



# LEGISLATION

## UPDATE

Issue 12-18

April 18, 2012

### *A Membership Service of ACSA*

ACSA and ALASBO staff have been considering the changes to the local mill rate funding requirement set forth in [HB CS for CSSB182](#) and have worked with DEED to more fully understand how this component of the state foundation program will now work. You are encouraged to review the analysis below and contact Elizabeth Nudelman, EED Director of School Finance, to review the details of your district's calculations.

### **Analysis of SB182 Change in Mill Rate for Local Funding Requirement**

SB182 passed in the final hours of the 27<sup>th</sup> Legislature on April 15, 2012. Included was a change in the mill rate contribution requirement for municipalities from 4 mills to 2.65 mills, effective for FY13. The state will pay **\$21.3 million** to fund this change. Here are some points to understand about this change:

- This change does NOT affect REAA's; only districts that receive local contribution funding from their cities and boroughs are affected
- The change equalizes the mill rate contribution for all municipalities across the state; a previous provision that involved a calculation based on FY99 property values has been removed; the equalization addresses the disparity that had resulted from this calculation, whereby municipalities with faster growing property values were contributing at a lower effective mill rate than others
- There are NO LOSERS with this new plan; no school district will receive less funding than it would have with the previous mill rate
- Districts that were funded at the maximum allowable amount (cap) under the old plan will see ALL the new funding go to their municipalities; these funds could be used to help districts by paying bond debt, reducing any fees charged to the district, or local improvements that help the district, for example
- Districts that were not funded at the maximum allowable amount (cap) may receive an increase in total funding from state and local sources, depending on how the new funding is split between the district and the municipality
- The maximum allowable contribution (cap) for all districts will go down; therefore, more districts will be funded at or near the cap, even if there is no change to FY13 commitments of local funding
- Here's how the math works with this change:
  - 1) Local contribution requirement goes down, based on change from 4 mills to 2.65 mills
  - 2) State funding is increased to make up the difference
  - 3) The total of 1) and 2) is the same for all districts under the new plan and the old calculation; \$21.3 million in costs are shifted to the state
  - 4) The maximum allowable contribution (cap) is reduced because the local contribution requirement is lower (max allowable = local required + additional allowable)
  - 5) Districts and municipalities will negotiate funding up to the new maximum allowable contribution; some of the new state funding may go to districts and some will be retained by municipalities

- Watch out for:
  - Awareness of new maximum allowable local funding (cap); if a district budgets for funding that exceeds the new cap, it will be informed by EED next fall that a refund is owed to the municipality and the budget must be reduced!
  - Opportunity for additional funding from the municipality, up the amount of the new maximum allowable contribution
- Note that if a municipality chooses to fund at the same level budgeting prior to this change, so long as it doesn't exceed the new maximum allowable amount, the district will receive an automatic increase in funding, because the district will be receiving more from the state
- Note that municipalities will **NOT** be receiving checks from the state; this is a misstatement of how the funding program works (the funds are not municipal revenue sharing); however, municipalities may fund districts at a reduced amount, since the district is receiving more from the state and because their local required funding amount has gone down
- It is **highly recommended** that superintendents and school business officials take the time to understand this change, so that productive discussions with municipal officials can take place, and so that no districts will be writing refund checks to their municipalities next fall!
  - Review EED's ["Public School Funding Program Overview"](#) from September 2011
    - Note: The only updates to this document are the change in mill rate, and the change in the voc ed factor, another component of SB182
  - Contact Elizabeth Nudelman, EED Director of School Finance, to review the specific figures for your district: 907-465-8679, [elizabeth.nudelman@alaska.gov](mailto:elizabeth.nudelman@alaska.gov)