenai Penins   | 8011.76           | 748.76            | 8760.52           | 10298.24                     | 10298.24                                 | 1.171                | 12059.24                 | 14471.09                  | 14688.16          | 146          | 1898                         | 16586.16                               | 599.01                | 17185.17              |
| Ketchikan Ga   | 2124.28           | 85.23             | 2209.51           | 2637.82                      | 2637.82                                  | 1.170                | 3086.25                  | 3703.50                   | 3759.05           | 57           | 741                          | 4500.05                                | 68.18                 | 4568.23               |
| Klawock        | 136.35            | 0.00              | 136.35            | 225.37                       | 225.37                                   | 1.302                | 293.43                   | 352.12                    | 357.40            | 8            | 104                          | 461.40                                 | 0.00                  | 461.40                |
| Kodiak Islanc  | 2381.39           | 101.63            | 2483.02           | 2962.74                      | 2962.74                                  | 1.289                | 3818.97                  | 4582.76                   | 4651.50           | 45           | 585                          | 5236.50                                | 81.30                 | 5317.80               |
| Kuspuk         | 333.10            | 0.00              | 333.10            | 582.32                       | 608.10                                   | 1.734                | 1054.45                  | 1265.34                   | 1284.32           | 1            | 13                           | 1297.32                                | 0.00                  | 1297.32               |
| Lake & Penin   | 295.60            | 8.00              | 303.60            | 619.99                       | 648.81                                   | 1.994                | 1293.73                  | 1552.48                   | 1575.77           | 2            | 26                           | 1601.77                                | 6.40                  | 1608.17               |
| Lower Kusko    | 4088.50           | 0.00              | 4088.50           | 6035.31                      | 6035.31                                  | 1.663                | 10036.72                 | 12044.06                  | 12224.72          | 54           | 702                          | 12926.72                               | 0.00                  | 12926.72              |
| Lower Yukor    | 1953.55           | 0.00              | 1953.55           | 2958.58                      | 2958.58                                  | 1.861                | 5505.92                  | 6607.10                   | 6706.21           | 20           | 260                          | 6966.21                                | 0.00                  | 6966.21               |
| Mat-Su         | 15703.31          | 1773.20           | 17476.51          | 17931.65                     | 17931.65                                 | 1.070                | 19186.87                 | 23024.24                  | 23369.60          | 384          | 4992                         | 28361.60                               | 1418.56               | 29780.16              |
| Nenana         | 201.70            | 695.40            | 897.10            | 306.97                       | 306.97                                   | 1.338                | 410.73                   | 492.88                    | 500.27            | 4            | 52                           | 552.27                                 | 556.32                | 1108.59               |
| Nome           | 696.15            | 10.00             | 706.15            | 877.94                       | 877.94                                   | 1.450                | 1273.01                  | 1527.61                   | 1550.52           | 8            | 104                          | 1654.52                                | 8.00                  | 1662.52               |
| North Slope    | 1730.75           | 0.00              | 1730.75           | 2363.72                      | 2363.72                                  | 1.791                | 4233.42                  | 5080.10                   | 5156.30           | 7            | 91                           | 5247.30                                | 0.00                  | 5247.30               |
| Northwest Ar   | 1884.56           | 3.85              | 1888.41           | 2779.09                      | 2779.09                                  | 1.823                | 5066.28                  | 6079.54                   | 6170.73           | 37           | 481                          | 6651.73                                | 3.08                  | 6654.81               |
| Pelican        | 11.20             | 0.00              | 11.20             | 39.60                        | 39.60                                    | 1.477                | 58.49                    | 70.19                     | 71.24             | 0            | 0                            | 71.24                                  | 0.00                  | 71.24                 |
| Petersburg     | 430.25            | 0.00              | 430.25            | 623.61                       | 638.76                                   | 1.244                | 794.62                   | 953.54                    | 967.84            | 16           | 208                          | 1175.84                                | 0.00                  | 1175.84               |
| Pribilof       | 81.30             | 0.00              | 81.30             | 156.86                       | 164.86                                   | 1.691                | 278.78                   | 334.54                    | 339.56            | 1            | 13                           | 352.56                                 | 0.00                  | 352.56                |
| Saint Mary's   | 202.85            | 0.00              | 202.85            | 312.82                       | 312.82                                   | 1.624                | 508.02                   | 609.62                    | 618.76            | 3            | 39                           | 657.76                                 | 0.00                  | 657.76                |
| Sitka          | 1303.44           | 34.75             | 1338.19           | 1598.15                      | 1598.15                                  | 1.195                | 1909.79                  | 2291.75                   | 2326.13           | 42           | 546                          | 2872.13                                | 27.80                 | 2899.93               |
| Skagway        | 84.30             | 0.00              | 84.30             | 134.66                       | 134.66                                   | 1.174                | 158.09                   | 189.71                    | 192.56            | 1            | 13                           | 205.56                                 | 0.00                  | 205.56                |
| Southeast Isl  | 198.65            | 0.00              | 198.65            | 427.46                       | 454.11                                   | 1.403                | 637.12                   | 764.54                    | 776.01            | 10           | 130                          | 906.01                                 | 0.00                  | 906.01                |
| Southwest Re   | 601.70            | 0.00              | 601.70            | 1004.43                      | 1039.75                                  | 1.685                | 1751.98                  | 2102.38                   | 2133.92           | 8            | 104                          | 2237.92                                | 0.00                  | 2237.92               |
| Tanana         | 40.60             | 0.00              | 40.60             | 71.59                        | 80.43                                    | 1.786                | 143.65                   | 172.38                    | 174.97            | 2            | 26                           | 200.97                                 | 0.00                  | 200.97                |
| Unalaska       | 407.25            | 0.00              | 407.25            | 552.03                       | 552.03                                   | 1.441                | 795.48                   | 954.58                    | 968.90            | 4            | 52                           | 1020.90                                | 0.00                  | 1020.90               |
| Valdez         | 609.36            | 0.00              | 609.36            | 821.93                       | 821.93                                   | 1.170                | 961.66                   | 1153.99                   | 1171.30           | 13           | 169                          | 1340.30                                | 0.00                  | 1340.30               |
| Wrangell       | 269.35            | 74.40             | 343.75            | 397.28                       | 429.15                                   | 1.159                | 497.38                   | 596.86                    | 605.81            | 4            | 52                           | 657.81                                 | 59.52                 | 717.33                |
| Yakutat        | 90.05             | 6.00              | 96.05             | 141.96                       | 160.23                                   | 1.412                | 226.24                   | 271.49                    | 275.56            | 1            | 13                           | 288.56                                 | 4.80                  | 293.36                |
| Yukon Flats    | 243.80            | 0.00              | 243.80            | 460.84                       | 491.98                                   | 2.116                | 1041.03                  | 1249.24                   | 1267.98           | 6            | 78                           | 1345.98                                | 0.00                  | 1345.98               |
| Yukon/Koyul    | 307.10            | 1181.30           | 1488.40           | 580.51                       | 580.51                                   | 1.835                | 1065.24                  | 1278.29                   | 1297.46           | 10           | 130                          | 1427.46                                | 945.04                | 2372.50               |
| Yupitit        | 438.50            | 0.00              | 438.50            | 707.27                       | 707.27                                   | 1.723                | 1218.63                  | 1462.36                   | 1484.30           | 7            | 91                           | 1575.30                                | 0.00                  | 1575.30               |
| Mt. Edgecum    | 400.65            | 0.00              | 400.65            | 472.20                       | 472.20                                   | 1.195                | 564.28                   | 677.14                    | 687.30            | 0            | 0                            | 687.30                                 | 0.00                  | 687.30                |
| <b>TOTALS:</b> | <b>117,321.21</b> | <b>11,114.00</b>  | <b>128,435.21</b> | <b>142,334.09</b>            | <b>142,785.26</b>                        |                      | <b>171,296.56</b>        | <b>205,555.89</b>         | <b>208,639.25</b> | <b>2,373</b> | <b>30,849</b>                | <b>239,488.25</b>                      | <b>8,891.18</b>       | <b>248,379.43</b>     |

| School District   | 2012 Full Values      | FY13 PY Basic Need   | .00265 x 2012 Full Value | 45% of PY Basic Need | Local Effort [Lesser of .00265 or 45%] |
|-------------------|-----------------------|----------------------|--------------------------|----------------------|--|
| Alaska Gateway    | -                     | 7,565,533            | -                        | 0                    | -                                      |
| Aleutian Region   | -                     | 1,283,907            | -                        | 0                    | -                                      |
| Aleutians East    | 232,270,000           | 5,722,032            | 615,516                  | 2,574,914            | 615,516                                |
| Anchorage         | 36,017,144,540        | 426,605,431          | 95,445,433               | 191,972,444          | 95,445,433                             |
| Annette Island    | -                     | 4,122,146            | -                        | 0                    | -                                      |
| Bering Strait     | -                     | 38,520,965           | -                        | 0                    | -                                      |
| Bristol Bay       | 270,140,200           | 2,541,118            | 715,872                  | 1,143,503            | 715,872                                |
| Chatham           | -                     | 3,094,294            | -                        | 0                    | -                                      |
| Chugach           | -                     | 2,523,397            | -                        | 0                    | -                                      |
| Copper River      | -                     | 7,024,797            | -                        | 0                    | -                                      |
| Cordova           | 267,599,660           | 4,164,746            | 709,139                  | 1,874,136            | 709,139                                |
| Craig             | 127,813,000           | 5,676,138            | 338,704                  | 2,554,262            | 338,704                                |
| Delta/Greely      | -                     | 10,145,162           | -                        | 0                    | -                                      |
| Denali            | 248,412,700           | 6,914,264            | 658,294                  | 3,111,419            | 658,294                                |
| Dillingham        | 198,818,700           | 7,163,900            | 526,870                  | 3,223,755            | 526,870                                |
| Fairbanks         | 10,166,370,790        | 151,937,501          | 26,940,883               | 68,371,875           | 26,940,883                             |
| Galena            | 30,373,200            | 19,626,331           | 80,489                   | 8,831,849            | 80,489                                 |
| Haines            | 342,405,900           | 4,293,171            | 907,376                  | 1,931,927            | 907,376                                |
| Hoonah            | 73,746,800            | 2,306,250            | 195,429                  | 1,037,813            | 195,429                                |
| Hydaburg          | 15,414,900            | 1,163,207            | 40,849                   | 523,443              | 40,849                                 |
| Iditarod Area     | -                     | 5,390,547            | -                        | 0                    | -                                      |
| Juneau            | 4,703,548,100         | 51,352,994           | 12,464,402               | 23,108,847           | 12,464,402                             |
| Kake              | 28,458,200            | 1,955,851            | 75,414                   | 880,133              | 75,414                                 |
| Kashunamiut       | -                     | 5,138,185            | -                        | 0                    | -                                      |
| Kenai Peninsula   | 8,573,591,170         | 97,660,784           | 22,720,017               | 43,947,353           | 22,720,017                             |
| Ketchikan Gateway | 1,584,425,200         | 24,922,818           | 4,198,727                | 11,215,268           | 4,198,727                              |
| Klawock           | 55,775,700            | 2,468,414            | 147,806                  | 1,110,786            | 147,806                                |
| Kodiak Island     | 1,436,477,600         | 29,704,696           | 3,806,666                | 13,367,113           | 3,806,666                              |
| Kuspuk            | -                     | 7,615,119            | -                        | 0                    | -                                      |
| Lake & Peninsula  | 147,896,700           | 9,722,910            | 391,926                  | 4,375,310            | 391,926                                |
| Lower Kuskokwim   | -                     | 71,963,782           | -                        | 0                    | -                                      |
| Lower Yukon       | -                     | 39,855,140           | -                        | 0                    | -                                      |
| Mat-Su            | 9,568,003,300         | 165,294,816          | 25,355,209               | 74,382,667           | 25,355,209                             |
| Nenana            | 28,676,900            | 6,655,370            | 75,994                   | 2,994,917            | 75,994                                 |
| Nome              | 314,826,000           | 8,945,830            | 834,289                  | 4,025,624            | 834,289                                |
| North Slope       | 17,867,247,980        | 28,631,460           | 47,348,207               | 12,884,157           | 12,884,157                             |
| Northwest Arctic  | 744,522,600           | 36,646,110           | 1,972,985                | 16,490,750           | 1,972,985                              |
| Pelican           | 14,925,800            | 404,643              | 39,553                   | 182,089              | 39,553                                 |
| Petersburg        | 340,045,700           | 6,756,246            | 901,121                  | 3,040,311            | 901,121                                |
| Pribilof          | -                     | 1,959,884            | -                        | 0                    | -                                      |
| Saint Mary's      | 13,597,600            | 3,371,989            | 36,034                   | 1,517,395            | 36,034                                 |
| Sitka             | 1,151,376,900         | 16,251,957           | 3,051,149                | 7,313,381            | 3,051,149                              |
| Skagway           | 344,044,300           | 1,022,911            | 911,717                  | 460,310              | 460,310                                |
| Southeast Island  | -                     | 5,084,679            | -                        | 0                    | -                                      |
| Southwest Region  | -                     | 12,930,009           | -                        | 0                    | -                                      |
| Tanana            | 9,382,100             | 1,177,805            | 24,863                   | 530,012              | 24,863                                 |
| Unalaska          | 551,883,700           | 5,877,210            | 1,462,492                | 2,644,745            | 1,462,492                              |
| Valdez            | 2,269,392,060         | 7,519,752            | 6,013,889                | 3,383,888            | 3,383,888                              |
| Wrangell          | 177,680,100           | 4,490,494            | 470,852                  | 2,020,722            | 470,852                                |
| Yakutat           | 68,439,100            | 1,677,361            | 181,364                  | 754,812              | 181,364                                |
| Yukon Flats       | -                     | 7,760,357            | -                        | 0                    | -                                      |
| Yukon/Koyukuk     | -                     | 12,911,094           | -                        | 0                    | -                                      |
| Yupit             | -                     | 8,767,023            | -                        | 0                    | -                                      |
| Mt. Edgecumbe     | -                     | 3,873,590            | -                        | 0                    | -                                      |
| <b>TOTALS:</b>    | <b>97,984,727,200</b> | <b>1,408,156,120</b> | <b>259,659,530</b>       | <b>517,781,930</b>   | <b>222,114,072</b>                     |

| School District   | Local Effort       | FY2014 Basic Need    | .002 Mills of Current F/V | 23% of Basic Need  | Additional Local Contribution [Greater of .002 or 23%] | Maximum Local Contribution |
|-------------------|--------------------|----------------------|---------------------------|--------------------|--|----------------------------|
| Alaska Gateway    | -                  | 7,767,059            | -                         | -                  | -  | -                          |
| Aleutian Region   | -                  | 1,283,907            | -                         | -                  | -  | -                          |
| Aleutians East    | 615,516            | 5,578,271            | 464,540                   | 1,283,002          | 1,283,002  | 1,898,518                  |
| Anchorage         | 95,445,433         | 421,828,040          | 72,034,289                | 97,020,449         | 97,020,449   | 192,465,882                |
| Annette Island    | -                  | 4,394,843            | -                         | -                  | -  | -                          |
| Bering Strait     | -                  | 38,564,871           | -                         | -                  | -  | -                          |
| Bristol Bay       | 715,872            | 2,492,782            | 540,280                   | 573,340            | 573,340  | 1,289,212                  |
| Chatham           | -                  | 3,119,570            | -                         | -                  | -  | -                          |
| Chugach           | -                  | 2,544,413            | -                         | -                  | -  | -                          |
| Copper River      | -                  | 6,518,652            | -                         | -                  | -  | -                          |
| Cordova           | 709,139            | 4,243,301            | 535,199                   | 975,959            | 975,959  | 1,685,098                  |
| Craig             | 338,704            | 5,220,090            | 255,626                   | 1,200,621          | 1,200,621  | 1,539,325                  |
| Delta/Greely      | -                  | 9,829,467            | -                         | -                  | -  | -                          |
| Denali            | 658,294            | 6,836,562            | 496,825                   | 1,572,409          | 1,572,409  | 2,230,703                  |
| Dillingham        | 526,870            | 7,245,067            | 397,637                   | 1,666,365          | 1,666,365  | 2,193,235                  |
| Fairbanks         | 26,940,883         | 150,773,101          | 20,332,742                | 34,677,813         | 34,677,813   | 61,618,696                 |
| Galena            | 80,489             | 20,756,310           | 60,746                    | 4,773,951          | 4,773,951  | 4,854,440                  |
| Haines            | 907,376            | 3,873,362            | 684,812                   | 890,873            | 890,873  | 1,798,249                  |
| Hoonah            | 195,429            | 2,408,831            | 147,494                   | 554,031            | 554,031  | 749,460                    |
| Hydaburg          | 40,849             | 1,494,010            | 30,830                    | 343,622            | 343,622  | 384,471                    |
| Iditarod Area     | -                  | 5,656,258            | -                         | -                  | -  | -                          |
| Juneau            | 12,464,402         | 50,131,226           | 9,407,096                 | 11,530,182         | 11,530,182   | 23,994,584                 |
| Knife             | 75,414             | 1,935,914            | 56,916                    | 445,260            | 445,260  | 520,674                    |
| Kashunamiut       | -                  | 5,338,746            | -                         | -                  | -  | -                          |
| Kenai Peninsula   | 22,720,017         | 97,611,766           | 17,147,182                | 22,450,706         | 22,450,706   | 45,170,723                 |
| Ketchikan Gateway | 4,198,727          | 25,947,546           | 3,168,850                 | 5,967,936          | 5,967,936  | 10,166,663                 |
| Klawock           | 147,806            | 2,620,752            | 111,551                   | 602,773            | 602,773  | 750,579                    |
| Kodiak Island     | 3,806,666          | 30,205,104           | 2,872,955                 | 6,947,174          | 6,947,174  | 10,753,840                 |
| Kuspuk            | -                  | 7,368,778            | -                         | -                  | -  | -                          |
| Lake & Peninsula  | 391,926            | 9,134,406            | 295,793                   | 2,100,913          | 2,100,913  | 2,492,839                  |
| Lower Kuskokwim   | -                  | 73,423,770           | -                         | -                  | -  | -                          |
| Lower Yukon       | -                  | 39,568,073           | -                         | -                  | -  | -                          |
| Mat-Su            | 25,355,209         | 169,151,309          | 19,136,007                | 38,904,801         | 38,904,801   | 64,260,010                 |
| Nenana            | 75,994             | 6,296,791            | 57,354                    | 1,448,262          | 1,448,262  | 1,524,256                  |
| Nome              | 834,289            | 9,443,114            | 629,652                   | 2,171,916          | 2,171,916  | 3,006,205                  |
| North Slope       | 12,884,157         | 29,804,664           | 35,734,496                | 6,855,073          | 35,734,496   | 48,618,653                 |
| Northwest Arctic  | 1,972,985          | 37,799,321           | 1,489,045                 | 8,693,844          | 8,693,844  | 10,666,829                 |
| Pelican           | 39,553             | 404,643              | 29,852                    | 93,068             | 93,068   | 132,621                    |
| Petersburg        | 901,121            | 6,678,771            | 680,091                   | 1,536,117          | 1,536,117  | 2,437,238                  |
| Pribilof          | -                  | 2,002,541            | -                         | -                  | -  | -                          |
| Saint Mary's      | 36,034             | 3,736,077            | 27,195                    | 859,298            | 859,298  | 895,332                    |
| Sitka             | 3,051,149          | 16,471,602           | 2,302,754                 | 3,788,468          | 3,788,468  | 6,839,617                  |
| Skagway           | 460,310            | 1,167,581            | 688,089                   | 268,544            | 688,089  | 1,148,399                  |
| Southeast Island  | -                  | 5,146,137            | -                         | -                  | -  | -                          |
| Southwest Region  | -                  | 12,711,386           | -                         | -                  | -  | -                          |
| Tanana            | 24,863             | 1,141,510            | 18,764                    | 262,547            | 262,547  | 287,410                    |
| Unalaska          | 1,462,492          | 5,798,712            | 1,103,767                 | 1,333,704          | 1,333,704  | 2,796,196                  |
| Valdez            | 3,383,888          | 7,612,904            | 4,538,784                 | 1,750,968          | 4,538,784  | 7,922,672                  |
| Wrangell          | 470,852            | 4,074,434            | 355,360                   | 937,120            | 937,120  | 1,407,972                  |
| Yakutat           | 181,364            | 1,666,285            | 136,878                   | 383,246            | 383,246  | 564,610                    |
| Yukon Flats       | -                  | 7,645,166            | -                         | -                  | -  | -                          |
| Yukon/Koyukuk     | -                  | 13,475,800           | -                         | -                  | -  | -                          |
| Yupit             | -                  | 8,947,704            | -                         | -                  | -  | -                          |
| Mt. Edgecumbe     | -                  | 3,903,864            | -                         | -                  | -  | -                          |
| <b>TOTALS:</b>    | <b>222,114,072</b> | <b>1,410,795,164</b> | <b>195,969,451</b>        | <b>264,864,355</b> | <b>296,951,139</b>                                     | <b>519,065,211</b>         |

| School District   | FY'13<br>Remaining<br>Floor | % Decrease<br>to FY14 Floor | Amt. To<br>Reduce Floor | 2013 PY Basic<br>Need | FY2014 Basic Need    | 40% of Difference<br>deducted from PY<br>Floor | FY14 FLOOR    |
|-------------------|-----------------------------|-----------------------------|-------------------------|-----------------------|----------------------|--|---------------|
| Alaska Gateway    | -                           | 0%                          | -                       | 7,565,533             | 7,767,059            | -  | -             |
| Aleutian Region   | 12,924                      | 0%                          | -                       | 1,283,907             | 1,283,907            | -  | 12,924        |
| Aleutians East    | -                           | 0%                          | -                       | 5,722,032             | 5,578,271            | -  | -             |
| Anchorage         | -                           | 0%                          | -                       | 426,605,431           | 421,828,040          | -  | -             |
| Annette Island    | -                           | 0%                          | -                       | 4,122,146             | 4,394,843            | -  | -             |
| Bering Strait     | -                           | 0%                          | -                       | 38,520,965            | 38,564,871           | -  | -             |
| Bristol Bay       | -                           | 0%                          | -                       | 2,541,118             | 2,492,782            | -  | -             |
| Chatham           | -                           | 0%                          | -                       | 3,094,294             | 3,119,570            | -  | -             |
| Chugach           | 13,751                      | 0%                          | -                       | 2,523,397             | 2,544,413            | 8,406  | 5,345         |
| Copper River      | -                           | 0%                          | -                       | 7,024,797             | 6,518,652            | -  | -             |
| Cordova           | -                           | 0%                          | -                       | 4,164,746             | 4,243,301            | 31,422   | -             |
| Craig             | -                           | 0%                          | -                       | 5,676,138             | 5,220,090            | -  | -             |
| Delta/Greely      | -                           | 0%                          | -                       | 10,145,162            | 9,829,467            | -  | -             |
| Denali            | -                           | 0%                          | -                       | 6,914,264             | 6,836,562            | -  | -             |
| Dillingham        | -                           | 0%                          | -                       | 7,163,900             | 7,245,067            | -  | -             |
| Fairbanks         | -                           | 0%                          | -                       | 151,937,501           | 150,773,101          | -  | -             |
| Galena            | -                           | 0%                          | -                       | 19,626,331            | 20,756,310           | -  | -             |
| Haines            | -                           | 0%                          | -                       | 4,293,171             | 3,873,362            | -  | -             |
| Hoonah            | -                           | 0%                          | -                       | 2,306,250             | 2,408,831            | -  | -             |
| Hydaburg          | -                           | 0%                          | -                       | 1,163,207             | 1,494,010            | -  | -             |
| Iditarod Area     | -                           | 0%                          | -                       | 5,390,547             | 5,656,258            | -  | -             |
| Juneau            | -                           | 0%                          | -                       | 51,352,994            | 50,131,226           | -  | -             |
| Kenai             | -                           | 0%                          | -                       | 1,955,851             | 1,935,914            | -  | -             |
| Kashunamiut       | -                           | 0%                          | -                       | 5,138,185             | 5,338,746            | -  | -             |
| Kenai Peninsula   | -                           | 0%                          | -                       | 97,660,784            | 97,611,766           | -  | -             |
| Ketchikan Gateway | -                           | 0%                          | -                       | 24,922,818            | 25,947,546           | -  | -             |
| Klawock           | -                           | 0%                          | -                       | 2,468,414             | 2,620,752            | -  | -             |
| Kodiak Island     | -                           | 0%                          | -                       | 29,704,696            | 30,205,104           | -  | -             |
| Kuspuk            | -                           | 0%                          | -                       | 7,615,119             | 7,368,778            | -  | -             |
| Lake & Peninsula  | -                           | 0%                          | -                       | 9,722,910             | 9,134,406            | -  | -             |
| Lower Kuskokwim   | -                           | 0%                          | -                       | 71,963,782            | 73,423,770           | -  | -             |
| Lower Yukon       | -                           | 0%                          | -                       | 39,855,140            | 39,568,073           | -  | -             |
| Mat-Su            | -                           | 0%                          | -                       | 165,294,816           | 169,151,309          | -  | -             |
| Nenana            | -                           | 0%                          | -                       | 6,655,370             | 6,296,791            | -  | -             |
| Nome              | -                           | 0%                          | -                       | 8,945,830             | 9,443,114            | -  | -             |
| North Slope       | -                           | 0%                          | -                       | 28,631,460            | 29,804,664           | -  | -             |
| Northwest Arctic  | -                           | 0%                          | -                       | 36,646,110            | 37,799,321           | -  | -             |
| Pelican           | 85,133                      | 8%                          | 6,811                   | 404,643               | 404,643              | -  | 78,322        |
| Petersburg        | -                           | 0%                          | -                       | 6,756,246             | 6,678,771            | -  | -             |
| Pribilof          | -                           | 0%                          | -                       | 1,959,884             | 2,002,541            | -  | -             |
| Saint Mary's      | -                           | 0%                          | -                       | 3,371,989             | 3,736,077            | 145,635  | -             |
| Sitka             | -                           | 0%                          | -                       | 16,251,957            | 16,471,602           | -  | -             |
| Skagway           | -                           | 0%                          | -                       | 1,022,911             | 1,167,581            | -  | -             |
| Southeast Island  | -                           | 0%                          | -                       | 5,084,679             | 5,146,137            | -  | -             |
| Southwest Region  | -                           | 0%                          | -                       | 12,930,009            | 12,711,386           | -  | -             |
| Tanana            | -                           | 0%                          | -                       | 1,177,805             | 1,141,510            | -  | -             |
| Unalaska          | -                           | 0%                          | -                       | 5,877,210             | 5,798,712            | -  | -             |
| Valdez            | -                           | 0%                          | -                       | 7,519,752             | 7,612,904            | -  | -             |
| Wrangell          | -                           | 0%                          | -                       | 4,490,494             | 4,074,434            | -  | -             |
| Yakutat           | -                           | 0%                          | -                       | 1,677,361             | 1,666,285            | -  | -             |
| Yukon Flats       | -                           | 0%                          | -                       | 7,760,357             | 7,645,166            | -  | -             |
| Yukon/Koyukuk     | -                           | 0%                          | -                       | 12,911,094            | 13,475,800           | -  | -             |
| Yupiit            | -                           | 0%                          | -                       | 8,767,023             | 8,947,704            | -  | -             |
| Mt. Edgecumbe     | -                           | 0%                          | -                       | 3,873,590             | 3,903,864            | -  | -             |
| <b>TOTALS:</b>    | <b>111,808</b>              |                             |                         | <b>1,408,156,120</b>  | <b>1,410,795,164</b> | <b>185,463</b>                                 | <b>96,591</b> |

**ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT**

**General Fund (School Operating Fund) Revenues -- FY 2014 Actuals**

TOTALS BY SCHOOL DISTRICT

January 16, 2015

Compiled from Fiscal Year 2014 Actuals

| SCHOOL DISTRICT         | CITY/BOROUGH<br>APPROPRIATIONS<br>REAA Municipal Tax<br>Appropriations: ZERO | IN-KIND SERVICES<br>REAA In-Kind<br>Services: ZERO | EARNINGS ON<br>INVESTMENTS | OTHER LOCAL<br>REVENUE | TUITION FROM<br>STUDENTS | TUITION FROM<br>DISTRICTS | E-RATE            | STATE REVENUE        |                         |
|-------------------------|--|--|----------------------------|------------------------|--------------------------|---------------------------|-------------------|----------------------|-------------------------|
| ALASKA GATEWAY          | REAA   | \$ -   | \$ -                       | \$ 1,336               | \$ 34,792                | \$ -                      | \$ -              | \$ 360,917           | \$ 9,136,511            |
| ALEUTIAN REGION         | REAA   | -  | -                          | 827                    | 9,553                    | -                         | -                 | 130,030              | 1,523,316               |
| ALEUTIANS EAST          | C&B  | 1,036,332  | 241,619                    | -                      | 80,584                   | -                         | -                 | 331,373              | 6,046,889               |
| ANCHORAGE               | C&B  | 192,465,884  | -                          | 1,663,677              | 2,749,041                | 21,432                    | -                 | 2,040,475            | 446,831,045             |
| ANNETTE ISLAND          | REAA   | -  | -                          | 1,001                  | 20,394                   | -                         | -                 | 69,150               | 4,148,915               |
| BERING STRAIT           | REAA   | -  | -                          | 492,929                | 1,522,053                | -                         | -                 | 3,546,616            | 38,531,353              |
| BRISTOL BAY             | C&B  | 1,036,335  | 179,296                    | 303                    | 25,683                   | -                         | -                 | 194,193              | 2,215,490               |
| CHATHAM                 | REAA   | -  | -                          | 410                    | 23,532                   | -                         | -                 | 89,520               | 3,621,275               |
| CHUGACH                 | REAA   | -  | -                          | 170                    | 12,213                   | -                         | -                 | 209,420              | 3,200,616               |
| COPPER RIVER            | REAA   | -  | -                          | 331                    | 46,305                   | -                         | -                 | -                    | 7,577,907               |
| CORDOVA                 | C&B  | 1,550,591  | 104,136                    | 151                    | 29,329                   | 20,286                    | -                 | 85,379               | 4,549,469               |
| CRAIG                   | C&B  | 560,886  | 67,392                     | 1,221                  | 148,518                  | -                         | -                 | 76,806               | 5,923,767               |
| DELTA GREELY            | REAA   | -  | -                          | 4,788                  | 30,508                   | -                         | -                 | 152,294              | 11,711,896              |
| DENALI                  | C&B  | 2,228,613  | -                          | 15                     | 482                      | -                         | -                 | 94,771               | 7,384,954               |
| DILLINGHAM              | C&B  | 1,300,000  | -                          | -                      | 34,778                   | -                         | -                 | 429,454              | 8,558,861               |
| FAIRBANKS               | C&B  | 47,560,000   | -                          | -                      | 536,858                  | 24,529                    | -                 | 508,827              | 157,915,539             |
| GALENA                  | C&B  | -  | 979,968                    | 5,252                  | 327,760                  | -                         | -                 | 188,723              | 24,408,904              |
| HAINES                  | C&B  | 1,559,379  | -                          | 2,218                  | 150                      | -                         | -                 | 41,057               | 3,911,672               |
| HOONAH                  | C&B  | 607,372  | -                          | 8,797                  | 285,116                  | -                         | -                 | 62,419               | 2,810,170               |
| HYDABURG                | C&B  | 107,942  | 64,000                     | 284                    | 19,489                   | -                         | -                 | 51,106               | 1,719,331               |
| IDITAROD                | REAA   | -  | -                          | 21,931                 | 6,771                    | -                         | 12,464            | 596,851              | 6,473,852               |
| JUNEAU                  | C&B  | 23,994,500   | -                          | -                      | 146,234                  | 75,975                    | -                 | 107,738              | 52,628,540              |
| KAKE                    | C&B  | 113,575  | 30,780                     | 340                    | 39,168                   | -                         | -                 | 81,105               | 2,182,410               |
| KASHUNAMIUT             | REAA   | -  | -                          | 371                    | 89,371                   | -                         | -                 | 451,764              | 4,628,420               |
| KENAI PENINSULA         | C&B  | 34,170,106   | 9,329,894                  | 475,548                | 128,744                  | -                         | -                 | 1,219,637            | 102,583,231             |
| KETCHIKAN               | C&B  | 8,050,000  | -                          | 66                     | 86,164                   | -                         | -                 | 83,225               | 29,054,995              |
| KLAWOCK                 | C&B  | 263,543  | -                          | 7,219                  | 32,038                   | -                         | -                 | 36,729               | 2,873,177               |
| KODIAK                  | C&B  | 9,881,230  | 770,746                    | -                      | 152,702                  | -                         | -                 | 1,939,319            | 34,770,399              |
| KUSPUK                  | REAA   | -  | -                          | 7,933                  | 32,305                   | -                         | -                 | 702,141              | 7,195,462               |
| LAKE & PENINSULA        | C&B  | 735,594  | -                          | 29,616                 | 644,001                  | -                         | -                 | 538,338              | 10,314,735              |
| LOWER KUSKOKWIM         | REAA   | -  | -                          | 189,898                | 163,611                  | -                         | -                 | 19,747,592           | 74,469,186              |
| LOWER YUKON             | REAA   | -  | -                          | 24,935                 | 33,588                   | -                         | -                 | 3,119,625            | 37,738,052              |
| MAT-SU                  | C&B  | 51,226,720   | 159,835                    | -                      | 1,785,258                | -                         | -                 | 977,158              | 190,832,893             |
| NENANA                  | C&B  | -  | -                          | 9                      | 53,424                   | -                         | -                 | 83,220               | 7,417,194               |
| NOME                    | C&B  | 1,873,120  | -                          | 1,474                  | 317,225                  | -                         | -                 | 308,064              | 11,214,665              |
| NORTH SLOPE             | C&B  | 32,875,626   | 2,587,964                  | 1,419                  | 158,865                  | -                         | 62,989            | 1,652,512            | 25,335,547              |
| NORTHWEST ARCTIC        | C&B  | 4,142,165  | -                          | -                      | 3,681,711                | -                         | -                 | 5,090,634            | 43,236,409              |
| PELICAN                 | C&B  | 51,847   | -                          | -                      | 387                      | -                         | -                 | 30,082               | 494,443                 |
| PETERSBURG              | C&B  | 1,800,000  | -                          | 609                    | 127,485                  | -                         | -                 | 82,369               | 7,519,515               |
| PRIIBILOF               | REAA   | -  | -                          | 15                     | 12,381                   | -                         | -                 | 191,982              | 1,969,470               |
| SAINT MARY'S            | C&B  | -  | 88,427                     | 4,115                  | 86,121                   | -                         | -                 | 172,287              | 4,386,155               |
| SITKA                   | C&B  | 5,093,762  | -                          | -                      | 30,484                   | -                         | -                 | 126,751              | 18,140,601              |
| SKAGWAY                 | C&B  | 1,113,689  | -                          | -                      | 2,221                    | -                         | -                 | 26,670               | 1,087,651               |
| SOUTHEAST ISLAND        | REAA   | -  | -                          | -                      | 156,972                  | -                         | -                 | 522,204              | 6,301,614               |
| SOUTHWEST REGION        | REAA   | -  | -                          | 2,137                  | 22,945                   | -                         | -                 | 1,122,610            | 11,987,902              |
| TANANA                  | C&B  | 42,863   | -                          | 353                    | 3,171                    | -                         | -                 | 37,132               | 1,191,440               |
| UNALASKA                | C&B  | 2,796,196  | -                          | 2,152                  | 47,206                   | -                         | -                 | 99,394               | 5,891,212               |
| VALDEZ                  | C&B  | 7,922,672  | -                          | 4,037                  | 11,592                   | -                         | -                 | 94,614               | 6,676,424               |
| WRANGELL                | C&B  | 667,800  | -                          | 178                    | 37,583                   | -                         | -                 | 74,993               | 4,724,099               |
| YAKUTAT                 | C&B  | 253,750  | 45,000                     | 34,032                 | 57,879                   | -                         | -                 | 178,647              | 1,793,609               |
| YUKON FLATS             | REAA   | -  | -                          | 9,190                  | 47,992                   | -                         | -                 | 1,693,673            | 8,615,561               |
| YUKON-KOYUKUK           | REAA   | -  | -                          | 11,618                 | 44,199                   | -                         | 84,239            | 1,213,389            | 15,277,126              |
| YUPIIT                  | REAA   | -  | -                          | 27                     | 29,635                   | -                         | -                 | 1,028,708            | 8,149,759               |
| <b>STATEWIDE TOTALS</b> |  | <b>\$ 437,082,092</b>                              | <b>\$ 14,649,057</b>       | <b>\$ 3,012,932</b>    | <b>\$ 14,186,551</b>     | <b>\$ 142,222</b>         | <b>\$ 159,692</b> | <b>\$ 52,093,687</b> | <b>\$ 1,498,883,628</b> |

SOURCE OF DATA: FY 2014 School District Actuals, General Fund (School Operating Fund) Statement of Revenues  
Actuals for the Fiscal Year ended June 30, 2014

G:\SF District Support\DistSup\AUDITS-BUDGETS\AuditedRevenues\REV14AUDITED.xls\Federal Detail

**ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT**

**General Fund (School Operating Fund) Revenues -- FY 2014 Actuals**

TOTALS BY SCHOOL DISTRICT

Compiled from Fiscal Year 2014 Actuals

| SCHOOL DISTRICT         |      | FEDERAL REVENUE       | OTHER REVENUE     | TOTAL REVENUE<br>(Without Transfers In) | FUND TRANSFERS<br>IN | TOTAL REVENUES          | FOUNDATION ADM | REVENUES PER ADM |
|-------------------------|------|-----------------------|-------------------|---|----------------------|-------------------------|----------------|------------------|
| ALASKA GATEWAY          | REAA | \$ 54,286             | \$ -              | \$ 9,587,842                            | \$ -                 | \$ 9,587,842            | 388.00         | \$ 24,711        |
| ALEUTIAN REGION         | REAA | 56,527                | -                 | 1,720,253                               | -                    | 1,720,253               | 33.00          | 52,129           |
| ALEUTIANS EAST          | C&B  | 1,568,152             | -                 | 9,304,949                               | -                    | 9,304,949               | 213.00         | 43,685           |
| ANCHORAGE               | C&B  | 19,593,385            | 16,561            | 665,381,500                             | -                    | 665,381,500             | 47,770.00      | 13,929           |
| ANNETTE ISLAND          | REAA | 4,243,188             | -                 | 8,482,648                               | -                    | 8,482,648               | 289.00         | 29,352           |
| BERING STRAIT           | REAA | 15,696,935            | -                 | 59,789,886                              | -                    | 59,789,886              | 1,660.00       | 36,018           |
| BRISTOL BAY             | C&B  | 111,339               | -                 | 3,762,639                               | -                    | 3,762,639               | 138.00         | 27,266           |
| CHATHAM                 | REAA | 496,693               | -                 | 4,231,430                               | -                    | 4,231,430               | 147.00         | 28,785           |
| CHUGACH                 | REAA | 173,495               | 14,956            | 3,610,870                               | -                    | 3,610,870               | 289.00         | 12,494           |
| COPPER RIVER            | REAA | 373,863               | -                 | 7,998,406                               | -                    | 7,998,406               | 444.00         | 18,014           |
| CORDOVA                 | C&B  | 21,885                | -                 | 6,361,226                               | -                    | 6,361,226               | 312.00         | 20,389           |
| CRAIG                   | C&B  | 428,420               | -                 | 7,207,010                               | -                    | 7,207,010               | 566.00         | 12,733           |
| DELTA GREELY            | REAA | 349,202               | 500               | 12,249,188                              | -                    | 12,249,188              | 840.00         | 14,582           |
| DENALI                  | C&B  | 10,492                | -                 | 9,719,327                               | -                    | 9,719,327               | 859.00         | 11,315           |
| DILLINGHAM              | C&B  | 256,606               | -                 | 10,579,699                              | -                    | 10,579,699              | 490.00         | 21,591           |
| FAIRBANKS               | C&B  | 13,979,892            | 2,953             | 220,528,598                             | -                    | 220,528,598             | 14,063.00      | 15,681           |
| GALENA                  | C&B  | 250,051               | -                 | 26,160,658                              | -                    | 26,160,658              | 3,985.00       | 6,565            |
| HAINES                  | C&B  | -                     | -                 | 5,514,476                               | -                    | 5,514,476               | 271.00         | 20,349           |
| HOONAH                  | C&B  | 193,661               | -                 | 3,967,535                               | -                    | 3,967,535               | 102.00         | 38,897           |
| HYDABURG                | C&B  | 464,089               | -                 | 2,426,241                               | -                    | 2,426,241               | 65.00          | 37,327           |
| IDITAROD                | REAA | -                     | -                 | 7,111,869                               | -                    | 7,111,869               | 261.00         | 27,249           |
| JUNEAU                  | C&B  | 92,911                | -                 | 77,045,898                              | -                    | 77,045,898              | 4,848.00       | 15,892           |
| KAKE                    | C&B  | 479,720               | -                 | 2,927,098                               | -                    | 2,927,098               | 104.00         | 28,145           |
| KASHUNAMIUT             | REAA | 2,564,093             | -                 | 7,734,019                               | -                    | 7,734,019               | 317.00         | 24,398           |
| KENAI PENINSULA         | C&B  | 200,451               | -                 | 148,107,611                             | -                    | 148,107,611             | 8,761.00       | 16,905           |
| KETCHIKAN               | C&B  | 92,993                | -                 | 37,367,443                              | -                    | 37,367,443              | 2,210.00       | 16,908           |
| KLAWOCK                 | C&B  | 673,190               | -                 | 3,885,896                               | -                    | 3,885,896               | 136.00         | 28,573           |
| KODIAK                  | C&B  | 1,918,307             | -                 | 49,432,703                              | -                    | 49,432,703              | 2,483.00       | 19,908           |
| KUSPUK                  | REAA | 1,407,935             | -                 | 9,345,776                               | -                    | 9,345,776               | 333.00         | 28,065           |
| LAKE & PENINSULA        | C&B  | 1,668,949             | -                 | 13,931,233                              | -                    | 13,931,233              | 304.00         | 45,826           |
| LOWER KUSKOKWIM         | REAA | 22,375,938            | -                 | 116,946,225                             | -                    | 116,946,225             | 4,089.00       | 28,600           |
| LOWER YUKON             | REAA | 13,850,013            | -                 | 54,766,193                              | -                    | 54,766,193              | 1,954.00       | 28,028           |
| MAT-SU                  | C&B  | 166,098               | -                 | 245,127,962                             | -                    | 245,127,962             | 17,477.00      | 14,026           |
| NENANA                  | C&B  | -                     | -                 | 7,553,847                               | -                    | 7,553,847               | 897.00         | 8,421            |
| NOME                    | C&B  | 71,524                | -                 | 13,786,072                              | -                    | 13,786,072              | 706.00         | 19,527           |
| NORTH SLOPE             | C&B  | 6,598,240             | -                 | 69,273,162                              | -                    | 69,273,162              | 1,731.00       | 40,019           |
| NORTHWEST ARCTIC        | C&B  | 7,931,757             | -                 | 64,082,676                              | -                    | 64,082,676              | 1,888.00       | 33,942           |
| PELICAN                 | C&B  | -                     | -                 | 576,759                                 | -                    | 576,759                 | 11.00          | 52,433           |
| PETERSBURG              | C&B  | -                     | -                 | 9,529,978                               | -                    | 9,529,978               | 430.00         | 22,163           |
| PRIIBILOF               | REAA | 733,219               | -                 | 2,907,067                               | -                    | 2,907,067               | 81.00          | 35,890           |
| SAINT MARY'S            | C&B  | -                     | -                 | 4,737,105                               | -                    | 4,737,105               | 203.00         | 23,335           |
| SITKA                   | C&B  | 417,029               | -                 | 23,808,627                              | -                    | 23,808,627              | 1,338.00       | 17,794           |
| SKAGWAY                 | C&B  | -                     | -                 | 2,230,231                               | -                    | 2,230,231               | 84.00          | 26,550           |
| SOUTHEAST ISLAND        | REAA | 383,532               | -                 | 7,364,322                               | -                    | 7,364,322               | 199.00         | 37,007           |
| SOUTHWEST REGION        | REAA | 4,608,499             | -                 | 17,744,093                              | -                    | 17,744,093              | 602.00         | 29,475           |
| TANANA                  | C&B  | 197,149               | -                 | 1,472,108                               | -                    | 1,472,108               | 41.00          | 35,905           |
| UNALASKA                | C&B  | 19,631                | -                 | 8,855,791                               | -                    | 8,855,791               | 407.00         | 21,759           |
| VALDEZ                  | C&B  | -                     | -                 | 14,709,339                              | -                    | 14,709,339              | 609.00         | 24,153           |
| WRANGELL                | C&B  | 851,723               | -                 | 6,356,376                               | -                    | 6,356,376               | 344.00         | 18,478           |
| YAKUTAT                 | C&B  | 125,622               | -                 | 2,488,539                               | -                    | 2,488,539               | 96.00          | 25,922           |
| YUKON FLATS             | REAA | 1,079,789             | 205,447           | 11,651,652                              | -                    | 11,651,652              | 244.00         | 47,753           |
| YUKON-KOYUKUK           | REAA | 1,287,131             | -                 | 17,917,702                              | -                    | 17,917,702              | 1,488.00       | 12,041           |
| YUPIIT                  | REAA | 3,641,987             | -                 | 12,850,116                              | -                    | 12,850,116              | 439.00         | 29,271           |
| <b>STATEWIDE TOTALS</b> |      | <b>\$ 131,759,591</b> | <b>\$ 240,417</b> | <b>\$ 2,152,209,869</b>                 | <b>\$ -</b>          | <b>\$ 2,152,209,869</b> | <b>128,039</b> | <b>\$ 16,809</b> |

SOURCE OF DATA: FY 2014 School District Actuals, General Fund (School Operating Fund) Statement of Revenues  
Actuals for the Fiscal Year ended June 30, 2014

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**ALASKA DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT**

**General Fund (School Operating Fund) Revenues -- FY 2014 Actuals**

FEDERAL REVENUE: DETAIL BY SCHOOL DISTRICT

Compiled from Fiscal Year 2014 Actuals

| SCHOOL DISTRICT         | DISTRICT TYPE | FEDERAL DIRECT        | FEDERAL THRU STATE OF ALASKA | FEDERAL - OTHER INTERMEDIATES | TOTAL FEDERAL REVENUE |
|-------------------------|---------------|-----------------------|------------------------------|-------------------------------|-----------------------|
| ALASKA GATEWAY          | REAA          | \$ 54,286             | \$ -                         | \$ -                          | \$ 54,286             |
| ALEUTIAN REGION         | REAA          | 56,527                | -                            | -                             | 56,527                |
| ALEUTIANS EAST          | C&B           | 1,556,692             | 11,460                       | -                             | 1,568,152             |
| ANCHORAGE               | C&B           | 18,904,635            | 688,750                      | -                             | 19,593,385            |
| ANNETTE ISLAND          | REAA          | 3,656,627             | 586,561                      | -                             | 4,243,188             |
| BERING STRAIT           | REAA          | 15,673,170            | 23,765                       | -                             | 15,696,935            |
| BRISTOL BAY             | C&B           | 111,339               | -                            | -                             | 111,339               |
| CHATHAM                 | REAA          | 496,693               | -                            | -                             | 496,693               |
| CHUGACH                 | REAA          | 173,495               | -                            | -                             | 173,495               |
| COPPER RIVER            | REAA          | 373,863               | -                            | -                             | 373,863               |
| CORDOVA                 | C&B           | 21,885                | -                            | -                             | 21,885                |
| CRAIG                   | C&B           | 428,420               | -                            | -                             | 428,420               |
| DELTA GREELY            | REAA          | 346,642               | 2,560                        | -                             | 349,202               |
| DENALI                  | C&B           | 10,492                | -                            | -                             | 10,492                |
| DILLINGHAM              | C&B           | 256,606               | -                            | -                             | 256,606               |
| FAIRBANKS               | C&B           | 13,979,892            | -                            | -                             | 13,979,892            |
| GALENA                  | C&B           | 250,051               | -                            | -                             | 250,051               |
| HAINES                  | C&B           | -                     | -                            | -                             | -                     |
| HOONAH                  | C&B           | 193,661               | -                            | -                             | 193,661               |
| HYDABURG                | C&B           | 464,089               | -                            | -                             | 464,089               |
| IDITAROD                | REAA          | -                     | -                            | -                             | -                     |
| JUNEAU                  | C&B           | -                     | 90,536                       | 2,375                         | 92,911                |
| KAKE                    | C&B           | 479,720               | -                            | -                             | 479,720               |
| KASHUNAMIUT             | REAA          | 2,564,093             | -                            | -                             | 2,564,093             |
| KENAI PENINSULA         | C&B           | -                     | 200,451                      | -                             | 200,451               |
| KETCHIKAN               | C&B           | 92,993                | -                            | -                             | 92,993                |
| KLAWOCK                 | C&B           | 673,190               | -                            | -                             | 673,190               |
| KODIAK                  | C&B           | 30,031                | 1,878,473                    | 9,803                         | 1,918,307             |
| KUSPUK                  | REAA          | 1,407,935             | -                            | -                             | 1,407,935             |
| LAKE & PENINSULA        | C&B           | 1,668,949             | -                            | -                             | 1,668,949             |
| LOWER KUSKOKWIM         | REAA          | 22,375,938            | -                            | -                             | 22,375,938            |
| LOWER YUKON             | REAA          | 13,850,013            | -                            | -                             | 13,850,013            |
| MAT-SU                  | C&B           | -                     | 166,098                      | -                             | 166,098               |
| NENANA                  | C&B           | -                     | -                            | -                             | -                     |
| NOME                    | C&B           | 71,524                | -                            | -                             | 71,524                |
| NORTH SLOPE             | C&B           | 6,598,240             | -                            | -                             | 6,598,240             |
| NORTHWEST ARCTIC        | C&B           | 7,931,757             | -                            | -                             | 7,931,757             |
| PELICAN                 | C&B           | -                     | -                            | -                             | -                     |
| PETERSBURG              | C&B           | -                     | -                            | -                             | -                     |
| PRIBILOF                | REAA          | 733,219               | -                            | -                             | 733,219               |
| SAINT MARY'S            | C&B           | -                     | -                            | -                             | -                     |
| SITKA                   | C&B           | 16,775                | -                            | 400,254                       | 417,029               |
| SKAGWAY                 | C&B           | -                     | -                            | -                             | -                     |
| SOUTHEAST ISLAND        | REAA          | 71                    | 383,461                      | -                             | 383,532               |
| SOUTHWEST REGION        | REAA          | 4,608,499             | -                            | -                             | 4,608,499             |
| TANANA                  | C&B           | 197,149               | -                            | -                             | 197,149               |
| UNALASKA                | C&B           | 19,631                | -                            | -                             | 19,631                |
| VALDEZ                  | C&B           | -                     | -                            | -                             | -                     |
| WRANGELL                | C&B           | 3,235                 | -                            | 848,488                       | 851,723               |
| YAKUTAT                 | C&B           | 125,622               | -                            | -                             | 125,622               |
| YUKON FLATS             | REAA          | 1,079,789             | -                            | -                             | 1,079,789             |
| YUKON-KOYUKUK           | REAA          | 1,287,131             | -                            | -                             | 1,287,131             |
| YUPIIT                  | REAA          | 3,641,987             | -                            | -                             | 3,641,987             |
| <b>STATEWIDE TOTALS</b> |               | <b>\$ 126,466,556</b> | <b>\$ 4,032,115</b>          | <b>\$ 1,260,920</b>           | <b>\$ 131,759,591</b> |

SOURCE OF DATA: FY 2014 School District Actuals, General Fund (School Operating Fund)  
Statement of Revenues: Actuals; for the Fiscal Year ended June 30, 2014.

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## Alaska's Participation In Impact Aid (Public Law 874)

### What is Impact Aid?

Impact Aid is a federal formula grant program designed to assist local schools that have:

- 1) lost revenue due to tax-exempt federal related property and
- 2) incurred increased expenditures due to the enrollment of federally connected children.

### History of Impact Aid

The federal Impact law came into effect in 1950.

Alaska has participated in Impact Aid since inception.

The equalization provision was added to the Impact Aid law in 1976.

The equalization provision allows a state to reduce the amount of state aid sent to a district if certified as "equalized" by the US Department of Education.

Alaska began using the equalization qualification allowing the state to fund a portion of basic need with Impact Aid at the inception (1976) of this provision.

### Who Participates in Impact Aid?

School Districts with concentrations of federally connected children who are

Children of:

- Military personnel
- Others who work on federal land (i.e. park rangers)

Children whose parents reside on:

- Indian lands
- Federal low rent housing

Under a provision in the Impact Aid law, the state of Alaska applies for military Impact Aid and passes the funds directly to the participating school districts. This provides for a higher reimbursement rate than if the application was submitted individually by the military base affected school districts of Anchorage, Fairbanks, and Kodiak. The state also applies on behalf of Mt. Edgecumbe.

## Other Participation Eligibility

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A district's eligibility is based on:

- The number of eligible federally connected children equal to at least 3% of the total number of students in average daily attendance. OR
- The number of eligible federally connected children in Average Daily Attendance equal to at least 400.

The impact aid count date is selected by the district.

- No earlier than the 4th day of the school year; and
- No later than January 31st.

## The Application

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### Who May Apply

- A school district that serves a concentration of federally connected children and is providing free and public education.

### When to Apply

- The deadline for submitting the impact aid application is January 31<sup>st</sup>.

### What is considered a Complete Application

- A signed electronic application that has been submitted through the G5 site;

### Late Applications

- An applicant can still apply for up to 60-days following the deadline however this applicant will incur a 10% reduction in funding.

### Amendments

- A district may modify or update their application until September 30.

## Funding Categories

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Impact Aid Provides funding related to four main categories:

1) 8003: Basic Support\*\*

(basic support, basic support for heavily impacted districts, and basic support for children with disabilities)

2) 8007: Construction\*\*

3) 8002: Property

4) 8008: Facilities

\*\*Alaska qualifies on an annual basis for 8003 and 8007 funding.

## Basic Support Payment

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Basic support payments are based on a formula that considers:

1. Number eligible Impact Aid students in the district. The Impact Aid count of federally connected children in the district.
2. Local Contribution Rate = one-half of average statewide per pupil expenditures

Basic Support is discretionary funding for free public education of federally connected children.





## Calculating Eligible Impact Aid for consideration in the state aid formula

A state may not take into consideration the following:

- Children with disabilities funding
- 1/5<sup>th</sup> of funding for children who reside on Indian Lands
- Construction funding; and
- Heavily impacted districts (Annette Island School District)

The portion of Impact Aid funds a State may take into consideration:

- The State may consider 100% of the remaining Impact Aid after subtracting those funds identified above as not eligible for state consideration.
- For municipal school districts the amount considered is further reduced by the Impact Aid percentage of required local divided by actual local.
- Lastly, the state considers 90% of the eligible Impact Aid after subtractions.

## District Example #1

### Anchorage FY2014

|   |                       |
|---|-----------------------|
| Total Impact Aid                              | \$20,887,370          |
| <u>Subtraction of non-eligible Impact Aid</u> | <u>-\$667,265</u>     |
| <b>Eligible Impact Aid State may consider</b> | <b>\$20,220,105</b>   |
| <br>  |                       |
| Local Required                                | \$95,445,433          |
| <u>Total Local contributed</u>                | <u>/\$195,860,378</u> |
| <b>Impact Aid percentage</b>                  | <b>48.73%</b>         |

Eligible Payments X Impact Aid %      \$20,220,105 X 48.73% = \$9,853,257

**Final calculation State looks at 90%      \$9,853,257 X 90% = \$8,867,931**

Of Anchorage's \$20,887,370 in Impact Aid receipts the state will withhold \$8,867,931 as payment towards Basic Need in the foundation formula rather than using state general funds.

## District Example #2

### Lower Kuskokwim FY2014

|   |                                      |
|---|--------------------------------------|
| Total Impact Aid                              | \$22,417,251                         |
| <u>Subtraction of non eligible Impact Aid</u> | <u>-\$4,794,586</u>                  |
| <b>Eligible Impact Aid State may consider</b> | <b>\$17,622,665</b>                  |
| <br>  |                                      |
| Local Required                                | No local requirement for REAA        |
| <u>Total Local Contributed</u>                | <u>No local requirement for REAA</u> |
| <b>Impact Aid percentage</b>                  | <b>100%</b>                          |

Eligible Payments X Impact Aid %      \$17,622,665 X 100% = \$17,622,665

**Final calculation State looks at 90%      \$17,622,665 X 90% = \$15,860,399**

Of Lower Kuskokwim's \$22,417,251 in Impact Aid receipts the state will withhold \$15,860,399 as payment towards Basic Need in the foundation formula rather than using state general funds.

## Alaska Impact Aid Revenues

Federal Impact Aid revenues are approximately \$140 Million dollars annually, to Alaska schools.



**The Department of Education & Early Development**  
**K-12 Public School Operating Fund and Selected Special Revenue Funds**  
 Audited FY14 Revenues (Excludes State of Alaska PERSTRS Payment)  
 (Spreadsheet Modified to Sort by Federal Revenues per Student)

| Type | School District   | ADM     | School District Revenue by Source |                |             |                 | Total       | Revenue Source per Student (ADM) |                |        |                 | Grand Total |        |
|------|-------------------|---------|-----------------------------------|----------------|-------------|-----------------|-------------|----------------------------------|----------------|--------|-----------------|-------------|--------|
|      |                   |         | Local                             | Operating Fund | Other       | Special Revenue |             | Local                            | Operating Fund | Other  | Special Revenue |             |        |
| REAA | Annette Island    | 269     | -                                 | 3,148,986      | 4,243,188   | 90,545          | 733,472     | 8,216,191                        | 10,866         | 14,682 | 313             | 2,538       | 28,430 |
| REAA | Bering Strait     | 1,660   | -                                 | 30,280,392     | 15,896,935  | 5,561,598       | 8,237,813   | 59,776,738                       | 18,241         | 9,458  | 3,550           | 4,963       | 38,010 |
| REAA | Pribilof          | 81      | -                                 | 1,633,195      | 733,219     | 204,378         | 2,897,905   | 3,468,601                        | 20,163         | 9,052  | 2,923           | 4,058       | 35,177 |
| REAA | Yupik             | 439     | -                                 | 6,581,348      | 3,641,987   | 1,068,370       | 1,904,692   | 13,196,397                       | 15,014         | 8,296  | 2,411           | 4,339       | 30,060 |
| REAA | Kachumamut        | 317     | -                                 | 3,682,659      | 2,564,093   | 541,506         | 1,910,317   | 8,088,575                        | 11,649         | 8,088  | 1,708           | 6,026       | 27,472 |
| REAA | Southwest Region  | 602     | -                                 | 9,440,665      | 4,809,099   | 1,944,539       | 1,714,385   | 17,141,385                       | 15,682         | 7,655  | 1,906           | 3,230       | 28,474 |
| REAA | Alutians East     | 213     | -                                 | 4,915,401      | 1,568,152   | 411,957         | 440,232     | 8,613,693                        | 23,077         | 7,362  | 1,934           | 2,067       | 40,440 |
| REAA | Hydaburg          | 65      | -                                 | 1,467,765      | 464,089     | 70,879          | 316,754     | 2,491,429                        | 22,581         | 7,140  | 1,090           | 4,873       | 38,330 |
| REAA | Lower Yukon       | 1,954   | -                                 | 31,095,738     | 13,850,013  | 3,178,128       | 5,128,389   | 53,252,268                       | 15,914         | 7,088  | 1,626           | 2,625       | 27,253 |
| REAA | Lake & Peninsula  | 304     | -                                 | 6,555,571      | 1,668,949   | 1,211,955       | 1,339,385   | 13,511,454                       | 21,541         | 5,460  | 3,897           | 4,406       | 44,446 |
| REAA | Lower Kuskokwim   | 4,089   | -                                 | 60,173,254     | 22,375,938  | 20,101,401      | 10,694,830  | 113,345,123                      | 14,716         | 5,472  | 4,916           | 2,932       | 27,720 |
| REAA | Klawock           | 136     | -                                 | 2,371,531      | 673,180     | 75,985          | 398,708     | 3,388,958                        | 1,938          | 7,482  | 559             | 2,992       | 27,860 |
| REAA | Tanana            | 41      | -                                 | 1,010,454      | 197,149     | 40,656          | 111,039     | 1,402,161                        | 1,045          | 24,645 | 892             | 2,708       | 34,199 |
| REAA | Kake              | 104     | -                                 | 1,770,280      | 479,720     | 120,613         | 433,701     | 2,948,669                        | 1,398          | 17,022 | 1,160           | 4,170       | 28,553 |
| REAA | Yukon Flats       | 244     | -                                 | 7,409,208      | 1,079,789   | 1,956,302       | 690,446     | 11,135,745                       | 30,366         | 4,425  | 8,018           | 2,830       | 45,638 |
| REAA | Kuskok            | 333     | -                                 | 5,926,409      | 1,407,935   | 742,378         | 1,203,205   | 9,279,928                        | 17,797         | 4,228  | 2,229           | 3,613       | 27,658 |
| REAA | Northwest Arctic  | 1,888   | -                                 | 4,142,165      | 36,006,745  | 8,772,345       | 7,280,406   | 64,133,418                       | 21,94          | 4,201  | 4,646           | 3,856       | 33,969 |
| REAA | North Slope       | 1,731   | -                                 | 35,453,590     | 16,807,969  | 1,875,785       | 5,966,719   | 66,712,303                       | 20,487         | 9,710  | 3,812           | 1,084       | 38,540 |
| REAA | Chitiam           | 147     | -                                 | 3,049,968      | 496,683     | 113,462         | 233,533     | 3,883,646                        | 20,748         | 3,379  | 772             | 1,589       | 26,467 |
| REAA | Wanigall          | 344     | -                                 | 3,747,445      | 851,723     | 112,754         | 1,146,134   | 6,528,656                        | 1,941          | 10,884 | 328             | 3,341       | 18,979 |
| REAA | Southeast Island  | 199     | -                                 | 3,653,236      | 679,176     | 439,466         | 6,850,410   | 6,850,410                        | 26,775         | 1,927  | 3,413           | 2,208       | 34,324 |
| REAA | Hoonah            | 102     | -                                 | 2,256,092      | 193,661     | 356,332         | 701,174     | 4,116,633                        | 5,955          | 22,138 | 1,899           | 6,874       | 40,359 |
| REAA | Alutian Region    | 33      | -                                 | 1,318,608      | 56,527      | 140,410         | 77,871      | 1,593,416                        | 22,138         | 1,899  | 3,493           | 6,874       | 40,359 |
| REAA | Yakutat           | 96      | -                                 | 1,484,220      | 125,622     | 270,558         | 354,201     | 2,053,351                        | 3,112          | 39,958 | 1,713           | 2,360       | 48,285 |
| REAA | Fairbanks         | 14,063  | -                                 | 13,979,892     | 1,073,167   | 16,958,274      | 201,301,916 | 11,248,648                       | 15,461         | 1,309  | 2,818           | 3,690       | 26,389 |
| REAA | Yukon/Koyukuk     | 1,488   | -                                 | 12,985,520     | 1,287,131   | 1,353,445       | 5,336,300   | 20,962,396                       | 3,382          | 8,656  | 994             | 1,208       | 14,314 |
| REAA | Copper River      | 444     | -                                 | 6,454,150      | 373,663     | 46,636          | 543,252     | 7,417,901                        | 14,556         | 8,272  | 865             | 3,586       | 14,088 |
| REAA | Bristol Bay       | 138     | -                                 | 1,814,968      | 111,339     | 220,179         | 297,007     | 3,689,124                        | 8,609          | 13,152 | 802             | 1,224       | 16,707 |
| REAA | Kodiak Island     | 2,483   | -                                 | 10,651,976     | 1,916,307   | 2,062,021       | 2,790,663   | 45,311,709                       | 4,290          | 11,220 | 773             | 1,124       | 18,248 |
| REAA | Chigik            | 568     | -                                 | 4,649,869      | 428,420     | 226,545         | 1,226,894   | 7,359,006                        | 1,110          | 8,567  | 757             | 2,168       | 13,002 |
| REAA | Chugach           | 289     | -                                 | 2,567,582      | 173,495     | 236,759         | 2,964,734   | 5,942,570                        | 8,864          | 600    | 819             | 10,259      | 20,563 |
| REAA | Dillingham        | 490     | -                                 | 6,667,753      | 256,606     | 464,232         | 1,216,888   | 9,907,279                        | 2,653          | 13,608 | 524             | 2,487       | 20,219 |
| REAA | Delta/Grassy      | 840     | -                                 | 9,800,683      | 349,202     | 188,090         | 910,673     | 11,248,648                       | 11,667         | 416    | 224             | 1,084       | 13,391 |
| REAA | Anchorage         | 47,770  | -                                 | 326,543,086    | 19,593,385  | 6,491,166       | 52,307,210  | 597,400,751                      | 4,029          | 6,836  | 410             | 1,084       | 13,391 |
| REAA | Sitka             | 1,338   | -                                 | 13,927,732     | 417,029     | 467,235         | 2,243,454   | 21,839,212                       | 3,807          | 10,408 | 312             | 1,177       | 16,322 |
| REAA | Alaska Gateway    | 388     | -                                 | 7,761,237      | 54,286      | 387,045         | 1,081,760   | 9,284,326                        | 20,003         | 140    | 1,023           | 2,786       | 23,954 |
| REAA | Nome              | 706     | -                                 | 1,873,120      | 6,824,884   | 626,763         | 1,743,176   | 13,239,477                       | 2,653          | 12,641 | 101             | 888         | 18,753 |
| REAA | Cordova           | 312     | -                                 | 1,654,727      | 3,611,969   | 135,145         | 306,655     | 5,790,381                        | 5,304          | 11,577 | 70              | 433         | 18,367 |
| REAA | Galeana           | 3,985   | -                                 | 21,831,487     | 250,051     | 521,735         | 3,938,402   | 27,521,623                       | 246            | 5,478  | 63              | 131         | 6,906  |
| REAA | Unalaska          | 407     | -                                 | 4,525,488      | 19,631      | 148,752         | 609,387     | 8,103,454                        | 6,870          | 11,129 | 365             | 1,497       | 19,910 |
| REAA | Ketchikan Gateway | 2,210   | -                                 | 22,525,671     | 92,993      | 169,455         | 2,524,796   | 33,362,915                       | 3,643          | 10,193 | 42              | 1,142       | 15,096 |
| REAA | Kenai Peninsula   | 8,761   | -                                 | 78,348,712     | 2,004,511   | 1,823,929       | 9,088,775   | 132,961,867                      | 4,965          | 8,943  | 208             | 1,037       | 15,177 |
| REAA | Juneau            | 4,848   | -                                 | 39,452,395     | 92,911      | 328,947         | 4,747,011   | 68,616,754                       | 4,948          | 8,138  | 19              | 878         | 14,154 |
| REAA | Denali            | 859     | -                                 | 2,228,613      | 6,421,085   | 95,268          | 528,572     | 9,284,030                        | 2,584          | 7,475  | 12              | 111         | 10,608 |
| REAA | Mat-Su            | 17,477  | -                                 | 51,386,555     | 148,766,687 | 2,742,416       | 14,351,401  | 216,413,137                      | 2,940          | 6,571  | 10              | 820         | 12,497 |
| REAA | Haines            | 271     | -                                 | 3,045,784      | 43,425      | 487,800         | 5,196,388   | 5,196,388                        | 5,754          | 11,239 | -               | 1,800       | 18,953 |
| REAA | Nenana            | 897     | -                                 | 6,441,196      | 136,653     | 1,579,351       | 8,157,140   | 8,157,140                        | 7,181          | 152    | 152             | 1,781       | 9,094  |
| REAA | Pelican           | 11      | -                                 | 458,014        | 30,468      | 54,382          | 594,712     | 594,712                          | 4,713          | 41,638 | -               | 4,944       | 54,065 |
| REAA | Petersburg        | 430     | -                                 | 6,021,214      | 210,463     | 613,584         | 8,645,261   | 8,645,261                        | 4,188          | 14,003 | 489             | 1,427       | 20,105 |
| REAA | Saint Mary's      | 203     | -                                 | 88,427         | 262,523     | 1,142,044       | 5,325,353   | 5,325,353                        | 18,879         | 436    | 1,293           | 5,628       | 26,233 |
| REAA | Sheepway          | 84      | -                                 | 1,113,869      | 748,822     | 28,891          | 533,891     | 2,425,083                        | 13,258         | 8,912  | 344             | 6,356       | 28,870 |
| REAA | Valdez            | 609     | -                                 | 4,498,131      | 745,414     | 110,243         | 745,414     | 13,217,460                       | 13,009         | 7,388  | 181             | 1,224       | 21,602 |
| REAA | Iditarod Area     | 261     | -                                 | 5,610,972      | 638,017     | 1,214,610       | 7,463,599   | 7,463,599                        | 21,488         | -      | 2,445           | 4,654       | 26,586 |
| REAA | Statewide Totals  | 128,038 | -                                 | 451,731,149    | 131,759,691 | 69,655,501      | 104,085,289 | 1,985,952,144                    | 3,528          | 9,048  | 1,029           | 1,438       | 15,688 |

This report is provided in accordance with Alaska Statute 14.03.120(b)

**Definitions:**

- C/B City or Borough School District (organized Alaska).
- REAA Regional Educational Attendance Area (unorganized Alaska).
- ADM Average daily student count taken during the month of October.
- Local FY14 City/Borough appropriations, including In-kind, as reported in audits.
- Statewide FY14 State Operating fund revenue, including the State of Alaska payment for TRS&PERS, as reported in audits.
- Federal FY14 Federal revenues reported in the Operating fund (Impact Aid & other minor Federal revenues).
- Other FY14 Earnings on Investments, E-rate and Other Local revenue as listed in audits.
- Special All sources of revenues (Local, State, Federal, Other) in Special Revenue funds except Pupil Transportation, Food Service and Community Schools.

NOTE: This spreadsheet does not include Capital Project grants or Debt Service; this spreadsheet may be different from the department's annual reports to National Center for Education Statistics (NCES).

G:\SF District Support\SF Audit\Statewide\Revenue\H405\146\spreadsheet\144\udfhd\Revenue\H405\146\Revenue\FY14



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Education  
and Early Development**

OFFICE OF THE COMMISSIONER

801 W 10th Street, Suite 200  
P.O. Box 110500  
Juneau, Alaska 99811-0500  
Main: 907.465.2800  
Fax: 907.465.4156

**MEMORANDUM NUMBER 2015-015**

**TO:** Superintendents  
District Business Managers

**FROM:** Mike Hanley, Commissioner

A handwritten signature in black ink, appearing to read "m. Hanley".

**DATE:** February 25, 2015

**SUBJECT:** Title VIII – Impact Aid Adjustment Under AS 14.17.410

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The purpose of this memorandum is to give you notice that, pursuant to section 8009(c)(1)(b) of Title VIII – Impact Aid, the State of Alaska is requesting permission from the federal government to take impact aid payments into account in determining state aid payments to school districts during the state fiscal year 2016. All school districts receiving impact aid during fiscal year 2016 are subject to such adjustments as provided in AS 14.17.

If you have any questions, please contact Elizabeth Nudelman, Director of School Finance at 465-8679.

Thank you.

cc: Elizabeth Nudelman, Director of School Finance  
Mindy Lobaugh, School Finance Specialist

| A                | B                                   | C                           | D                          | E                       | F                           | G                              |
|------------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|
| SCHOOL DISTRICT  | ACTUAL FY2014 STATE FOUNDATION PAID | ADJUSTMENTS BASED ON AUDITS | FY2014 Other STATE REVENUE | SUB-TOTAL STATE REVENUE | FY2014 CITY/BOROUGH APPROP. | FY2014 EARNINGS ON INVESTMENTS |
| NORTH SLOPE      | 15,836,382                          | 1,291                       | 971,588                    | 16,809,261              | 32,875,626                  | 1,419                          |
| VALDEZ           | 4,248,555                           | -                           | 250,577                    | 4,499,132               | 7,922,672                   | 4,037                          |
| SKAGWAY          | 710,560                             | -                           | 38,062                     | 748,622                 | 1,113,689                   | -                              |
| KODIAK           | 25,963,368                          | -                           | 1,887,814                  | 27,851,182              | 9,881,230                   | -                              |
| HOONAH           | 2,179,568                           | 8,100                       | 78,524                     | 2,266,192               | 607,372                     | 8,797                          |
| PELICAN          | 444,552                             | -                           | 13,462                     | 458,014                 | 51,847                      | -                              |
| NORTHWEST ARCTIC | 34,726,048                          | 74,103                      | 1,246,230                  | 36,046,381              | 4,142,165                   | -                              |
| BRISTOL BAY      | 1,729,235                           | 433                         | 81,261                     | 1,810,929               | 1,036,335                   | 303                            |
| WRANGELL         | 3,614,625                           | 18                          | 132,820                    | 3,747,463               | 667,800                     | 178                            |
| LOWER KUSKOKWIM  | 57,770,199                          | -                           | 2,403,055                  | 60,173,254              | -                           | -                              |
| UNALASKA         | 4,340,432                           | -                           | 189,029                    | 4,529,461               | 2,796,196                   | 2,152                          |
| CORDOVA          | 3,536,531                           | -                           | 138,326                    | 3,674,857               | 1,550,591                   | 151                            |
| ANCHORAGE        | 318,702,924                         | 45,495                      | 13,750,978                 | 332,499,397             | 192,465,884                 | 1,663,677                      |
| DENALI           | 6,195,670                           | 21                          | 224,906                    | 6,420,597               | 2,228,613                   | 15                             |
| JUNEAU           | 37,808,039                          | -                           | 1,644,346                  | 39,452,385              | 23,994,500                  | -                              |
| KENAI PENINSULA  | 75,166,712                          | -                           | 3,182,001                  | 78,348,713              | 34,170,106                  | 475,548                        |
| YAKUTAT          | 1,421,683                           | 5,759                       | 54,526                     | 1,481,968               | 253,750                     | 34,032                         |
| YUKON FLATS      | 7,155,173                           | -                           | 254,036                    | 7,409,209               | -                           | -                              |
| SOUTHEAST ISLAND | 5,160,479                           | -                           | 167,756                    | 5,328,235               | -                           | -                              |
| ALEUTIANS EAST   | 4,750,379                           | -                           | 181,843                    | 4,932,222               | 1,036,332                   | -                              |
| HAINES           | 2,976,897                           | -                           | 126,266                    | 3,103,163               | 1,559,379                   | 2,218                          |
| NOME             | 8,608,684                           | 1,085                       | 314,383                    | 8,924,152               | 1,873,120                   | 1,474                          |
| MAT-SU           | 144,272,583                         | -                           | 5,514,085                  | 149,786,668             | 51,226,720                  | -                              |
| DILLINGHAM       | 6,506,430                           | 2,733                       | 236,179                    | 6,745,342               | 1,300,000                   | -                              |
| LAKE & PENINSULA | 8,352,401                           | 17,886                      | 297,769                    | 8,668,056               | 735,594                     | 29,616                         |
| PETERSBURG       | 5,796,463                           | -                           | 224,751                    | 6,021,214               | 1,800,000                   | 609                            |
| SITKA            | 13,459,980                          | -                           | 536,950                    | 13,996,930              | 5,093,762                   | -                              |
| KETCHIKAN        | 21,821,911                          | -                           | 845,852                    | 22,667,763              | 8,050,000                   | 66                             |
| ANNETTE ISLAND   | 3,005,721                           | -                           | 143,266                    | 3,148,987               | -                           | -                              |
| BERING STRAIT    | 28,969,859                          | -                           | 1,310,533                  | 30,280,392              | -                           | -                              |
| FAIRBANKS        | 117,455,676                         | -                           | 4,914,983                  | 122,370,659             | 47,560,000                  | -                              |
| HYDABURG         | 1,429,070                           | 8,688                       | 49,207                     | 1,486,965               | 107,942                     | 284                            |
| YUPIIT           | 6,299,667                           | -                           | 291,682                    | 6,591,349               | -                           | -                              |
| IDITAROD         | 5,426,585                           | -                           | 184,386                    | 5,610,971               | -                           | -                              |
| ALEUTIAN REGION  | 1,275,664                           | -                           | 23,837                     | 1,299,501               | -                           | -                              |
| PRIBILOF         | 1,567,194                           | -                           | 66,001                     | 1,633,195               | -                           | -                              |
| KASHUNAMIUT      | 3,518,623                           | -                           | 174,035                    | 3,692,658               | -                           | -                              |
| KUSPUK           | 5,686,198                           | -                           | 240,212                    | 5,926,410               | -                           | -                              |
| YUKON-KOYUKUK    | 12,546,229                          | -                           | 439,291                    | 12,985,520              | -                           | -                              |
| CRAIG            | 4,678,847                           | 2,076                       | 170,167                    | 4,851,090               | 560,886                     | 1,221                          |
| KAKE             | 1,699,764                           | 33,896                      | 63,108                     | 1,796,768               | 113,575                     | 340                            |
| SOUTHWEST REGION | 9,215,012                           | -                           | 414,373                    | 9,629,385               | -                           | -                              |
| CHUGACH          | 2,483,964                           | -                           | 83,618                     | 2,567,582               | -                           | -                              |
| GALENA           | 20,724,441                          | 1,309                       | 1,107,026                  | 21,832,776              | -                           | 5,252                          |
| SAINT MARY'S     | 3,710,567                           | -                           | 121,791                    | 3,832,358               | -                           | 4,115                          |
| LOWER YUKON      | 29,805,876                          | -                           | 1,289,862                  | 31,095,738              | -                           | -                              |
| KLAWOCK          | 2,231,756                           | 30,631                      | 85,433                     | 2,347,820               | 263,543                     | 7,219                          |
| TANANA           | 973,241                             | 68,033                      | 37,212                     | 1,078,486               | 42,863                      | 353                            |
| ALASKA GATEWAY   | 7,505,636                           | -                           | 138,914                    | 7,644,550               | -                           | -                              |
| CHATHAM          | 2,948,274                           | -                           | 101,693                    | 3,049,967               | -                           | -                              |
| DELTA GREELY     | 9,474,651                           | -                           | 326,032                    | 9,800,683               | -                           | -                              |
| NENANA           | 6,235,870                           | -                           | 205,266                    | 6,441,136               | -                           | 9                              |
| COPPER RIVER     | 6,241,653                           | -                           | 212,498                    | 6,454,151               | -                           | -                              |
| Z MT. EDGE CUMBE | 3,914,861                           | -                           | 127,264                    | 4,042,125               | -                           | -                              |
| TOTALS           | \$1,122,281,362                     | \$301,557                   | \$47,309,065               | \$1,169,891,984         | \$437,082,092               | \$2,243,085                    |

| A                | H                          | I                       | J                       | K                         | L                       | M                        | N                              |
|------------------|----------------------------|-------------------------|-------------------------|---------------------------|-------------------------|--------------------------|--------------------------------|
| SCHOOL DISTRICT  | FY2014 OTHER LOCAL REVENUE | FY2014 IN-KIND SERVICES | SUB-TOTAL LOCAL REVENUE | FY2014 OTHER REAA REVENUE | FY2014 TUITION STUDENTS | FY2014 TUITION DISTRICTS | ADJUSTED DEDUCTIBLE IMPACT AID |
| NORTH SLOPE      | 158,865                    | 2,587,964               | 35,623,874              |                           | -                       | 62,989                   | 1,166,791                      |
| VALDEZ           | 11,592                     | -                       | 7,938,301               |                           | -                       | -                        | 1,906                          |
| SKAGWAY          | 2,221                      | -                       | 1,115,910               |                           | -                       | -                        | -                              |
| KODIAK           | 152,702                    | 770,746                 | 10,804,678              |                           | -                       | -                        | 520,155                        |
| HOONAH           | 285,116                    | -                       | 901,285                 |                           | -                       | -                        | 32,519                         |
| PELICAN          | 387                        | -                       | 52,234                  |                           | -                       | -                        | -                              |
| NORTHWEST ARCTIC | 3,681,711                  | -                       | 7,823,876               |                           | -                       | -                        | 1,132,662                      |
| BRISTOL BAY      | 25,683                     | 179,296                 | 1,241,617               |                           | -                       | -                        | 54,264                         |
| WRANGELL         | 37,583                     | -                       | 705,561                 |                           | -                       | -                        | 416                            |
| LOWER KUSKOKWIM  |                            | -                       | -                       | 353,509                   | -                       | -                        | 15,860,399                     |
| UNALASKA         | 47,206                     | -                       | 2,845,554               |                           | -                       | -                        | 12,122                         |
| CORDOVA          | 29,329                     | 104,136                 | 1,684,207               |                           | 20,286                  | -                        | 9,584                          |
| ANCHORAGE        | 2,749,041                  | -                       | 196,878,602             |                           | 21,432                  | -                        | 8,822,436                      |
| DENALI           | 482                        | -                       | 2,229,110               |                           | -                       | -                        | 1,835                          |
| JUNEAU           | 146,234                    | -                       | 24,140,734              |                           | 75,975                  | -                        | -                              |
| KENAI PENINSULA  | 128,744                    | 9,329,894               | 44,104,292              |                           | -                       | -                        | -                              |
| YAKUTAT          | 57,879                     | 45,000                  | 390,661                 |                           | -                       | -                        | 62,173                         |
| YUKON FLATS      |                            | -                       | -                       | 57,182                    | -                       | -                        | 511,529                        |
| SOUTHEAST ISLAND |                            | -                       | -                       | 156,972                   | -                       | -                        | 154                            |
| ALEUTIANS EAST   | 80,584                     | 241,619                 | 1,358,535               |                           | -                       | -                        | 228,089                        |
| HAINES           | 150                        | -                       | 1,561,747               |                           | -                       | -                        | -                              |
| NOME             | 317,225                    | -                       | 2,191,819               |                           | -                       | -                        | 25,656                         |
| MAT-SU           | 1,765,258                  | 159,835                 | 53,151,813              |                           | -                       | -                        | -                              |
| DILLINGHAM       | 34,778                     | -                       | 1,334,778               |                           | -                       | -                        | 229,443                        |
| LAKE & PENINSULA | 644,001                    | -                       | 1,409,211               |                           | -                       | -                        | 397,924                        |
| PETERSBURG       | 127,485                    | -                       | 1,928,094               |                           | -                       | -                        | -                              |
| SITKA            | 30,484                     | -                       | 5,124,246               |                           | -                       | -                        | 6,872                          |
| KETCHIKAN        | 86,164                     | -                       | 8,136,230               |                           | -                       | -                        | -                              |
| ANNETTE ISLAND   |                            | -                       | -                       | 21,395                    | -                       | -                        | 1,401,502                      |
| BERING STRAIT    |                            | -                       | -                       | 2,014,982                 | -                       | -                        | 9,703,645                      |
| FAIRBANKS        | 536,858                    | -                       | 48,096,858              |                           | 24,529                  | -                        | 6,801,255                      |
| HYDABURG         | 19,489                     | 64,000                  | 191,715                 |                           | -                       | -                        | 19,611                         |
| YUPIIT           |                            | -                       | -                       | 29,662                    | -                       | -                        | 2,673,242                      |
| IDITAROD         |                            | -                       | -                       | 28,702                    | -                       | 12,464                   | 245,606                        |
| ALEUTIAN REGION  |                            | -                       | -                       | 10,380                    | -                       | -                        | 24,784                         |
| PRIBILOF         |                            | -                       | -                       | 12,396                    | -                       | -                        | 440,988                        |
| KASHUNAMIUT      |                            | -                       | -                       | 89,742                    | -                       | -                        | 1,835,162                      |
| KUSPUK           |                            | -                       | -                       | 40,238                    | -                       | -                        | 1,703,337                      |
| YUKON-KOYUKUK    |                            | -                       | -                       | 55,817                    | -                       | 84,239                   | 967,531                        |
| CRAIG            | 148,518                    | 67,392                  | 778,017                 |                           | -                       | -                        | 215,167                        |
| KAKE             | 39,168                     | 30,780                  | 183,863                 |                           | -                       | -                        | 132,293                        |
| SOUTHWEST REGION |                            | -                       | -                       | 25,082                    | -                       | -                        | 3,532,181                      |
| CHUGACH          |                            | -                       | -                       | 12,383                    | -                       | -                        | 72,961                         |
| GALENA           | 327,760                    | 979,968                 | 1,312,980               |                           | -                       | -                        | 8,539                          |
| SAINT MARY'S     | 86,121                     | 88,427                  | 178,663                 |                           | -                       | -                        | -                              |
| LOWER YUKON      |                            | -                       | -                       | 58,503                    | -                       | -                        | 9,873,656                      |
| KLAWOCK          | 32,038                     | -                       | 302,800                 |                           | -                       | -                        | 217,941                        |
| TANANA           | 3,171                      | -                       | 46,387                  |                           | -                       | -                        | 78,589                         |
| ALASKA GATEWAY   |                            | -                       | -                       | 36,128                    | -                       | -                        | 283,302                        |
| CHATHAM          |                            | -                       | -                       | 23,942                    | -                       | -                        | 180,084                        |
| DELTA GREELY     |                            | -                       | -                       | 35,296                    | -                       | -                        | 382,505                        |
| NENANA           | 53,424                     | -                       | 53,433                  |                           | -                       | -                        | 2,664                          |
| COPPER RIVER     |                            | -                       | -                       | 46,636                    | -                       | -                        | 295,361                        |
| Z MT. EDGE CUMBE |                            | -                       | -                       | -                         | -                       | -                        | -                              |
| <b>TOTALS</b>    | <b>\$11,847,451</b>        | <b>\$14,649,057</b>     | <b>\$465,821,685</b>    | <b>\$3,108,947</b>        | <b>\$142,222</b>        | <b>\$159,692</b>         | <b>\$70,168,835</b>            |

| A                | O                          | P                    | Q                        | R                             | S            | T                    |
|------------------|----------------------------|----------------------|--------------------------|-------------------------------|--------------|----------------------|
| SCHOOL DISTRICT  | FY2014 OTHER FEDERAL FUNDS | FY2014 OTHER REVENUE | FY2014 FUND TRANSFERS IN | FY2014 AUDITED TOTAL REVENUES | ADJUSTED ADM | REVENUE PER ADJ. ADM |
| NORTH SLOPE      | -                          | 1,652,512            | -                        | 55,315,427                    | 5,247.30     | 10,542               |
| VALDEZ           | -                          | 94,614               | -                        | 12,533,953                    | 1,340.30     | 9,352                |
| SKAGWAY          | -                          | 26,670               | -                        | 1,891,202                     | 205.56       | 9,200                |
| KODIAK           | 9,803                      | 1,939,319            | -                        | 41,125,137                    | 5,317.80     | 7,733                |
| HOONAH           | -                          | 62,419               | -                        | 3,262,415                     | 424.09       | 7,693                |
| PELICAN          | -                          | 30,082               | -                        | 540,330                       | 71.24        | 7,585                |
| NORTHWEST ARCTIC | -                          | 5,090,634            | -                        | 50,093,553                    | 6,654.81     | 7,527                |
| BRISTOL BAY      | -                          | 194,193              | -                        | 3,301,003                     | 438.87       | 7,522                |
| WRANGELL         | 848,488                    | 74,993               | -                        | 5,376,921                     | 717.33       | 7,496                |
| LOWER KUSKOKWIM  | -                          | 19,747,592           | -                        | 96,134,754                    | 12,926.72    | 7,437                |
| UNALASKA         | -                          | 99,394               | -                        | 7,486,531                     | 1,020.90     | 7,333                |
| CORDOVA          | -                          | 85,379               | -                        | 5,474,313                     | 747.06       | 7,328                |
| ANCHORAGE        | 688,750                    | 2,040,475            | -                        | 540,951,092                   | 74,265.50    | 7,284                |
| DENALI           | -                          | 94,771               | -                        | 8,746,313                     | 1,203.62     | 7,267                |
| JUNEAU           | 92,911                     | 107,738              | -                        | 63,869,743                    | 8,825.92     | 7,237                |
| KENAI PENINSULA  | 200,451                    | 1,219,637            | -                        | 123,873,093                   | 17,185.17    | 7,208                |
| YAKUTAT          | -                          | 178,647              | -                        | 2,113,449                     | 293.36       | 7,204                |
| YUKON FLATS      | -                          | 1,693,673            | -                        | 9,671,593                     | 1,345.98     | 7,186                |
| SOUTHEAST ISLAND | 383,461                    | 522,204              | -                        | 6,391,026                     | 906.01       | 7,054                |
| ALEUTIANS EAST   | 11,460                     | 331,373              | -                        | 6,861,679                     | 982.09       | 6,987                |
| HAINES           | -                          | 41,057               | -                        | 4,705,967                     | 681.93       | 6,901                |
| NOME             | -                          | 308,064              | -                        | 11,449,691                    | 1,662.52     | 6,887                |
| MAT-SU           | 166,098                    | 977,158              | -                        | 204,081,737                   | 29,780.16    | 6,853                |
| DILLINGHAM       | -                          | 429,454              | -                        | 8,739,017                     | 1,275.54     | 6,851                |
| LAKE & PENINSULA | -                          | 538,338              | -                        | 11,013,529                    | 1,608.17     | 6,848                |
| PETERSBURG       | -                          | 82,369               | -                        | 8,031,677                     | 1,175.84     | 6,831                |
| SITKA            | 400,254                    | 126,751              | -                        | 19,655,053                    | 2,899.93     | 6,778                |
| KETCHIKAN        | -                          | 83,225               | -                        | 30,887,218                    | 4,568.23     | 6,761                |
| ANNETTE ISLAND   | 586,561                    | 69,150               | -                        | 5,227,595                     | 773.74       | 6,756                |
| BERING STRAIT    | 23,765                     | 3,546,616            | -                        | 45,569,400                    | 6,789.59     | 6,712                |
| FAIRBANKS        | -                          | 508,827              | -                        | 177,802,128                   | 26,544.56    | 6,698                |
| HYDABURG         | -                          | 51,106               | -                        | 1,749,397                     | 263.03       | 6,651                |
| YUPIIT           | -                          | 1,028,708            | -                        | 10,322,961                    | 1,575.30     | 6,553                |
| IDITAROD         | -                          | 596,851              | -                        | 6,494,594                     | 995.82       | 6,522                |
| ALEUTIAN REGION  | -                          | 130,030              | -                        | 1,464,695                     | 226.04       | 6,480                |
| PRIBILOF         | -                          | 191,982              | -                        | 2,278,561                     | 352.56       | 6,463                |
| KASHUNAMIUT      | -                          | 451,764              | -                        | 6,069,326                     | 939.92       | 6,457                |
| KUSPUK           | -                          | 702,141              | -                        | 8,372,126                     | 1,297.32     | 6,453                |
| YUKON-KOYUKUK    | -                          | 1,213,389            | -                        | 15,306,496                    | 2,372.50     | 6,452                |
| CRAIG            | -                          | 76,806               | -                        | 5,921,080                     | 919.03       | 6,443                |
| KAKE             | -                          | 81,105               | -                        | 2,194,029                     | 340.83       | 6,437                |
| SOUTHWEST REGION | -                          | 1,122,610            | -                        | 14,309,258                    | 2,237.92     | 6,394                |
| CHUGACH          | -                          | 209,420              | -                        | 2,862,346                     | 447.96       | 6,390                |
| GALENA           | -                          | 188,723              | -                        | 23,343,018                    | 3,654.28     | 6,388                |
| SAINT MARY'S     | -                          | 172,287              | -                        | 4,183,308                     | 657.76       | 6,360                |
| LOWER YUKON      | -                          | 3,119,625            | -                        | 44,147,522                    | 6,966.21     | 6,337                |
| KLAWOCK          | -                          | 36,729               | -                        | 2,905,290                     | 461.40       | 6,297                |
| TANANA           | -                          | 37,132               | -                        | 1,240,594                     | 200.97       | 6,173                |
| ALASKA GATEWAY   | -                          | 360,917              | -                        | 8,324,897                     | 1,367.44     | 6,088                |
| CHATHAM          | -                          | 89,520               | -                        | 3,343,513                     | 549.22       | 6,088                |
| DELTA GREELY     | 2,560                      | 152,294              | -                        | 10,373,338                    | 1,730.54     | 5,994                |
| NENANA           | -                          | 83,220               | -                        | 6,580,453                     | 1,108.59     | 5,936                |
| COPPER RIVER     | -                          | -                    | -                        | 6,796,148                     | 1,147.65     | 5,922                |
| Z MT. EDGE CUMBE | -                          | 0                    | -                        | 4,042,125                     | 687.30       | 5,881                |

12,111 HIGH

LOW 7,253

TOTALS \$3,414,562 \$52,093,687 \$0 \$1,764,801,614 248,379.43

5% HIGH 7,693  
12,418.97 LOW 6,337  
DIFF 1,356  
DISPARITY 21.40%

ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT  
 FY2014 DISPARITY TEST - Page 1, Column C. Adjustments Based on Audits (State Owes)  
 COMPILED FROM FISCAL YEAR 2014 AUDITS

| SCHOOL DISTRICT  | X                         | Y                     | Z                | AA  |
|------------------|---------------------------|-----------------------|------------------|---|
|                  | State Aid Based on Audits | Actual State Aid Paid | Audits Less paid | Disparity Column C Adjustments Based on Audits (State Owes) |
| ALASKA GATEWAY   | 7,505,636                 | 7,505,636             | -                | -   |
| ALEUTIAN REGION  | 1,275,664                 | 1,275,664             | -                | -   |
| ALEUTIANS EAST   | 4,694,235                 | 4,750,379             | (56,144)         | -   |
| ANCHORAGE        | 318,748,419               | 318,702,924           | 45,495           | 45,495  |
| ANNETTE ISLAND   | 3,005,721                 | 3,005,721             | -                | -   |
| BERING STRAIT    | 28,969,859                | 28,969,859            | -                | -   |
| BRISTOL BAY      | 1,729,668                 | 1,729,235             | 433              | 433   |
| CHATHAM          | 2,948,274                 | 2,948,274             | -                | -   |
| CHUGACH          | 2,483,964                 | 2,483,964             | -                | -   |
| COPPER RIVER     | 6,241,653                 | 6,241,653             | -                | -   |
| CORDOVA          | 3,536,453                 | 3,536,531             | (78)             | -   |
| CRAIG            | 4,680,923                 | 4,678,847             | 2,076            | 2,076   |
| DELTA GREELY     | 9,474,651                 | 9,474,651             | -                | -   |
| DENALI           | 6,195,691                 | 6,195,670             | 21               | 21  |
| DILLINGHAM       | 6,509,163                 | 6,506,430             | 2,733            | 2,733   |
| FAIRBANKS        | 117,365,862               | 117,455,676           | (89,814)         | -   |
| GALENA           | 20,725,750                | 20,724,441            | 1,309            | 1,309   |
| HAINES           | 2,976,897                 | 2,976,897             | -                | -   |
| HOONAH           | 2,187,668                 | 2,179,568             | 8,100            | 8,100   |
| HYDABURG         | 1,437,758                 | 1,429,070             | 8,688            | 8,688   |
| IDITAROD         | 5,426,585                 | 5,426,585             | -                | -   |
| JUNEAU           | 37,808,039                | 37,808,039            | -                | -   |
| KAKE             | 1,733,660                 | 1,699,764             | 33,896           | 33,896  |
| KASHUNAMIUT      | 3,518,623                 | 3,518,623             | -                | -   |
| KENAI PENINSULA  | 75,166,712                | 75,166,712            | -                | -   |
| KETCHIKAN        | 21,821,911                | 21,821,911            | -                | -   |
| KLAWOCK          | 2,262,387                 | 2,231,756             | 30,631           | 30,631  |
| KODIAK           | 25,892,583                | 25,963,368            | (70,785)         | -   |
| KUSPUK           | 5,686,198                 | 5,686,198             | -                | -   |
| LAKE & PENINSULA | 8,370,287                 | 8,352,401             | 17,886           | 17,886  |
| LOWER KUSKOKWIM  | 57,770,199                | 57,770,199            | -                | -   |
| LOWER YUKON      | 29,805,876                | 29,805,876            | -                | -   |
| MAT-SU           | 144,272,583               | 144,272,583           | -                | -   |
| NENANA           | 6,234,520                 | 6,235,870             | (1,350)          | -   |
| NOME             | 8,609,769                 | 8,608,684             | 1,085            | 1,085   |
| NORTH SLOPE      | 15,837,673                | 15,836,382            | 1,291            | 1,291   |
| NORTHWEST ARCTIC | 34,800,151                | 34,726,048            | 74,103           | 74,103  |
| PELICAN          | 444,552                   | 444,552               | -                | -   |
| PETERSBURG       | 5,796,463                 | 5,796,463             | -                | -   |
| PRIBILOF         | 1,567,194                 | 1,567,194             | -                | -   |
| SAINT MARY'S     | 3,710,567                 | 3,710,567             | -                | -   |
| SITKA            | 13,459,981                | 13,459,980            | 1                | -   |
| SKAGWAY          | 710,560                   | 710,560               | -                | -   |
| SOUTHEAST ISLAND | 5,160,479                 | 5,160,479             | -                | -   |
| SOUTHWEST REGION | 9,215,012                 | 9,215,012             | -                | -   |
| TANANA           | 1,041,274                 | 973,241               | 68,033           | 68,033  |
| UNALASKA         | 4,340,396                 | 4,340,432             | (36)             | -   |
| VALDEZ           | 4,248,553                 | 4,248,555             | (2)              | -   |
| WRANGELL         | 3,614,643                 | 3,614,625             | 18               | 18  |
| YAKUTAT          | 1,427,442                 | 1,421,683             | 5,759            | 5,759   |
| YUKON FLATS      | 7,155,173                 | 7,155,173             | -                | -   |
| YUKON-KOYUKUK    | 12,546,229                | 12,546,229            | -                | -   |
| YUPIIT           | 6,299,667                 | 6,299,667             | -                | -   |
| Z Mt. EDGE CUMBE | 3,914,861                 | 3,914,861             | -                | -   |
| <b>TOTAL</b>     | <b>1,122,364,711</b>      | <b>1,122,281,362</b>  | <b>83,349</b>    | <b>301,557</b>  |

ALASKA DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT  
 FY2014 DISPARITY TEST - Page 2 Column N, Adjusted Deductible Impact Aid  
 COMPILED FROM FISCAL YEAR 2014 AUDITS

| SCHOOL DISTRICT  | U                            | V                           | W   |
|------------------|------------------------------|-----------------------------|---|
|                  | Actual Deductible Impact Aid | Adjustments Based on Audits | Disparity Column N Adjusted Deductible Impact Aid |
| ALASKA GATEWAY   | 283,302                      | -                           | 283,302   |
| ALEUTIAN REGION  | 24,784                       | -                           | 24,784  |
| ALEUTIANS EAST   | 228,089                      | -                           | 228,089   |
| ANCHORAGE        | 8,867,931                    | 45,495                      | 8,822,436   |
| ANNETTE ISLAND   | 1,401,502                    | -                           | 1,401,502   |
| BERING STRAIT    | 9,703,645                    | -                           | 9,703,645   |
| BRISTOL BAY      | 54,697                       | 433                         | 54,264  |
| CHATHAM          | 180,084                      | -                           | 180,084   |
| CHUGACH          | 72,961                       | -                           | 72,961  |
| COPPER RIVER     | 295,361                      | -                           | 295,361   |
| CORDOVA          | 9,584                        | -                           | 9,584   |
| CRAIG            | 217,243                      | 2,076                       | 215,167   |
| DELTA GREELY     | 382,505                      | -                           | 382,505   |
| DENALI           | 1,856                        | 21                          | 1,835   |
| DILLINGHAM       | 232,176                      | 2,733                       | 229,443   |
| FAIRBANKS        | 6,801,255                    | -                           | 6,801,255   |
| GALENA           | 9,848                        | 1,309                       | 8,539   |
| HAINES           | -                            | -                           | -   |
| HOONAH           | 40,619                       | 8,100                       | 32,519  |
| HYDABURG         | 28,299                       | 8,688                       | 19,611  |
| IDITAROD         | 245,606                      | -                           | 245,606   |
| JUNEAU           | -                            | -                           | -   |
| KAKE             | 166,189                      | 33,896                      | 132,293   |
| KASHUNAMIUT      | 1,835,162                    | -                           | 1,835,162   |
| KENAI PENINSULA  | -                            | -                           | -   |
| KETCHIKAN        | -                            | -                           | -   |
| KLAWOCK          | 248,572                      | 30,631                      | 217,941   |
| KODIAK           | 520,155                      | -                           | 520,155   |
| KUSPUK           | 1,703,337                    | -                           | 1,703,337   |
| LAKE & PENINSULA | 415,810                      | 17,886                      | 397,924   |
| LOWER KUSKOKWIM  | 15,860,399                   | -                           | 15,860,399  |
| LOWER YUKON      | 9,873,656                    | -                           | 9,873,656   |
| MAT-SU           | -                            | -                           | -   |
| NENANA           | 2,664                        | -                           | 2,664   |
| NOME             | 26,741                       | 1,085                       | 25,656  |
| NORTH SLOPE      | 1,168,082                    | 1,291                       | 1,166,791   |
| NORTHWEST ARCTIC | 1,206,765                    | 74,103                      | 1,132,662   |
| PELICAN          | -                            | -                           | -   |
| PETERSBURG       | -                            | -                           | -   |
| PRIBILOF         | 440,988                      | -                           | 440,988   |
| SAINT MARY'S     | -                            | -                           | -   |
| SITKA            | 6,872                        | -                           | 6,872   |
| SKAGWAY          | -                            | -                           | -   |
| SOUTHEAST ISLAND | 154                          | -                           | 154   |
| SOUTHWEST REGION | 3,532,181                    | -                           | 3,532,181   |
| TANANA           | 146,622                      | 68,033                      | 78,589  |
| UNALASKA         | 12,122                       | -                           | 12,122  |
| VALDEZ           | 1,906                        | -                           | 1,906   |
| WRANGELL         | 434                          | 18                          | 416   |
| YAKUTAT          | 67,932                       | 5,759                       | 62,173  |
| YUKON FLATS      | 511,529                      | -                           | 511,529   |
| YUKON-KOYUKUK    | 967,531                      | -                           | 967,531   |
| YUPIIT           | 2,673,242                    | -                           | 2,673,242   |
| Z Mt. EDGE CUMBE | -                            | -                           | -   |
| <b>TOTAL</b>     | <b>70,470,392</b>            | <b>301,557</b>              | <b>70,168,835</b>                                 |

EXPLANATION OF FY2014 DISPARITY TEST COMPUTATIONS & WORKSHEETS

PAGES 1, 2 & 3 OF EXHIBIT

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- Column A     SCHOOL DISTRICT lists the LEA's in operation during FY2014.
- Column B     ACTUAL FY2014 STATE FOUNDATION PAYMENTS as distributed by the Alaska Department of Education during the 2013-2014 school year. These amounts represent state support payments received by the LEA's under provisions of the Alaska Public School Foundation Program. AS 14.17, 34 CFR 222.63(d)(1)
- Column C     ADJUSTMENTS BASED ON AUDITS amounts represent FY2014 state aid due to LEA's based on audited local revenues and adjustments to Impact Aid as directed by USDOE Impact Aid Office. Amounts are carried forward from Attachment A—Adjustments Based on Audits (State Owes).
- Column D     FY2014 OTHER STATE REVENUE as reported in the School Operating Fund (general fund) of all LEA audits for the fiscal year tested. Amounts represent all other state revenue not reported under the specific categories above.  
34 CFR 222.63(d)(1)
- Column E     SUB-TOTAL STATE REVENUE combines all revenue in columns B, C and D.
- Column F     FY2014 CITY/BOROUGH APPROPRIATIONS as reported in municipal LEA audits for the fiscal year tested. (In Alaska, only cities and boroughs/“municipal governments” have the power of taxation and legal responsibility to support public schools; there are no local appropriations for REAA's.) 34 CFR 222.63(d)(2)
- Column G     FY2014 EARNINGS ON INVESTMENTS as reported in municipal LEA audits for the fiscal year tested.  
34 CFR 222.63(d)(2)
- Column H     FY2014 OTHER LOCAL REVENUE as reported in municipal LEA audits for the fiscal year tested. Amounts include all local revenue not reported in columns F, G and I.  
34 CFR 222.63(d)(2)
- Column I     FY2014 IN-KIND SERVICES as reported in municipal LEA audits for the fiscal year tested. Amounts represent the value of services provided to the LEA by the municipal government.
- Column J     SUB-TOTAL LOCAL REVENUE combines all revenue in columns F, G, H and I.
- Column K     FY2014 OTHER REAA REVENUE contains revenues received and reported by REAA LEA's in FY2014 audits. Revenues are included as required by 34 CFR 222.63(d).

EXPLANATION OF FY2014 DISPARITY TEST COMPUTATIONS & WORKSHEETS  
(Continued)

PAGES 1, 2 & 3 OF EXHIBIT

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- Column L     FY2014 TUITION FROM STUDENTS are payments received from students enrolled in any instructional program for which a tuition fee is collected by the district.
- Column M     FY2014 TUITION FROM DISTRICTS are payments received from other school districts enrolled in any instructional program for which a tuition fee is collected by the district.
- Column N     ADJUSTED DEDUCTIBLE IMPACT AID are amounts of Impact Aid funds deducted by the Alaska Department of Education & Early Development during the 2012-2014 school year when determining state aid to LEA's for the year, this takes into account adjustments in Column C.
- Column O     FY2014 OTHER FEDERAL FUNDS as reported in LEA audits for the fiscal year tested. These are reported federal revenues to the general operating fund which are not restricted as to use by other federal law or regulations. 34 CFR 222.63(d)(4).
- Column P     FY2014 OTHER REVENUE is other sources of Federal revenue which are not classified elsewhere.
- Column Q     FY2014 FUND TRANSFERS IN lists amounts transferred from other school district funds into the school operating fund as reported in LEA audits for FY2014. Such transfers represent revenues to the general operating fund.
- Column R     FY2014 AUDITED TOTAL REVENUES is the total of:  
column E – Sub-Total State Revenue  
column J – Sub-Total Local Revenue  
column K – FY2014 Other REAA Revenue  
column L – FY2014 Tuition from Students  
column M – FY2014 Tuition from Districts  
column N – Adjusted Deductible Impact Aid  
column O – FY2014 Other Federal Funds  
column P – FY2014 Other Revenue  
column Q – FY2014 Fund Transfers In

EXPLANATION OF FY2014 DISPARITY TEST COMPUTATIONS & WORKSHEETS  
(Continued)

PAGES 1, 2 & 3 OF EXHIBIT

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- Column S     ADJUSTED ADM is calculated by:
1. Taking the aggregate number of full-time equivalent students enrolled during a count period divided by the number of days in the count period as defined in AS 14.17.990.
  2. Adjust that number for school size as defined in AS 14.17.450.
  3. Multiply it by the district cost factor as defined in AS 14.17.460.
  4. Apply the Special Needs Funding factor of 1.2 as defined in AS 14.17.420(1).
  5. Apply the vocational and technical factor of 1.015 as defined in AS 14.17.420(3)
  6. Add to this the aggregate number of Intensive Students multiplied by 13.
  7. And finally add the aggregate number of correspondence students multiplied by 80% as defined in AS 14.17.420(2) and AS 14.17.430, respectively.

- Column T     REVENUE PER ADJUSTED ADM calculated by dividing column R by column S.

COMPUTATION OF DISPARITY:

The computation of disparity is performed as required by 34 CFR 222.63(a) using the methodology described in the paragraph numbered 1. The computations are displayed in the bottom right corner of page 3. Specifically, the disparity computation is performed as follows:

- a. The revenues per adjusted Average Daily Membership (ADM) are ranked in descending order.
- b. The 95th and 5th percentiles are identified as follows:
  1. Total FY2014 Adjusted ADM are multiplied by 5% to obtain the target number needed to find the 95th and 5th percentiles of the adjusted ADM.
  2. Total FY2014 Adjusted ADM are added from the top down until the target number is reached but not exceeded, the next value down identifies the LEA at the 95th percentile and labeled with the word "HIGH."
  3. Total FY2014 Adjusted ADM are added from the bottom up until the target number is reached but not exceeded, the next value up identifies the LEA at the 5th percentile and labeled with the word "LOW."
- c. The amount of revenue per adjusted ADM (column T) for the "LOW" LEA is subtracted from the amount shown for the "HIGH" LEA. The result is divided by the amount shown for the low LEA, yielding the percentage of disparity.

EXPLANATION OF ATTACHMENT A  
CALCULATION OF COLUMN C OF DISPARITY TEST

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SCHOOL DISTRICT lists the LEA's in operation during FY2014.

STATE AID BASED ON AUDITS lists amounts that should have been paid to the LEA's based on audited data.

ACTUAL STATE AID PAID lists the amounts that were actually paid to the LEA's during FY2014.

AUDITS LESS PAID represents the difference between column X and column Y.

ADJUSTMENTS BASED ON AUDITS (AMOUNT STATE OWES) lists the amounts owed LEA's by the State of Alaska. Amounts are listed in column C, page 1 of the disparity test (adjustments based on audits).

EXPLANATION OF ATTACHMENT B

CALCULATION OF COLUMN N IN DISPARITY TEST

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SCHOOL DISTRICT lists the LEA's in operation during fiscal year 2014.

FY2014 ACTUAL DEDUCTIBLE FEDERAL PL81-874 lists the amounts of Impact Aid funds the Alaska Department of Education deducted when determining state aid to LEA's for the 2013-14 school year.

ADJUSTMENTS BASED ON AUDITS lists the amounts representing FY2014 state aid due LEA's based on audited local revenues and adjustments to Impact Aid as directed by the USDOE Impact Aid Office. These amounts are carried forward from attachments A.

ADJUSTED DEDUCTIBLE IMPACT AID (PL81-874) amounts represent column U less column V.

HB

126



OFFICIAL BUSINESS

# Alaska State Legislature

## House of Representatives

COMMITTEE ON HEALTH, EDUCATION  
AND SOCIAL SERVICES

FOUCHV  
JUNEAU, AK 99811  
465-3759

### LETTER OF INTENT FOR CSHB 126 (HESS)

The House HESS Committee has considered HB 126, "An Act relating to the public school foundation program;...efd.", and passed it on to the House Finance Committee, the next committee of referral. Upon adoption of several minor amendments, which are incorporated into the HESS committee substitute, the Committee recommends the bill as a fundamentally equitable means of distributing state money to the state's elementary and secondary schools. CSHB 126 (HESS) will pass the disparity test which is required to continue the annual receipt of approximately \$60 million of federal PL 81-874 funds.

During our deliberations on HB 126, the Committee considered a number of issues which are outside of the distribution mechanism created by the bill, but which directly affect the overall level of state funding to school districts. These issues are related to the Governor's revised FY 88 budget, namely:

- 1) Beginning FY 88, school districts will be expected to pay the state's contribution to the Teachers Retirement System out of foundation funds.
- 2) No longer will there be a separate state appropriation for community schools. Instead HB 126 authorizes school districts to fund community schools out of foundation dollars.
- 3) In FY 88, the state's reimbursement for school construction debt will be reduced from 90% of entitlement to 70%.
- 4) Pro-ration for the reimbursement of pupil transportation will be reduced to 75% in FY 88.

The elimination or reduction of these various fund sources means that state funding to school districts will be reduced in FY 88, from the FY 87 revised levels, by approximately \$65.2 million. Funding through the foundation program will increase in FY 88 by \$7.9 million leaving a net overall decrease of \$57.3 million, (see attached chart). When compared to the budget passed by the legislature and signed by the governor last year, before executive impoundments, the

decrease is even more dramatic: \$127.9 million. The Committee is well aware of the critical budget problems that our state faces, but we consider such cuts to be excessive. In an era when the role of state government needs to be re-examined and priorities need to be re-considered, the essential and fundamental obligation of funding public schools must remain paramount.

It is the intent of the Committee in passing out CS HB 126 (HSS) to recognize the inadequate level of funding for public education, but also to endorse the funding mechanism created in this bill. It is very important to note that, except for one simple modification, methods for increasing education funding should be sought outside of this bill. In this regard, the Committee discussed the following approaches:

- 1) increasing the base instructional unit value above the \$60,000 level indicated in the bill (the simple modification),
- 2) restoring the state's contribution to the TRS as a separate budget line item without a corresponding decrease to the base instructional unit value,
- 3) funding the community school program as a separate budget line item without a corresponding decrease to the base instructional unit value,
- 4) funding construction debt reimbursement at 100% of entitlement,
- 5) providing a means to require and/or encourage unorganized areas to organize and collect taxes.

Of these approaches, the Committee endorses items 1), 2) and 3), above, as the most equitable and attainable means of increasing funding for education in FY 88. It is the opinion of the Committee that funding for education should be held harmless at the FY 87 revised levels mentioned earlier; a total of \$57.3 million, (see the attached chart). In particular, the Committee strongly recommends that \$28.5 million be reinstated for the TRS and \$2.2 million be reinstated for community schools, each outside of the foundation program.

The Committee adopted amendments to HB 126 as follows:

- 1) The 5.5 mill tax levy limit on local effort was changed to 6.0 mills, (sec. 4). This allows school districts more flexibility in contributing local effort and will not result in a failure of the disparity test.
- 2) The effective date on the authorization to deduct fund balances over 5% from the school district's following year's appropriation was moved back to July 1, 1988, (sec. 25). This will allow school districts more time to adapt to this change in statute.

- 3) The existing law was changed so that federal funds received by a school district will be credited to the year for which the funds were intended, (sec. 2 and 21).
- 4) The formula was changed so that special education programs were guaranteed minimum funding, (sec. 7).
- 5) The purpose section was changed to read, that the foundation program is to assure an "equitable" level of educational opportunities, rather than an "adequate" level, (sec. 16).
- 6) The commissioner (of DOE) was granted the authority to allow an alternative 20-day student count period, for good cause, (sec. 13).
- 7) The deadline for student count periods was moved from September 20th to October 15th, to allow school districts more time for preparation, (sec. 10).
- 8) Several clarifying and technical amendments were also made by Legislative Legal Services and the Attorney General's Office.

The Committee considered, but did not adopt the following suggested changes to HB 126:

- 1) Changing of the formulas which determine elementary and secondary instructional units, (sec. 6), was not adopted since these formulas appropriately represent the economies of scale associated with operating schools.
- 2) A teacher training and experience factor was not adopted because the ramifications of such an amendment were not adequately addressed.
- 3) Modification of the 35% local effort requirement, (sec. 4), was not adopted because such an amendment would cause a greater disequalization of funds.
- 4) Language requiring the use of full and true property value determinations (sec. 12) was not changed since full and true value is the most objective and fair measure available that can be applied to all districts.
- 5) An amendment that would have limited the requirement that the Department of Community and Regional Affairs determine the full and true value of property only in city and borough districts, and not in REAs, failed, (sec. 12).

Several concerns regarding the area cost differentials were reviewed by the committee. Due to the absence of any other comprehensive and objective approach, the Committee supports the use of the differentials in HB 126. We strongly suggest, however, that the data upon which the differentials were developed be re-examined and adjusted so that the actual costs of school operations, rather than costs of living, are more accurately represented.

There was considerable discussion regarding the possible taxation of the unorganized areas to help defray the cost of education in those areas. Sample assessment data was presented to the Committee showing that, at a four mill levy, approximately \$16.0 million in taxes could be raised from the unorganized areas represented by the 23 REAAs. Of that total, \$12.0 million would come from the four REAAs which encompass the Trans Alaska Pipeline. As important as any funds that could be generated from any kind of taxation plan, the Committee was concerned that some means be found to encourage local fiscal responsibility through some local contributions. The Committee urges the Finance Committee to give this issue serious consideration.

In conclusion, upon considerable deliberation, the House HESS Committee strongly recommends that the legislature adopt CSHB 126 (HESS) as an equitable, vastly improved means of funding public schools in the State of Alaska. We urge that increased funding for education be appropriated for FY 88 as outlined above. We also recommend an objective and comprehensive re-examination of the area cost differentials. Finally, we urge that the issue of taxation in the unorganized areas be given serious consideration. We welcome any opportunity to discuss our Committee's deliberations at any time.



Rep. N. Koponen  
Co-Chairman



Rep. Johnny Ellis  
Co-Chairman

## A REVIEW

### Governor's Public School Foundation Funding Program

SB 119 / HB 126

■ **SENATE BILL 119/HOUSE BILL 126**, Governor Steve Cowper's proposed Public School Foundation Program, is designed to enable the state to meet fiscal equalization criteria outlined in the federal PL-874 "disparity test." Alaska must meet the guidelines in order to utilize approximately \$60 million in PL-874 funds within the state foundation plan as general revenues. In addition, the Matanuska-Susitna Borough School District has filed suit against the State of Alaska for similar disparities in state funding distribution.

■ **PL 81-874 DISPARITY TEST**—The federal PL-874 disparity test measures the disparity in local student expenditures by instructional unit among school districts. The test takes into consideration how many dollars and equivalents in dollars are used as local revenues from local taxes, in-kind services, interest earnings and state tuition payments. Under guidelines of the disparity test, the range of local revenues may not vary more than 25 percent between the school district that raises the lowest amount of local revenues per instructional unit and the district that raises the most per instructional unit. Since federal regulations allow states to eliminate five percent of the students at the top of the scale and five percent at the bottom, Alaska eliminates both of its oil rich school districts, Valdez and North Slope Borough, which contribute considerably more than 25 percent beyond the lowest amount. Since REAAs are not authorized to raise local taxes, five percent of the students at the bottom of the scale can be from any REAA. The disparity test uses \$60,000 per instructional unit as the base. Therefore, school districts able to raise revenue must keep local revenues at or below

\$15,000 per instructional unit, which represents a 25 percent disparity. This keeps maximum expenditures at or below \$75,000 per instructional unit, which is within 25 percent of \$60,000 base.

■ **THE PROPOSED FOUNDATION** program is based on the "instructional unit" method of funding. This is similar to the present foundation law, but SB 119/HB 126 proposes to simplify many other aspects of the program.

■ **SB 119/HB 126** requires city and borough school districts to pay up to 35 percent of "basic need," as determined under the bill, with the equivalent of what a 4 mill property tax would raise in their district. Since REAAs do not have tax raising authority, the state would pay for 100 percent of basic need, less the amount of deductible PL-874 funds.

The bill provides area cost differentials for school districts based on a 1986 arbitrator's decision that sets state employees' salary differentials for various regions of Alaska.

■ **THE DEFINITIONS** printed on the back of this page, when used with the two mathematical formulas below and the attached chart, provide a basis for understanding the terms and concepts in the governor's bill. The figures used in the accompanying chart are based on current data gathered and computed by the Department of Education to estimate the amount of funds generated by each of the 35 school districts under the bill.

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#### THE FORMULA USED TO CALCULATE BASIC NEED:

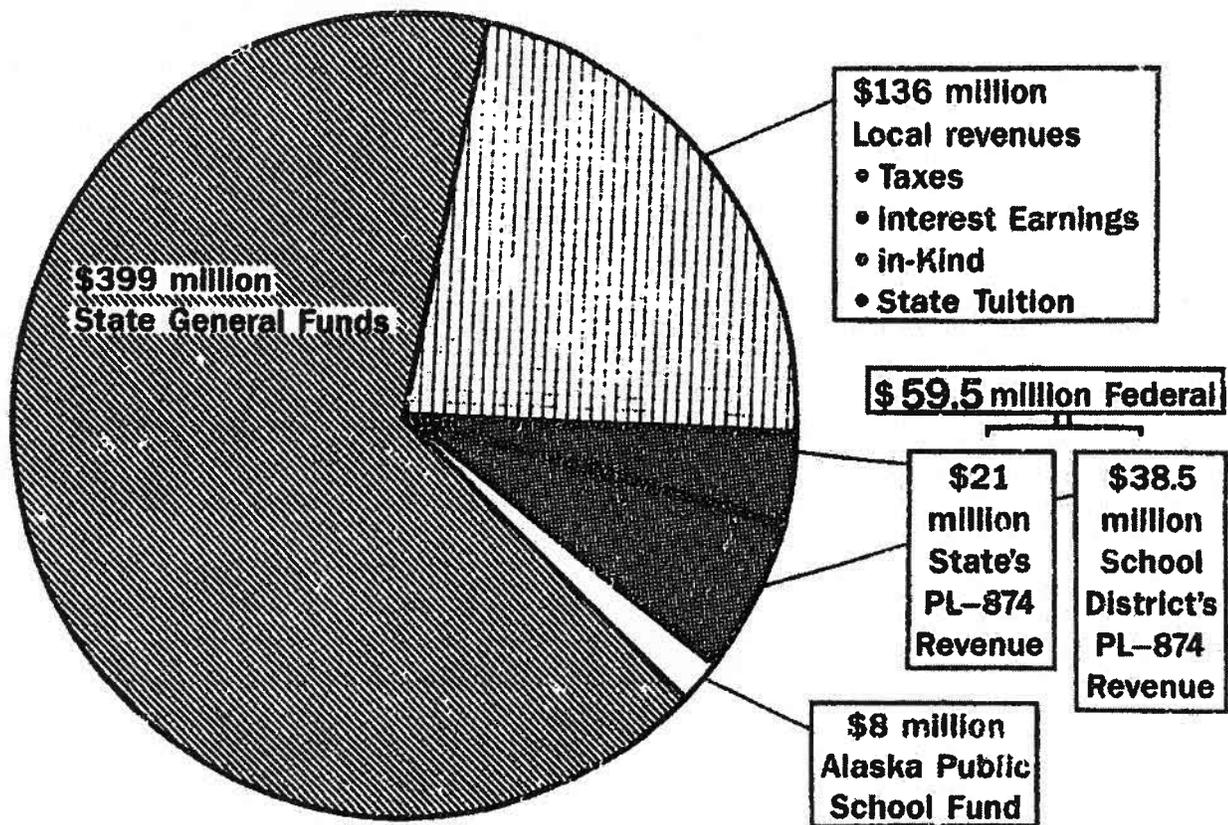
**BASIC NEED = (Instructional Units) X (Area Cost Differential) X (\$60,000)**

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#### THE FORMULA USED TO CALCULATE STATE FOUNDATION AID:

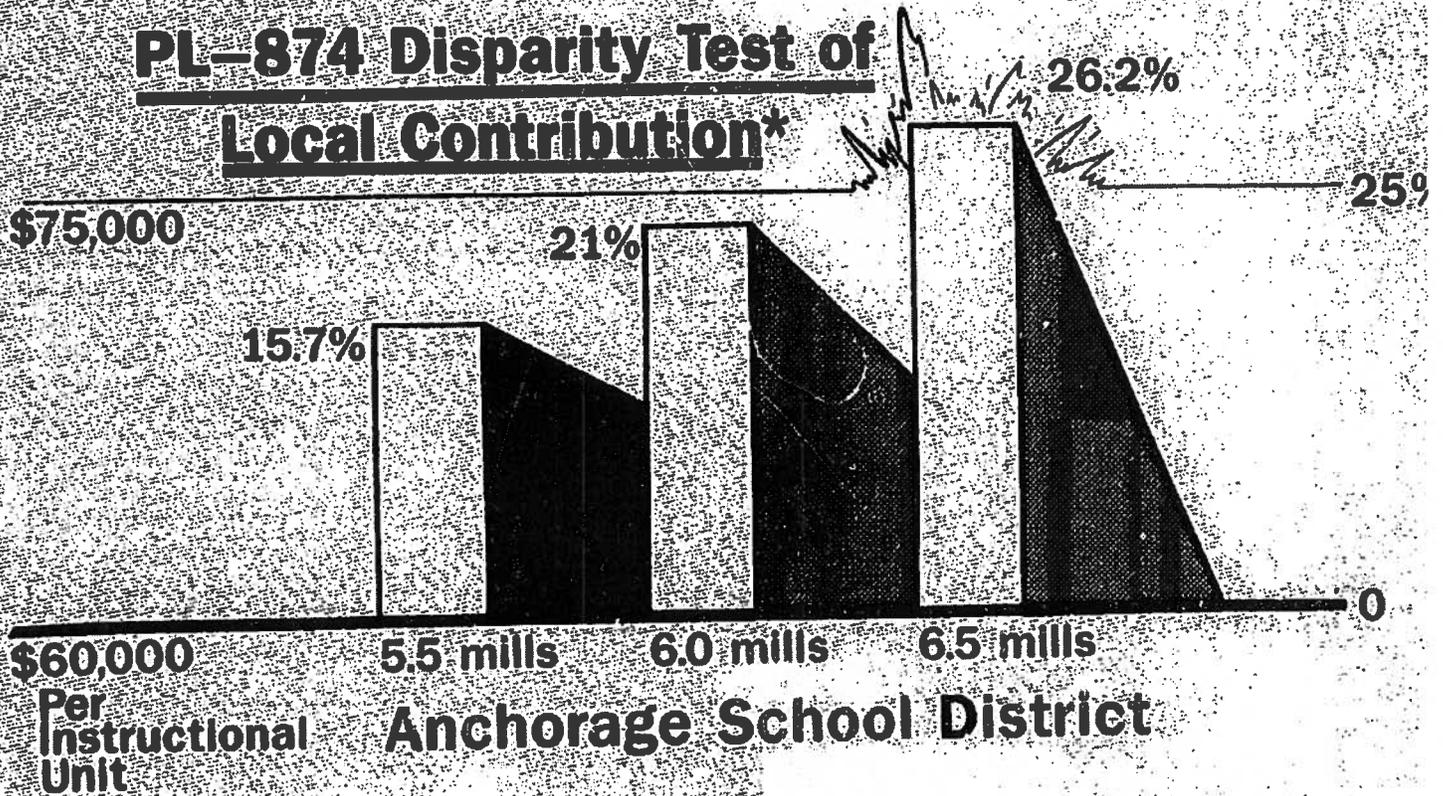
**STATE FOUNDATION AID = (Basic Need) - (Local Effort) - (90% Eligible PL-874)**

## FY 88 Foundation Revenue Sources



**\$602.5 MILLION**

# PL-874 Disparity Test of Local Contribution\*



- \*Local Taxes
- \*In-Kind Services
- \*Interest Earnings
- \*State Tuition



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

May 23, 2014

Honorable Mike Hanley  
Commissioner  
Alaska Department of Education and Early Development  
801 West 10<sup>th</sup> Street, Suite 200  
Juneau, Alaska 99801-1894

Dear Commissioner Hanley:

Enclosed are a certification and related report confirming that Alaska meets the requirements of section 8009(b) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. § 7709(b)). This means that the State is eligible to consider a portion of Impact Aid payments as local resources in determining State aid entitlements for the period July 1, 2014 – June 30, 2015 (fiscal year 2015).

A copy of the certification and report is being sent to all school districts in Alaska to inform them of their right to a hearing.

Sincerely,

Alfred D. Lott, CPM  
Director  
Impact Aid Program

Enclosures



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

May 23, 2014

NOTICE OF ACTION UNDER SECTION 8009(b) OF THE ELEMENTARY AND  
SECONDARY EDUCATION ACT OF 1965 (20 U.S.C. § 7709(b))

State – Alaska

Period of Certification – July 1, 2014 – June 30, 2015

As further described in the enclosed report, we have determined that Alaska is eligible to take into consideration Impact Aid payments in determining State aid to local educational agencies in accordance with section 8009(b) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. § 7709(b)) for the period noted above, pursuant to delegation by the Assistant Secretary for Elementary and Secondary Education.

Any local educational agency adversely affected by this action may request, in writing and within 60 days of the receipt of this notice, a hearing under section 8009(c)(3)(B) and 34 C.F.R. § 222.165. A request for a hearing must specify the issues of fact and law to be considered, and should be sent to: Director, Impact Aid Program, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202-6244 and with a copy emailed to [Alfred.Lott@ed.gov](mailto:Alfred.Lott@ed.gov).

  
Alfred D. Lott, CPM  
Director  
Impact Aid Program

Enclosure

REPORT FOR THE YEAR JULY 1, 2014 - JUNE 30, 2015 (STATE FISCAL YEAR 2015)  
UNDER SECTION 8009(b) OF THE ELEMENTARY AND SECONDARY EDUCATION  
ACT OF 1965 (20 U.S.C. § 7709(b))

State - Alaska

Section I. Background

A. Procedural History

The Commissioner of the Alaska Department of Education and Early Development (State) timely notified the U.S. Department of Education (Department) and all Alaska school districts of the State's intention, under Section 8009(b) of the Elementary and Secondary Education Act of 1965, ("the Act"), to take Impact Aid payments into consideration in the calculation of school aid for the period of July 1, 2014 to June 30, 2015 (State fiscal year (FY) 2015). The notice was by letter to this office dated February 25, 2014, and by numbered memorandum 2014-006 to all school districts in the State dated February 25, 2014. The Department received final State FY 2013 data in support of the request for certification under section 8009(b) on February 25, 2014.

By memorandum dated March 4, 2014, the Department notified all Local Educational Agencies (LEAs) in the State of their opportunity to request a predetermination hearing concerning the State's request. No LEA requested such a hearing.

B. State Foundation Formula

As we understand the Alaska public school funding formula that was in effect for State FY 2013, the relevant data year for this determination, funding for public schools consists of State aid, a required local contribution, and eligible Federal Impact Aid. A district's State aid equals "basic need" minus a required local contribution and 90 percent of eligible Federal Impact Aid for that fiscal year. Under the formula (Alaska Stat. §§ 14.17.410) "basic need" is a number ("N") multiplied by the base student allocation (BSA) (see Alaska Stat. § 14.17.470). "N" is the sum of the products of three formulas:

1. The average daily membership (ADM) of all students (except correspondence students), times the applicable district cost factor under Alaska Stat. §14.17.420(a)(1);
2. The ADM of intensive needs students times the intensive need factor (see Alaska Stat. § 14.17.420(a)(2));
3. The ADM of correspondence students times the correspondence factor (see Alaska Stat. § 14.17.430).

In addition, the formula provides for Quality School Funding and the calculation of foundation aid on a "hold harmless" basis.

A district's eligible Impact Aid is calculated by taking the district's total Impact Aid, subtracting basic support payments received under section 8003(a)(2)(B) weighted in excess of 1.0 (children residing on Indian lands), supplemental payments under section 8003(d) of the Act (children with disabilities), funds received under section 8003(b)(2) of the Act (heavily impacted LEAs) that are in excess of amounts calculated under section 8003(b)(1) of the Act (Basic Support payments), and multiplying the result by the ratio of the district's required local contribution to its actual local contribution, as required under 20 U.S.C. § 7709(d)(1)(B). We authorized the State to reduce aid by a percentage of Impact Aid for State FY 2013.

## Section II. Description of Disparity Calculation

### A. Disparity Test

A State may take into consideration Impact Aid payments in calculating State aid if the Secretary determines that the amount of per-pupil expenditures or revenues of the local educational agency with the highest per-pupil expenditures or revenues in the State did not exceed the per-pupil expenditures or revenues of the LEA with the lowest per-pupil expenditures or revenues by more than 25 percent. 20 U.S.C. § 7709(b)(2)(A). As described below, Alaska has satisfied this requirement for FY 2015.

In making this determination, we disregarded LEAs with expenditures or revenues above the 95<sup>th</sup> percentile or below the 5<sup>th</sup> percentile of such revenues or expenditures in the State as required by the statute. See 20 U.S.C. § 7709(b)(2)(B)(i) and 34 C.F.R. § 222.162(a).

As required by section 8009(b)(2)(B)(ii), we also took into account the extent to which the State's program reflects the additional cost of providing free public education in particular types of LEAs or to particular types of students. The data provided to the Department calculated revenues per student on an adjusted ADM basis. The State adjusted total membership for school size (as defined in AS 14.17.990), district cost factor (as defined in AS 14.17.460), special needs and intensive services (as defined in AS 14.17.420(1)), and correspondence students (as defined in AS 14.17.420(2) and AS 14.17.430). These adjustments meet the qualifications for adjustments as defined in 34 C.F.R. § 222.162(c)(2).

### B. Fiscal Year 2012 Data in Support of FY 2014 Request

The revenue per adjusted ADM at the 95<sup>th</sup> percentile is \$7,518 (Kodiak), and the revenue per adjusted ADM at the 5<sup>th</sup> percentile is \$6,298 (Lower Yukon). The resulting disparity is 19.37 percent.

In addition, the data show that the proportion of Impact Aid taken into account by the State (the ratio of local taxes covered under the equalization program to all tax receipts times 90 percent) is less than the maximum permitted (the ratio of local taxes covered under the equalization program to all tax receipts), for each district.

**Section III. Findings**

It is our understanding that the State funding formula has not changed in any aspect relevant to this determination since State FY 2013. It is the State's obligation to notify us of any relevant changes to the State formula. Based upon that understanding and the final FY 2013 data received by the Department on February 25, 2014, the revenue disparity is less than the 25 percent allowed under section 8009(b)(2)(A). The Alaska State aid formula is hereby certified under section 8009(c)(3) of the Impact Aid statute for FY 2015, pursuant to delegation from the Assistant Secretary for Elementary and Secondary Education to the Impact Aid Program Director.

Therefore, the State may take into consideration Impact Aid revenues when calculating State aid to districts for FY 2015. The State may not take into consideration the increased payments that results from the use of a weight of greater than 1.0 under subparagraph (B) of section 8003(a)(2) of the Act (children residing on Indian lands) or supplemental payments under section 8003(d) of the Act (children with disabilities), and, with respect to a local educational agency that receives a payment under section 8003(b)(2) of the Act (heavily impacted LEAs), the amount in excess of the amount that the agency would receive if it were eligible under section 8003(b)(1) and not section 8003(b)(2). See 20 U.S.C. § 7709(b)(1). The maximum proportion of payments that may be taken into consideration, calculated under section 8009(d)(1) for each LEA, is available from the State upon request.

Approved and Issued By:



Alfred D. Lott, CPM  
Director  
Impact Aid Program

5-23-14

Date

IN THE SUPREME COURT FOR THE STATE OF ALASKA

STATE OF ALASKA, MICHAEL HANLEY,  
COMMISSIONER OF ALASKA  
DEPARTMENT OF EDUCATION AND  
EARLY DEVELOPMENT, in his official  
capacity,

Appellants/Cross-Appellees,

v.

KETCHIKAN GATEWAY BOROUGH, an  
Alaska municipal corporation and political  
subdivision; AGNES MORAN, an individual,  
on her own behalf and on behalf of her minor  
son; JOHN COSS, a minor; JOHN  
HARRINGTON, an individual; and DAVID  
SPOKLEY, an individual,

Appellees/Cross-Appellants.

Supreme Court Nos. S-15811/S-15841

Trial Court Case No. 1KE-14-00016 CI

CERTIFICATE OF SERVICE AND TYPEFACE

I, Sarah Ovsak, state that I am an employee of Sedor, Wendlandt, Evans & Filippi, LLC and that on May 12, 2015, I caused a true and correct copy of the BRIEF OF *AMICI CURIAE* ASSOCIATION OF ALASKA SCHOOL BOARDS, ALASKA COUNCIL OF SCHOOL ADMINISTRATORS, & ALASKA SUPERINTENDENTS ASSOCIATION in the above-referenced case as well as a copy of this CERTIFICATE OF SERVICE AND TYPEFACE to be served by U.S. Mail to the following:

**Kathryn Vogel**  
*Assistant Attorney General*  
1031 W. 4th Avenue. Suite 200  
Anchorage, AK 99501

**Scott A. Brandt-Erickson**  
*Ketchikan Gateway Borough*  
1900 1st Avenue. Suite 215  
Ketchikan, AK 99901

CERTIFICATE OF SERVICE & TYPEFACE

*State v. Ketchikan Gateway Borough et al.*, Supreme Ct. Case Nos. S-15811/S-15841 Page 1 of 2

SEDOR, WENDLANDT, EVANS & FILIPPI, LLC  
500 L Street, Suite 500  
Anchorage, Alaska 99501  
Tel (907) 677-3600 Fax (907) 677-3605

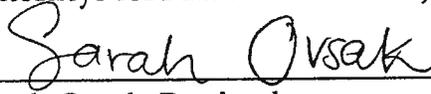
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*Fairbanks North Star Borough*  
809 Pioneer Road  
Box 71267  
Fairbanks, AK 99707

I further certify, pursuant to App. R. 513.5, that the font used in the aforementioned documents is 13-point Garamond.

DATED this 12 th day of May, 2015, at Anchorage, Alaska.

SEDOR, WENDLANDT, EVANS & FILIPPI, LLC  
Attorneys for *Amici Curiae* AASB, ACSA, ASA

  
\_\_\_\_\_  
Sarah Ovsak, Paralegal

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