

IN THE MATTER OF North Slope Borough School District, Alaska
Applicant.

Docket No. 90-104-I
Student Financial Assistance Proceeding

DECISION

Appearances: Chris D. Gronning, Esq., of Bankston & McCollum, Anchorage, Alaska, for the Applicant

Denise Morelli, Esq., of the Office of the General Counsel, United States Department of Education, for the Assistant Secretary for Elementary and Secondary Education

Thomas J. Slagle, Esq., of the Office of the Attorney General, State of Alaska, for the Intervenor

Before: Judge Allan C. Lewis

This is a proceeding initiated by the North Slope Borough School District (North Slope) pursuant to 20 U.S.C. § 240(g) (1990) in which it requests review of a certification for the fiscal year 1990 by the Director of the Impact Aid Program within the Office of the Assistant Secretary for Elementary and Secondary Education (ED) that the State of Alaska (Alaska) qualified to consider the Federal impact aid received by its local educational agencies in determining the amount of state aid disbursed to these agencies.

The certification determined that Alaska had a program of state aid for free public education designed to equalize expenditures for free public education among its local educational agencies, such as North Slope, under Section 5(d)(2)(A) of the Act of September 30, 1950, Pub. L. No. 81-874, 64 Stat. 1100, as added by Section 305(a)(2) of the Education Amendments of 1974, Pub. L. No. 93-380, 88 Stat. 484 (to be codified at 20 U.S.C. § 240(d)(2)(A)). Due to the potential impact of this matter upon the State of Alaska, Alaska was allowed to intervene and participate fully in this proceeding. [See footnote 1 1/](#)

North Slope challenges the certification on three grounds. First, it argues that it was denied a hearing which was required by 20 U.S.C. § 240(d)(2)(A) before Alaska could reduce its state aid due to the receipt of Federal impact aid by North Slope. Second, it asserts that Alaska's equalization program did not satisfy the disparity test under 34 C.F.R. § 222.63 (1989) and, therefore, its program was not entitled to certification under 20 U.S.C. § 240(d)(2)(C)(i). Third, it argues that Alaska did not submit any financial information with its notice as required by 20 U.S.C. § 240(d)(2)(C)(i) and, therefore, the program should not be certified.

For the reasons stated *infra*, it is concluded that North Slope is not entitled to a hearing prior to the reduction of its state aid by Alaska; that Alaska submitted the information required by 20 U.S.C. § 240(d)(2)(C)(i) with its notice; and that, for the fiscal year 1990, ED's certification of Alaska's plan was proper and, therefore, the certification is affirmed.

I. Statement of Facts

The pertinent facts are set forth in the opinion. The detailed findings of fact are set forth in Appendix, *infra*.

II. Opinion

In 1950, Congress enacted the Act of September 30, 1950 which recognized the responsibility of the United States for the impact of certain Federal activities on the local educational agencies in the areas in which these activities were conducted. These federal activities placed financial burdens upon local educational agencies by reason of the fact that the revenues available to such agencies were diminished as the result of the acquisition of real property by the United States, the education provided to children residing on property owned by the United States, the education provided to children whose parents were employed on property owned by the United States, or the sudden and substantial increase in school attendance resulting from Federal activities. 20 U.S.C. § 236.

In order to receive Federal impact aid, an affected local educational agency was required, annually, to submit an application through its state educational agency to the Secretary of Education. 20 U.S.C. § 240(a). Though not allowed, several states subsequent to the enactment of the Federal impact aid program adopted state aid programs in which the state aid to local educational agencies was reduced proportionately by the amounts of Federal impact aid received by these agencies. These actions caused Congress in 1966 to enact 20 U.S.C. § 240(d) (1966) which reduced the local educational agency's eligibility for Federal impact aid in proportion to the state's reduction in the aggregate per pupil expenditures caused by any offset in funds. H.R. Rep. No. 1814, 89th Cong., 2d Sess. 36 (1966), reprinted in 1966 U.S.C.C.A.N. 3844, 3878. Subsequently, in 1968, the proportional reduction approach was phased out in favor of a complete denial of Federal impact aid when a state took into consideration the impact aid received by its local educational agencies in determining the eligibility or amount of state aid for such agencies. 20 U.S.C. § 240(d)(1) and (2) (1968).

In 1974, Congress reversed its approach regarding whether a state may consider Federal impact aid payments received by its local educational agencies in determining the amount of state aid received by these agencies. While it retained the general prohibition denying Federal impact aid payments to local educational agencies, it enacted an exception set forth in 20 U.S.C. § 240(d)(2)(A). Under this exception, a state could take Federal impact aid payments to its local educational agencies into consideration in determining the amount of state aid to such agencies "if a State has in effect a program of State aid for free public education . . . which is designed to equalize expenditures for free public education among the local educational agencies of that State." 20 U.S.C. § 240(d)(2)(A).

In its first contention, North Slope argues that Alaska's plan was improperly certified because North Slope was not given a hearing before ED prior to its reduction in state aid payments as a result of its Federal impact aid. In its view, a hearing before ED is permitted under 20 U.S.C. § 240(d)(2)(A) which provides--

[w]henever a State educational agency or a local educational agency will be adversely affected by the operation of this subsection, such agency shall be afforded notice and an opportunity for a hearing prior to the reduction or termination of payments pursuant to this subsection.

Thus, a hearing is afforded prior to the "reduction or termination of payments." The parties agree that the phrase "termination of payments" refers to Federal impact aid payments. They dispute, however, the meaning of the phrase "reduction . . . of payments."

ED contends that "reduction . . . of payments" refers only to a reduction of Federal impact aid payments while North Slope asserts that the phrase refers only to a reduction of state aid payments.

In North Slope's view, the Secretary may only terminate, not reduce, Federal impact aid payments to an local educational agency where a state has improperly taken into consideration Federal impact aid in determining its state aid to the local educational agency. See 34 C.F.R. § 222.69(h)(2) (1990). As the termination of payments is covered within the phrase "reduction or termination of payments" by the termination language, the "reduction" aspect, according to North Slope, can only refer to state reductions in state aid payments to local educational agencies.

ED argues that the Secretary resolved this precise issue in *Gwinn Area Community Schools v. United States Dep't of Educ.*, Dkt. No. 84-05, U.S. Dep't of Education (1985). The Gwinn decision of the Administrative Law Judge was certified by the Secretary as a Final Decision on February 1, 1989. In Gwinn, the phrase "reduction or termination of payments" was interpreted as referring only to Federal impact aid payments and, therefore, a hearing was not required under 20 U.S.C. § 240(d)(2)(A) before a state reduced its state aid payments to its local educational agencies. In this regard, the Secretary adopted the Administrative Law Judges's analysis that 20 U.S.C. § 240(d)(2)(A) (1982)--

does not prevent a State whose State aid program has been properly certified from reducing State aid payments until the hearing process is completed. Rather the emphasized language [in Section 240(d)(2)(A)] refers to payments of Impact Aid not State aid. The distinction is important. The purpose . . . is to prevent the Secretary from reducing or terminating a local educational agency's Impact Aid payments based on a determination that its State is improperly taking Impact Aid into consideration. The Secretary must give the local educational agency and its State an opportunity for a hearing. This interpretation is required by the fact that the term payments throughout the subject section refers to Impact Aid payments, not State aid.

Gwinn at 4.

In view of this dispositive authority, it is inappropriate for this tribunal to consider the various arguments advanced by North Slope to support its contention that the Gwinn decision is in error. These matters should be addressed to the Secretary. Accordingly, it is concluded that North Slope is not entitled to a hearing prior to Alaska's reduction of its state aid as a result of North Slope's receipt of Federal impact aid.

The second ground advanced by North Slope would deny certification of Alaska's plan on the basis that the area cost differential aspect of Alaska's plan is not designed to fully compensate rural school districts for unequal costs of education.

Under 20 U.S.C. § 240(d)(2)(A), a state program must be "designed to equalize expenditures for free public education among the local educational agencies" in order to be certified. Congress provided an exception to the equalization mandate for that aspect of a state's program which provides for the special educational needs of particular groups or categories of pupils--

[The term equalize expenditures] shall not be construed in any manner adverse to a program of State aid for free public education which provides for taking into consideration the additional cost of providing free public education for particular groups or categories of pupils in meeting the special educational needs of such children as handicapped children, economically disadvantaged, those who need bilingual education, and gifted and talented children.

20 U.S.C. § 240(d)(2)(B).

The Secretary characterizes these special educational needs as special cost differentials and includes within this term state funds provided to local educational agencies which reflect or are "associated with sparsity or density of population, cost of living, or special socioeconomic characteristics within the area served by an agency." 34 C.F.R. § 222.63(c)(2).

North Slope urges that the state's plan was not qualified under the disparity standard. Initially, it argues that the equalization mandate of 20 U.S.C. § 240(d)(2)(A) is applicable to payments made by a state under the exception for special cost differentials as well as to payments made under the general rule. As such, it asserts that the area cost differentials assigned to the rural isolated school districts within Alaska are understated and, therefore, Alaska's plan is not equalized and fails the disparity standard.

Therefore, in North Slope's view, there are two potential issues. The first question is whether, as a matter of law, the area cost differentials affect the disparity test. If not, North Slope concedes its case. In the event the area cost differentials affect the disparity test, North Slope believes a second issue arises as to whether, as a matter of fact, the area cost differentials accurately reflect the differing cost of education in rural Alaska. As to this latter issue, North Slope suggests that an evidentiary hearing be convened in order to present its evidence.

ED views the issues differently. In its view, the Department analyzes whether the stated purposes of the differentials are within the allowable categories of special cost differentials under 34 C.F.R. § 222.63(c)(2) and whether the differentials appear reasonably to reflect their stated purposes. Once such a "prima facie" case of reasonableness is made, the validity of special cost differentials is then presumed unless evidence shows that, as a system of differentials, they have no plausible relation to their intended purpose, i.e., that they are unreasonable. Thus, ED asserts, in effect, that the issue is whether the Department applied the appropriate standard of review to ascertain whether Alaska's area cost differentials constitute special cost differentials, i.e., whether the Department acted properly in applying a test of reasonableness and not judging the individual accuracy of special cost differentials.

The issue as to whether the area cost differential factor in Alaska's plan of state aid constitutes a special cost differential is a question of law. Initially, a special cost differential provides additional state aid to local educational agencies to meet special educational needs of particular groups or categories of pupils or to compensate for needs affected by sparsity or density of population or cost of living. Factors based upon sparsity or density of population or cost of living may reflect a variety of items such as the cost of transportation, salaries, supplies, and goods and services.

In the instant case, the area cost differential employed by Alaska in its state aid funding formula is a number assigned to each school district and fixed by statute under **Alaska Stat. § 14.17.051**. [See footnote 2 2/](#) There are 55 school districts within Alaska which were assigned an area cost differential ranging between 1.0 to 1.46. These raw numbers, coupled with the statutory label as an area cost differential, are themselves insufficient to establish that the area cost differential constitutes a special cost differential.

The parties stipulated, however, that Alaska's area cost differential is a factor intended to allow for differences in costs in different geographic areas. Stip. para. 18. The parties also agree that the amounts attributable to the area cost differentials may be excluded or set aside in the disparity computation and, such treatment may only be afforded to special cost differentials. 34 C.F.R. § 222.63(d)(1). Thus, it appears that there is no controversy that Alaska's area cost differential is a special cost differential. Even so, the facts support the same conclusion. The area cost differentials reflect primarily, with minor modifications by an arbitrator's decision and by an education finance expert Dr. Cole, the area cost differentials proposed by the Alaska Geographic Differential Study by the McDowell Group. This group was commissioned to quantify accurately differences in the cost of living in Alaska election districts. Thus, the area cost differentials reflect a cost of living adjustment which is specifically permitted by the regulations. [See footnote 3 3/](#)

North Slope's proffers a list of nine purported inadequacies in the area cost differentials. The focus of these purported inadequacies, however, is not directed toward establishing that the area cost differential concept is not a factor which adjusts for cost differentials among the State's school districts. Rather, these inadequacies are urged as assertions that the area cost differentials assigned to some of the rural Alaskan districts are understated and, therefore, are inaccurate.

In dealing with the general state aid payments under the disparity standard, 34 C.F.R. § 222.63(a) permits an approved plan to have a substantial disparity in payments among the local educational agencies, i.e. the disparity may not exceed 25% of the current expenditures or revenues per pupil. Neither the statute nor the regulations establish any standard for the special cost differentials. In this circumstance, a factor such as an area cost differential will be considered a special cost differential under 34 C.F.R. § 222.63(c)(2) so long as it exhibits the general characteristics associated with the specifically enumerated special cost differentials. The Department's concern is the protection of the integrity of 20 U.S.C. § 240(d)(2)(b) and this concern does not extend to resolving questions raised by local school districts which do not challenge the general characteristics of the purported special cost differential. Dissatisfaction by school districts concerning the size of its special cost differential multiplier, like the present one, should be directed to and resolved by the state legislature or the state courts.

North Slope also argues, in effect, that the Alaskan funding formula functions in a disequalizing manner in that North Slope and other rural municipal school districts with high area cost differentials must bear 35% of the funding attributable to their area cost differential while districts with low area cost differentials, such as 1.0 or 1.05, contribute very little funds under this aspect of the funding formula. Thus, North Slope's argument focuses on that portion of the area cost differential for each district which is in excess of 1.0. North Slope proposes that Alaska should absorb the entire area cost differential which would then, in effect, equalize the effect on all school districts.

ED responds that any disequalizing effect is a matter which should be directed to the Alaskan legislature and that it should not affect whether the area cost differential constitutes a special cost differential. ED also asserts, in effect, that the local contribution aspect of the funding formula is not unfair since all school districts must contribute.

Under the Alaska funding formula, the local municipal assembly must contribute toward the district's basic need, as the local contribution, the lesser of 35% of the basic need figure for the preceding fiscal year or the revenues generated by a four-mill property tax. [See footnote 4 4/](#) **Alaska Stat.** § 14.17.025(a) (1990). In determining the amount of the local contribution, it was more advantageous for North Slope and one other district to utilize the 35% of basic need standard while it more advantageous for the remaining local municipal assemblies to utilize the four-mill property tax standard. [See footnote 5 5/](#)

Thus, all local municipal assemblies contribute to their respective school district and do so in accordance with state law. There is nothing unequal in this statutory approach on its face which would warrant, for Federal purposes, the noncertification of Alaska's equalization program. Certification in this regard is determined on the basis of whether Alaska's plan satisfies the regulatory requirements.

Under the disparity standard in 34 C.F.R. § 222.63(a), the state's plan may not produce a disparity in "current expenditures or revenue per pupil for free public education among local educational agencies . . . [in excess of] 25 percent for the fiscal year." The percentage of the disparity in current expenditures or revenue per pupil is determined by--

(a) Ranking all local educational agencies having similar grade levels within the State on the basis of current expenditures or revenue per pupil with respect to the fiscal year for which data has been submitted in accordance with these regulations;

(b) Identifying those local agencies at the 95th and 5th percentiles of the total number of pupils in attendance in the schools of these agencies; and

(c) Subtracting the lower current expenditure or revenue per pupil figure from the higher for those agencies identified in paragraph (b) and dividing the difference by the lower figure.

34 C.F.R. Part 222, Appendix.

Based on the data provided by Alaska which is set forth in the Appendix, the revenues per adjusted instructional units for the local education agency in the 5th and 95th percentiles were \$72,544 for Ketchikan and \$60,732 for Copper River, respectively. As a result, Alaska's revenue

disparity is 19.45% for the fiscal year 1990. This is well within the 25% limitation allowed by the regulations. Accordingly, Alaska's plan satisfies the disparity standard.

The third ground advanced by North Slope challenges the certification of Alaska's plan for its fiscal year 1990 on the basis that Alaska's notice of intent to consider impact aid payments was not accompanied by any information, as required by 20 U.S.C. § 240(d)(2)(C)(i) and 34 C.F.R. § 222.68(b)(2), to establish that it had an eligible program.

Alaska filed its notice on April 12, 1989, more than two months before the beginning of its 1990 fiscal year. It did not submit at this time, however, the financial data relied upon ED to certify its equalization plan. This information was submitted some 9 months later on January 26, 1990.

Under 20 U.S.C. § 240(d)(2)(C)(i), Congress provided that--

[i]f a State desires to take [impact aid] payments . . . into consideration . . . , that State shall, not later than sixty days prior to the beginning of such fiscal year, submit notice to the Secretary of its intention to do so. Such notice shall be in such form and be accompanied by such information as to enable the Secretary to determine the extent to which the program of State aid [is designed to equalize expenditures among its local educational agencies].

In addition, 34 C.F.R. § 222.68(b)(2) governs a submission by a state leading to a determination by the Secretary regarding certification and provides that--

(2) A State educational agency in a submission must (i) demonstrate how its program of State aid comports with the criteria and standards in § 222.62 and (ii) indicate for each local educational agency receiving funds under the Act the proportion of those funds which will be taken into consideration in accordance with § 222.66.

34 C.F.R. § 222.68(b)(2).

Lastly, whenever a proceeding regarding certification is initiated--

the Secretary may request from a State the data deemed necessary to make a determination. A failure on the part of a State to comply with that request within a reasonable period of time shall result in a summary determination by the Secretary that the program of State aid of that State does not comport with the regulations under this subpart.

34 C.F.R. § 222.68(b)(4).

In North Slope's view, the "information" under 20 U.S.C. § 240(d)(2)(C)(i) which must accompany Alaska's notice is the financial data required under 34 C.F.R. § 222.68(b)(2) which demonstrates that Alaska's program of State aid satisfies the disparity standard of 34 C.F.R. § 222.63. Since Alaska's data was provided to ED in January 1990, some 9 months after the notice was filed, North Slope argues that certification of the plan must be denied.

ED, on the other hand, contends that Alaska is not required to submit its financial data simultaneously with its notice. Rather, under the regulatory scheme, the earliest point at which a state can be expected to submit its financial data in support of its equalization plan is 6 to 7 months after the beginning of the year of determination. The data for determinations may be, under Regulation Section 222.61(c), either the final data for the year preceding the year of determination which is available 6 to 7 months after the beginning of the year of determination or the estimated data for the year of determination which must be subsequently adjusted by actual data. Under the latter approach, ED views estimated data as unreliable and utilizes the actual financial data which is not available until some 18 or 19 months after the beginning of the year of determination. Thus, the regulatory scheme, as promulgated by the Secretary and implemented by ED, utilizes financial data generated after the beginning of the year of determination. Under these circumstances, ED concludes that any financial information provided with the state's notice would not assist it in its determination.

The tribunal agrees with the result urged by ED, but for different reasons. The focus of Section 240(d)(2)(C)(i) is whether a state's program is designed to equalize expenditures among the local educational agencies. Congress provided that the evidence of the program's design was to be submitted before the beginning of the year of determination. Hence, this timing sequence reflects an apparent intent by Congress that the Secretary's decision should be based upon the state's statutory provisions and rules governing its program as this is the only information available at this time. Thus, the information which must accompany a state's notice is not the financial data which is generated later and required under the regulatory scheme.

In this instant case, Alaska specifically referred to the State's statutory scheme governing its equalization program in its April 12, 1989 notice. Accordingly, Alaska submitted the information required by 20 U.S.C. § 240(d)(2)(C)(i).

In addition, Alaska's submission of financial data under 34 C.F.R. § 222.68(b)(2) regarding the disparity standard of 34 C.F.R. § 222.63 was also made in a timely fashion. The disparity standard requires financial data from the local educational agencies. The regulations are, however, silent regarding a due date for the state's submission. In this circumstance, a state must file its financial data within a reasonable period after the close of the fiscal year.

In Alaska, the local educational agencies are required to provide the State with the information pertinent to Alaska's submission by November 15th following the end of the fiscal year on June 30th. With one exception, the local educational agencies complied with this deadline. After all the information was received, Alaska compiled the financial statements for the fiscal year 1989 and submitted these results to ED on January 26, 1990, some two months after it received most of the financial data. Under these circumstances, the financial data was submitted to ED in a timely fashion and has complied with 34 C.F.R. § 222.68(b)(2).

In light of the above, Alaska's certification plan is affirmed.

III. Order

On the basis of the foregoing findings of fact and conclusions of law, and the proceedings herein, it is concluded that North Slope is not entitled to a hearing prior to the reduction of state aid by Alaska to its local educational agencies. It is further concluded that the certification of the State of Alaska for the 1990 fiscal year by the Director of the Impact Aid Program within the Office of the Assistant Secretary for Elementary and Secondary Education is affirmed and that the State of Alaska's program for free public education is certified pursuant to 20 U.S.C. § 240(d)(2)(C)(i) for the 1990 fiscal year.

Allan C. Lewis
Administrative Law Judge

Issued: November 19, 1993
Washington, D.C.

Appendix -- Findings of Fact

1. North Slope is a legally constituted school district, located within the State of Alaska.
2. On April 12, 1990, the Commissioner, Department of Education, State of Alaska, notified ED and all impact aid applicants in Alaska of the State's intention to take into consideration Federal impact aid payments under Pub. L. No. 874 in the calculation of state school aid for fiscal year 1990. The Commissioner also requested ED to certify the State of Alaska to consider Federal impact aid payments under section 5(d)(2) of Pub. L. No. 874 (20 U.S.C. § 240(d)(2)). On January 26, 1990, final fiscal year 1989 data was submitted by Alaska to permit ED to determine whether Alaska qualified to consider Federal impact aid for fiscal year 1990 under the disparity test of 34 C.F.R. § 222.63. ED's determination as to whether Alaska qualified to consider Federal impact aid for fiscal year 1990 was based on the final 1989 data submitted by the state.
3. A state may use an "instructional unit" of need in determining allocations of state aid to take into account "special cost differentials" when calculating per pupil revenue or current expenditures.
4. The final fiscal year 1989 data contains a disparity calculation based on adjusted instructional units (instructional units multiplied by the district's area cost differential. By including the revenues associated with the instructional units and the area cost differentials, the data excludes the effect of the differentials as required by 34 C.F.R. § 222.63(c)(2).
5. On July 5, 1989, ED notified all Pub. L. No. 874 applicants in the State of Alaska of their right to a predetermination hearing to afford them the opportunity to present their views with respect to the consistency of the state aid program within the provisions 20 U.S.C. § 240(d)(2). North Slope requested an opportunity to file its written views in lieu of a predetermination hearing. Such views were filed on June 20, 1990.

6. Based on the final 1989 data submitted by Alaska, ED issued a letter dated September 26, 1990 in which it certified that Alaska was eligible to take into consideration payments under Pub. L. No. 874 in determining state aid for fiscal year 1990. This determination was made after considering North Slope's objections included in its written views filed June 20, 1990, and calculating the disparity standard for compliance with 34 C.F.R. § 222.63. ED determined that the disparity standard for fiscal year 1990 was 19.45% which was within the disparity variation of 25% as provided by 34 C.F.R. § 222.63.
7. North Slope requested a hearing on October 20, 1990 to determine whether the State of Alaska was properly certified by ED to consider Federal impact aid payments in accordance with 20 U.S.C. § 240(d) with respect to fiscal year 1990.
8. The McDowell study was commissioned by the Alaska Department of Administration, Division of Labor Relations to measure the cost of living in election districts of Alaska with the resulting cost of living differentials to serve as the basis for adjusting state employee pay levels. This study resulted in a report entitled "Alaska Geographic Differential Study" prepared by the McDowell Group and Alaska Attitudes, Inc.
9. The cost differential in the McDowell study was initially modified by an arbitrator in a collective bargaining arbitration between the State of Alaska and the Alaska Public Employees Association on October 24, 1986. The arbitrator's modifications were made after reviewing a cost study prepared for the Alaska Public Employees' Association.
10. After the arbitrator's decision, the State of Alaska Department of Education retained the services of Dr. Nathaniel Cole to conduct further review of the proposed cost differentials. Dr. Cole produced a report entitled "Cost Differentials Applied to Alaska-Public and Secondary Funding Program."
11. Dr. Cole concluded that the area cost differentials in the previous state school funding program lacked sufficient support and that there were no "cost of education" studies which quantified the actual costs of actual school districts in existence for the State of Alaska.
12. Dr. Cole reviewed the McDowell report and concluded that, despite its imperfections, it was the most recent and comprehensive study available to be used as a proxy for education cost differentials. He found that the area cost differentials contained in the McDowell report were appropriate with certain modifications.
13. The legislature of the State of Alaska enacted the area cost differentials in conformity with Dr. Cole's recommendations. Thus, the codification of the area cost differentials were derived from the McDowell Group report as modified by an arbitrator's decision, and further modified by Dr. Nathaniel Cole.
14. In 1987, Alaska enacted legislation, effective for fiscal year 1988, authorizing the current educational funding formula in Alaska, codified at **Alaska Stat.** § 14.17.010 et seq.

15. The results under the disparity standard computation as set forth in 34 C.F.R. Part 222, Appendix for Alaska for the fiscal year 1990 are as follows:

School Revenues FY 1989 Percentile of
District per Adjusted Adjusted Total Pupils
Units [See footnote 6](#) Units [See footnote 7](#)

North Slope \$124,369 196.77
Valdez 111,940 63.68
Cordova 77,125 45.02
Wrangell 72,580 48.78
Ketchikan 72,544 206.80 5th percentile
Pribilof 71,866 30.49
Annette Island 71,820 43.59
Kenai 70,554 760.26
Fairbanks 70,424 1,107.33
Haines 70,229 40.06
Juneau 70,014 382.81
Sitka 69,538 136.52
Iditarod 67,238 83.60
Tanana 66,915 19.28
Galena 66,792 24.45
Anchorage 66,030 3,114.27
Adak 65,520 69.57
Kake 65,372 23.04
Matanuska-Susitna 64,851 683.21
Southwest Region 64,685 105.93
Klawock 64,572 23.77
Bering Strait 64,236 257.65
Hydaburg 64,003 16.56
Kodiak 63,934 234.14
Yakutat 63,912 19.35
Lower Yukon 63,861 226.15
Yupiit 63,759 72.95
Yukon-Koyukuk 63,747 108.30
Chatham 63,461 50.78
Nenana 63,172 27.74

(continued on following page)

School Revenues FY 1989 Percentile of
District per Adjusted Adjusted Total Pupils
Units Units

----- Alaska Gateway \$62,994 78.41
Lake & Peninsula 62,806 89.88
Nome 62,716 88.86

St. Mary's 62,324 22.22
King Cove 62,277 22.52
Kashunamiut 62,270 29.35
Southeast Island 62,121 92.30
Kuspuk 62,025 83.70
Petersburg 61,998 58.62
Delta/Greely 61,736 89.97
Hoonah 61,465 28.38
Railbelt 61,391 51.07
Aleutian Region 61,390 32.99
Lower Kuskowim 61,354 527.70
Unalaska 61,270 28.55
Sand Point 61,147 23.08
Skagway 60,956 18.80
Chugach 60,810 23.59
Copper River 60,732 87.89 95th percentile
Pelican 60,488 9.62
Dillingham 60,160 58.38
Craig 60,098 24.15
Northwest Arctic 59,540 276.44
Bristol Bay 59,485 37.71
Yukon Flats 54,222 86.61
TOTAL \$3,646,838 \$10,193.64

SERVICE

A copy of the attached initial decision was sent by certified mail, return receipt requested, on November 19, 1993, to the following:

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A copy of the attached initial decision was also sent on November 19, 1993, to--

The Honorable Richard W. Riley
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, D.C. 20202-0100

[Footnote: 1](#) 1/ While Alaska was afforded the opportunity to present its views separately, it chose to join with ED in its presentation on the first and second issues. It filed a memorandum regarding the third issue concerning the nature of information which must accompany Alaska's notice of intent. As a practical matter, references in this decision to ED also refer to positions or arguments urged by Alaska.

*[Footnote: 2](#) 2/ Under the Alaskan funding formula, the area cost differential is one of three factors which, when multiplied together, yield the basic need of the school district. The State's contribution to the school district is the difference between its basic need and the sum of the school district's local contribution and 90% of the school district's Federal impact aid, if any. **Alaska Stat.** § 14.17.021.*

[Footnote: 3](#) 3/ In some instances, the area cost differential recommended by Dr. Cole and adopted by the State included a factor to reflect sparsity of population which is also permitted by the regulations.

*[Footnote: 4](#) 4/ Basic need is the product of the district's area cost differential, the number of its instructional units, and \$60,000. **Alaska Stat.** § 14.17.021(b).*

[Footnote: 5](#) 5/ Local contributions are not required for school districts in a regional educational attendance area.

[Footnote: 6](#) Data for the preceding year 1989 may be used to certify a plan for the current fiscal year 1990. 34 C.F.R. § 222.61(c).

*[Footnote: 7](#) FY 1989 Adjusted Units is the number of instructional units calculated under **Alaska Stat.** § 14.17.031 multiplied by the area cost differential in **Alaska Stat.** § 14.17.051.*