

Alaska's System of Public Schools

- 1) Alaska's Constitution requires State Legislature to "establish and maintain a system of public schools" (Art. VII, Sec. 1)
- 2) Legislature established following structure to meet its constitutional obligation

DISTRICT TYPE	JURISDICTION	NUMBER	EXAMPLES
Organized Boroughs	Areawide within all Organized Boroughs	18 (34% of all districts)	Ketchikan Gateway Borough
City	Home-Rule and First-Class Cities in the Unorganized Borough	16 (30% of all districts)	City of Craig, City of Klawock, City of Hydaburg, City of Pelican
Regional Educational Attendance Area (REAA)	Unorganized Borough Outside Home-Rule and First-Class Cities	19 (36% of all districts)	Annette Island REAA, Southeast Island REAA, and Chatham REAA

- 3) Legislature established formula to fund "basic need" for each of Alaska's 53 districts. Considers factors unique to each district such as
 - a) "district cost factors" (currently range from 0.0% in Anchorage to 94.8% in Yukon Flats; Ketchikan is now 10.6%);
 - b) total student enrollment in the district;
 - c) number of students in each school in the district (one student in a school with only 10 students is counted as nearly four students (3.96); one student in a school with 1,200 students is counted as less than one student (0.98)).
- 4) Legislature requires ***municipal*** school districts (i.e., the 18 organized boroughs and 16 home rule and first class cities in the unorganized borough) to pay a portion of "basic need" for the municipality's district. However, REAAs are not required to pay any portion of their basic need.

BOROUGH AND CITY DISTRICT FUNDING FORMULA	REAA FUNDING FORMULA
"Basic Need"	"Basic Need"
minus: 90% of Federal Impact Aid	minus: 90% of Federal Impact Aid
minus: Required Local Contribution	
equals: State Education Aid	equals: State Education Aid

- 5) State executive branch agencies have acknowledged that the disparity in the formula – where municipal school districts receive less State Education Aid than REAAs because of the required local contribution – constitutes a "severe penalty".

- 6) The "local contribution" required of organized boroughs, home rule/first-class cities in the unorganized borough equals:^{*}
 - a) 2/5ths of one percent (0.0004 or 4 mills) of the value of property taxable under State law (local option exemptions are added back into the value) as of January 1, 1999; **plus**
 - b) 1/5th of one percent (0.0002 or 2 mills) of any increase in the value of property taxable under State law (local option exemptions are added back into the value) after January 1, 1999 (this provision was enacted in 2001 as is known as the "50% Rule."

- 7) The variables in 6) above result in a variety of mill-rate-equivalent required local contributions from municipal school districts. For example,
 - a) 3 municipal (city and borough) districts have no increase in taxable value since January 1, 1999, and pay a required local contribution of 4 mills (Bristol Bay Borough, and City of Pelican).
 - b) 28 municipal districts have seen increases in taxable value since January 1, 1999 and pay "blended" mill rates ranging from 2.69 mills to 3.96 mills. The more the value of taxable property has grown in a particular district since January 1, 1999, the lower the blended mill rate equivalent will be required from that district.
 - i) Those paying the lowest blended rates are the City of St. Mary's and the Matanuska-Susitna Borough (2.7 mills).
 - ii) The Ketchikan Gateway Borough pays a blended rate of 3.4 mills.
 - c) 3 municipal districts have such relatively high values of taxable property that their local contributions are capped at 45% of basic need, resulting in local contributions ranging from 0.86 mills to 2.02 mills (North Slope Borough, City of Valdez, and Municipality of Skagway).

- 8) DEED claims that the State is "subsidizing" the 28 districts, including Ketchikan, whose values have increased since 1999, but are not subject to the 45% of basic need cap.
 - a) DEED stresses that when the 50% Rule first went into effect, the negative fiscal impact to the State that year was only \$3.6 million; today the annual effect is \$73.5 million and growing. Consequently, DEED can be expected to continue to push for repeal of the 50% Rule.
 - b) DEED does not express concern over the 3 municipal districts capped at 45% of basic need that pay 0.86 mills to 2.02 mills.
 - c) DEED does not express concern over the 19 REAAs that pay nothing.

^{*} Except that the local contribution required of municipal school districts is capped at 45% of basic need. Therefore, the required local contributions of municipal districts with exceptionally large tax bases are capped at 45% of basic need.

