

ALASKA

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I. GENERAL BACKGROUND

Alaska public elementary and secondary schools spent \$1.294 billion during the 1996–1997 school year (FY1997), including all operating and capital expenditures, and debt service. This is the latest year for which complete financial statistics are available. With an average daily membership (ADM) in all public schools of 126,400 students, this computes to about \$10,200 per student. Operating expenditures of Alaska's 53 local school districts totaled \$1,080.5 million to educate 124,545 students in FY1997, or \$8,675 per ADM. In addition, the state of Alaska operates a boarding school—the Mount Edgecumbe high school—and a centralized state correspondence program for rural students, which cost an additional \$8.6 million.

Alaska's Public School Foundation Program, the basic education support program, distributes about one-half of all funds for public elementary and secondary education in the state. The legislature has made numerous revisions to the program since its creation in 1970. Many of the amendments have had significant effects on the relative amount of funds received by particular districts. The formula in place during the 1996–1997 school year dates to a 1987 revision. In 1998, the legislature made significant changes to the program that took effect in FY1999.

During the past four years, the Alaska student population has grown at an annual rate of around 1.5%. Without taking inflation into account, education costs per student have stayed almost constant over this period. After adjusting for inflation (using the Anchorage Consumer Price Index), however, per-pupil education

expenditures have been falling at annual rate of about 2.3%, continuing a trend in effect since 1990.

State

In FY1997, the state of Alaska contributed \$765.4 million for public elementary and secondary schools in the state, including \$757.3 million to school districts, and an additional \$8.1 million for the state-operated schools. The largest single source of funds for Alaska school districts is the state Public School Foundation Program. In FY1997, the foundation program distributed \$617.8 million in state funds—over 80% of the total state contribution to school districts.

The state also reimbursed local governments for \$64.6 million in debt service and cash payments for school construction. Other major state funding programs include grants for pupil transportation (\$33.6 million), and capital funds for school construction. School districts reported receiving \$27.4 million in FY1997 from state capital appropriations, but the legislature appropriated only \$7.6 million that year. Several years may elapse before funds from state capital appropriations are actually disbursed to school districts. State direct capital spending for schools, including grants to local governments for school construction, has fluctuated considerably over the past twenty years, but has been very modest recently, when compared to the levels prevailing in the first half of the 1980s.

The state adds some federal grants to its foundation program before allocating the funds to school districts. In addition to the \$40.8 million the federal PL 81-874 program disbursed to Alaska school districts directly, the federal government also granted the state \$20.8 million in PL 81-874 funds in FY1997 for schools on military installations. The state adds the PL 81-874 revenues for military-base schools to the foundation program fund, and distributes them to the Anchorage, Fairbanks, and Kodiak Island school districts that operate these schools.

In the 1996-1997 school year, state support amounted to 62% of total education revenues of \$1.226 billion in FY1997. The federal government contributed \$145.2 million, or 12%. The remaining \$315.4 million came from local sources. The state and federal shares of school revenues have declined slightly over the past four years, while the local share has increased from 22 to 26% during this period.

Local Support

Although the state government provides the majority of funds to nearly all school districts in Alaska, schools in the state's 19 Regional Education Attendance Areas (REAs) serve 13,700 students where no local governments are organized to collect school taxes. These districts are dependent financially on the state, but also receive federal support. The number of REAs declined by one when the Adak School District was dissolved after the 1996 school year, following the closure of a large military base.

Alaska's 34 city and borough school districts all receive some type of local tax appropriations collected by their municipal or borough governments. In FY1997, Alaska cities and boroughs raised \$250 million in local taxes—about 80% of the total local school district revenues of \$315.4 million. Local taxes covered \$13 million in school debt service payments not reimbursed by the state, as well as \$237 million in operating revenues. School districts raised the remaining \$65.7 million of local revenues from non-tax sources. About \$8 million of these other revenues consisted of in-kind services provided to the district. Since a substantial portion of these services may have been supported by local tax revenues, the tax contribution to local school finance is probably an underestimate.

City and borough school districts in Alaska have independent authority over expenditures, but depend on the general municipal entity for access to local tax revenue. Local governments use sales and excise taxes as well as property taxes to finance education and other local services, and it is not possible to distinguish school taxes from general local taxes. In 1997, Alaska local governments as a whole collected 82.5% of local tax revenues with real and personal property taxes. This share, however, varies greatly among municipalities and boroughs. Local sales taxes provided most of the remaining 17.5% of tax revenue. The state maintains several revenue-sharing programs with local governments that provide tax relief for local taxpayers. Again, it is not possible to distinguish the portion of this tax relief that applies directly to education.

(Funding for 1998–1999 not available)
Funding Summary 1996–1997

Total State School Aid (All Programs)		\$	765 million
Grants in aid	765 million		
Teacher retirement contributions	0 million		
FICA	0 million		
Total Local School Revenue		\$	316 million
Property tax	206 million		
Other local source tax revenue	44 million		
Local source non–tax revenue	66 million		
Total Combined State and Local School Revenue		\$	1,081 million
State Financed Property Tax Credits			
Attributable to School Taxes			0

II. LOCAL SCHOOL REVENUE

During the 1996–1997 school year, the latest period for which local government financial information is available, Alaska cities and boroughs raised \$250 million from local taxes to fund their school districts. REAA districts are not contained in a borough or city with taxing authority, so they do not receive local tax revenues.

Alaska's 34 city and borough school districts nominally have independent authority over budgets, but local tax support can only be obtained from the general local legislative bodies. Consequently, all local revenue may be considered as potential school district revenue. Local taxes distributed by municipal assemblies to school districts amounted to 32% of the total \$780 million in Alaska local tax revenues in 1997.

In Alaska, the sales tax has historically been reserved for local jurisdictions; local governments rely heavily on sales and excise taxes as well as property taxes. Neither the state of Alaska nor any of its local governments levy income taxes at the present time.

Property tax

The state foundation formula defines required local effort (for city and borough school districts) as an amount equal to that which would be collected by a four mill tax on the full value of real and personal property. The Alaska Department of Community and Regional Affairs annually reviews data prepared by all local taxing jurisdictions to estimate assessment ratios, in order to compute the full-value tax base for non-petroleum property. The state of Alaska also assesses and taxes oil and gas exploration, production, and transportation property (not including the value of mineral reserves). Local governments may include this property in their local tax base, with the state deducting the local mill rate from the state's 20 mill base rate.

In 1997, Alaska local governments raised \$398 million from locally assessed (non-petroleum) property taxes and \$245 million in state-assessed (oil and gas) property taxes. These amounts compute to \$650 and \$401 per capita, respectively, using a 1997 population estimate of 611,300. One jurisdiction, the North Slope Borough, collected 90% of all local oil and gas property tax revenue.

Sales taxes

In 1997, city and borough governments collected \$137 million, or \$223 per capita, in sales and excise taxes. About three-fourths of this amount came from general sales taxes. Many of the Alaska's smaller cities have a very limited property tax base, so they rely heavily on sales tax revenue to fund general government operations.

Tax Credits and Exemptions

State law provides a real property tax exemption for owner-occupied homes of seniors (an Alaska resident 65 years of age or older) and disabled veterans, up to \$150,000 of assessed valuation. Prior to FY1997, the state partially offset the effect of this exemption on the local tax base. The state discontinued funding for the reimbursement entirely in 1997, leaving municipalities with the full \$22.3 million loss in property tax revenues.

Alaska also requires boroughs to assess land used for farming at its value as a farm, even if the land would be more valuable if converted to other land uses. If the land is converted to a non-farm use, the owner pays a deferred tax at the higher rate for the previous seven years. The five borough governments with

farms deferred collecting an estimated \$0.4 million in property taxes under this program. The farm use program costs relatively little because not much land near urban areas in Alaska is used for farming.

III. TAX AND SPENDING LIMITS

Tax limits

State law limits per-capita assessed value in a city or a borough to 225% of the average per-capita value, and local tax rates for operating expenditures cannot exceed 30 mills on the assessed valuation. These provisions have practical significance only for the North Slope Borough and the city of Valdez.

The state foundation program allows local governments to increase the local contribution to school districts beyond the required level of local effort of 4 mills on full property value (up to a ceiling of 45% of basic need). Such discretionary local tax contributions are limited, however, to the amount which would be collected by an additional 2 mill property tax, or an additional 23% of basic need, whichever is greater (ALASKA STAT. § 14.17.025(b)).

Spending Limits

School districts do not have any state-imposed minimum or maximum spending or bonding limits. As mentioned above, municipal assemblies may indirectly limit education spending through their control of the local contribution to school districts.

Voter Approval of Budgets and Bond Issues

Elected local school boards for city and borough districts submit requests for local funds to the appropriate borough assembly or city council. The local contribution to school budgets must be approved by the general local legislative body (and signed by the mayor) along with other municipal budget items. Citizens do not vote on school operating budgets. Bond issues for construction projects do require voter approval, however. The process follows that of financial requests for operating budgets, except that after bond proposals win assembly approval, they are placed before the electorate in the next general municipal election. Because of the review before local assemblies as well as school boards, and the incentive offered by the state debt retirement program described above, voters have approved most school bonds in recent years. School boards need to obtain

assembly approval again each time they wish to place a failed bond issue before the voters.

REAA districts have no local governments to turn to with the authority to levy taxes for operations or debt service. REAA's elected school boards therefore control district budgets. In practice, however, the state foundation formula, supplemented by the ability of district staff to obtain federal grants, determines the size of REAA operating budgets. REAAs obtain construction funds only by approval of the Alaska state legislature.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Alaska's constitution generally prohibits dedication of revenue. Exceptions are limited to special funds set up by the territorial government and grandfathered at statehood, and specific constitutional amendments. Two cases of the former type of exception are relevant to education finance.

According to Alaska law (ALASKA STAT. § 14.11.100(b)), a portion of state cigarette tax proceeds are distributed to a "public school fund" which can be used only for repairs, renovations, new construction, or debt service for school facilities. This law, because it dates from territorial days, avoids the state constitutional prohibition on dedicated funding. Historically, cigarette tax contributions were quite modest; the program provided about \$2.7 million annually through FY1997. In October 1997, the cigarette tax was raised from \$0.29 to \$1.00 per pack, with the entire amount going to the public school fund. The tobacco tax contribution to public schools rose to \$34.0 million in FY1999. The entire amount was appropriated to the school debt reimbursement program, meaning that REAA schools, which cannot incur debt, received none of the benefits.

The Mental Health Trust Fund was also established in the 1950s to serve the needs of the territory's mentally ill population. Prolonged litigation over the state's handling of the trust was settled in 1994. The settlement included both a cash and a land trust entitlement. To date, contributions by the Mental Health Trust to education have been modest. The Trust contributed \$0.1 million in FY1999 in special education grants.

V. THE BASIC SUPPORT PROGRAM

Funding in 1998–1999: \$654.1 million.

Percentage of Total State Aid: Not available.

Nature of Program: Foundation.

Allocation Units: The Alaska legislature made major changes to the foundation program effective July 1, 1998 (1998 ALASKA SESS. LAWS, Ch. 83). The new formula allocates funds based on Adjusted Average Daily Membership (AADM).

Local Fiscal Capacity: The foundation program takes into consideration two measures of local wealth. The first is based on an equalized assessed real and personal property valuation. The second is the district's PL 81–874 grant. The second measure appropriately addresses local fiscal capacity in a state in which a majority of the land is federally owned.

How the Formula Operates: Alaska's foundation program attempts to provide each school district with enough funds to meet a definition of basic educational *need*, if other sources of funding are not sufficient. In addition to providing at least some assistance to each district, the state is the education financier of last resort. Basic educational need is essentially the dollar amount which the state determines is sufficient to provide the Alaska schoolchild with acceptable educational services wherever he or she lives. The idea of need goes far beyond simply a level of state aid appropriated to all districts. Education equity based on need means that each district receives enough units per pupil, given the size of its schools and its program mix, and that its level of funding is adjusted adequately to reflect a geographic cost differential relative to Anchorage.

In 1998, the Alaska legislature passed Senate Bill 36 (SB36) making major changes to the foundation program effective for the 1998–1999 school year. The primary intent of the change was to provide tax relief to large urban school districts during a period in which the legislature was also reducing state revenue sharing with local governments. Anchorage, Fairbanks, and Juneau received about 5% more revenue under the new formula, while most school districts serving smaller communities received less.

SB36 law defined basic educational need as the product of the base instructional unit value, the number of units, and the area cost differential:

Basic Need = (Base Amount) x (Size-adjusted ADM) x (District Cost Factor) x (Special Needs Factor) + 5*(Intensive Services Count) + 0.8*(Correspondence Count)

SB36 replaced a formula that allocated additional funds for special, vocational, and bilingual education with a simple 20% proportional increment for all school districts that file a Special Needs Services plan with the state Department of Education, regardless of actual special education needs. In addition, however, the new formula awards funds for students receiving intensive special education (under an established individual education plan), and for correspondence students. These increments are not adjusted for district cost factors or school size.

Another factor in the new formula (SB36) that determines basic need is the district cost factor. These cost factors, or differentials, scale basic need upward by a percentage representing the cost of running the same school in different areas of the state relative to Anchorage. Because rural districts also contain most of the small sites, the regional cost indexes interact with the formulas to adjust ADM (new formula). The potential confusion created by this overlapping intent is increased by the fact that the area cost differentials currently in use do not generally coincide with estimates of actual cost of education differentials in these communities.

State Share: The foundation provides whatever portion of basic need that the law determines cannot be provided from local or federal sources. Specifically,

State Foundation Aid = (Basic Need) – (Local Effort) – (90% Eligible PL 81–874 Funds)

Under the previous law, if school enrollment declined by more than 10% from the prior year, the reduction in funding was phased in over a four-year period. SB36 includes a one-year transition period in FY1999, during which districts receive only 60% of any increase in funds from moving to the new formula, and are held harmless from funding decreases, provided local governments contributing the entire four mills of required local effort.

Local Share: Under current Alaska law, the state makes two deductions from calculated basic need in order to “equalize” state support provided to various districts. First, the state deducts 90% of the federal grants a district may receive under PL 81–874. This means that districts which receive large PL 81–874 grants

can support their schools at levels above the state-calculated basic need. Although PL 81-874 grants are entitlements, school districts have to apply for them. Allowing districts to keep 10% of their PL 81-874 funds encourages them to take the trouble to apply.

Second, districts with the ability to levy local taxes (borough and city districts) must contribute a minimum level of local support for education. The state deducts from the foundation award the amount which would be raised by a four mill (0.4%) tax on the full value of property in the district (two years' prior), subject to an upper limit. Through FY1998, the maximum required local effort requirement was 35% of basic need (in the preceding year); SB36 raised this ceiling to 45% of basic need. REAAs do not have the authority to collect taxes, so they are not required to contribute any local share. City and borough governments may increase their contribution above the required amount without losing any state support by up to an additional two mills on full value, or 23% of basic need, whichever is greater. The state imposes the restrictions on local effort in order to meet the federal disparity test requirement for including PL 81-874 aid in the foundation program.

Weighting Procedures: None

Aid Distribution Schedule: Foundation funds are distributed in monthly installments, as described above.

Districts off Formula: 1 district, North Slope Borough.

VI. TRANSPORTATION

Funding for 1998-1999: \$38.1 million.

Percentage of Total State Aid: N/A.

Description: The state provides nearly 90% of the funding for pupil transportation under a state grant program. The rationale for state funding of transportation is the enormous disparity in the cost of transportation among school districts around the state. Many communities in Alaska are not accessible by road, necessitating, for example, air travel for students to participate in any interscholastic athletic or cultural events.

State and Local Share: N/A.

Extent of Participation: N/A.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$3.8 million.

Percentage of Total State Aid: N/A.

Description: Funds for special schools for handicapped children. These funds are distributed as special grants to the school districts that operate these facilities. Alaska has no additional grants program that provides funds for special education in regular schools. However, the foundation formula awards funds for special education programs.

State and Local Share: N/A.

Extent of Participation: Not Reported.

VIII. COMPENSATORY EDUCATION

Alaska has no program to provide aid for compensatory or remedial K–12 programs.

IX. GIFTED AND TALENTED EDUCATION

Gifted and talented programs are considered as one of the four categories of special education in the Alaska Public School Foundation program.

X. BILINGUAL EDUCATION

Funding in 1998–1999: Not reported.

Percentage of Total State Aid: N/A.

Description: Alaska has no special program for bilingual education, but includes it as a source of additional funding in the general foundation formula. SB36 eliminated specific funding increments for bilingual education. Bilingual programs are now included in special needs funding—part of the 20%

proportional increment available to all school districts that file a special needs plan with the state.

State and Local Share: N/A.

Extent of Participation: Not Reported.

XI. EARLY CHILDHOOD EDUCATION

In addition to the federally funded Head–Start program, the Alaska Department of Education provides a small amount of grant funding for developing early childhood curriculum. There is no specific budget item for this program, and these funds are not ordinarily available to school districts.

XII. OTHER CATEGORICAL PROGRAMS

The state contributed \$13.4 million in FY1997 in miscellaneous funds for school district operations. Figures for FY1998 are not yet available. These grants include support for the community schools program, tuition for youths state custody attending schools in city and borough school districts, and a boarding home program to assist rural students who wish to attend school in a larger community.

In addition to these grants to school districts, the state sponsors two important programs to assist rural students. First, the Mount Edgecumbe High School in Sitka serves nearly 300 students from rural areas. Mt. Edgecumbe is a boarding school that the U.S. Bureau of Indian Affairs operated until transferring it to the state in 1985. Second, the state runs a centralized correspondence study program for about 1,600 students not otherwise enrolled in a school district correspondence program. Total state funds for these state–operated schools amounted to \$8.1 million in FY1997.

Although the state provides very little direct funding for specific K–12 programs for vocational education, districts receive one additional instructional unit for every 40 students in vocational programs. FY1997 regulations set the weighting factors to be the same for all four categories of vocational education. Like special education, there was no requirement that districts actually spent an amount equal to their additional foundation award for vocational education.

SB36 eliminated specific funding increments for vocational education as well as bilingual education. These categories are now included in special needs funding—

part of the 20% proportional increment available to all school districts that file a special needs plan with the state.

XIII. TEACHER RETIREMENT AND BENEFITS

As part of Alaska's education finance reforms, the legislature passed the employer share of teachers retirement contributions on to school districts. There is no longer any specific state contribution, but because the foundation formula was extensively modified that year, one could say that teacher retirement has been rolled into the mechanism for determining the general foundation grant.

XIV. TECHNOLOGY

Funding for the state educational technology program was eliminated in 1998. Responsibility for allocating regular program funds for technology development rests with local school districts.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–1999: N/A.

Percentage of Total State Aid: N/A.

Description: The state provided \$6.6 million in capital appropriations for school construction in FY1998. Figures for FY1999 are not yet available. This figure includes grants to city and borough school districts as well as construction funds for the Regional Education Attendance Areas.

In addition to direct capital appropriations for schools, Alaska has since 1970 funded a program for reimbursing city and borough governments for a portion of debt service payments made for school facilities. The reimbursement percentage for new projects has varied considerably over the years, but remained at or above 80% through FY90. At times, cash outlays were eligible for reimbursement as well as bond-funded projects. Once bonds are approved for reimbursement at the rate prevailing at the time, the state continues to pay that percentage of debt service on those bonds until they are retired.

In 1990, the legislature canceled the debt reimbursement program. Because many new school facilities were built during the early 1980s when the state reimbursement percentage exceeded 90%, costs for the debt service

reimbursement program had risen to over \$111 million per year in FY90. The local contribution, in contrast, was only \$6.5 million. Only two years later, however, the program was reinstated, retroactively to 1990. The state currently promises to pay 70% of debt service costs, within certain funding limits.

State general funds for the debt reimbursement program are supplemented with proceeds from the cigarette tax, as mentioned above. In the 1998–1999 school year, cities and boroughs received \$60.8 million for debt service reimbursement under the state program. REAAs may not incur debt, so they are limited to state appropriations to pay for all capital outlays.

During the early 1990s, local revenues for school debt service more than tripled, climbing to \$22.1 million by FY1993. From FY1993 to FY1997, however, local contributions for school debt service declined to \$13 million, in large part due to refinancing of debt. No figures are yet available for FY1998 or FY1999 local debt service contributions.

XVI. STANDARDS AND ACCOUNTABILITY MEASURES

As part of the legislation (SB36) that revised the funding formula in 1998, the state also created the framework for an accountability system, grafting elements of the governor’s Quality Schools Initiative (QSI) onto the finance bill. The five components of the QSI are: standards in the core academic subjects; a system of tests and assessments to measure progress toward the standards; standards for educators; partnerships among schools, parents, businesses, and communities; and standards for Quality Schools. Content standards for the core academic subjects have been created as well as the standards for educators and Quality Schools.

The centerpiece of the QSI is a new accountability system. This places Alaska in the company of many other states that have enacted similar accountability systems. As has happened in Kentucky, New York, and Maryland, the legislation creates accountability categories (distinguished, successful, deficient, or “in crisis”) to which schools, beginning in 2002, will be assigned based on student test scores, graduation test scores, and attendance rates. Schools that fall into the two lowest categories—deficient and in crisis—will be required to develop improvement plans in collaboration with their communities and the state.

The statewide assessment will be a criterion-referenced test, specifically designed to measure progress toward the state’s standards. In addition to the statewide assessments, mandatory graduation tests come on line in 2002. The High School

Qualifying Examination (HSQE) is designed to measure student progress toward state standards in reading, writing, and mathematics. To earn a high school diploma, students must pass the HSQE. For up to three years after they have left high school, students can retake the parts of the examination they do not pass the first time as often as necessary to pass. High schools will develop courses specifically to help students who have failed parts of the HSQE. Students who do not pass the examination will receive a certificate of attendance.

XVII. REWARDS AND SANCTIONS

In addition to the stick of testing, the QSI offers school districts a carrot—the opportunity to apply for Quality School Funds of \$16 per student to implement the new state standards. Most of these funds come from federal sources. Alaska allocated \$1.7 million in state funds and \$26.0 million in federal funds to implement Quality Schools programs in FY1999, a 20% increase over the previous year.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

Charter school program

Alaska implemented a charter school program in 1996 (ALASKA STAT. §§ 14.03.250 – 14.03.290). Upon approval of the local school board and the state Board of Education, as many as 30 charter schools may operate at any one time, distributed in a “geographically balanced” manner around the state. Prospective charter schools apply to local school boards specifying provisions for an academic policy committee consisting of parents of students attending the school, teachers, and school employees and a proposed contract between the school and the local school board.

Charter schools are exempt from the local school district's textbook, program, curriculum, and scheduling requirements. The academic policy committee selects the charter school principal, who hires other school employees and operates the school as set out in the contract with the local school board. Charter school contracts must contain provisions describing the educational program, admission policies, administrative policies, budget, accounting methods, description of facilities, names of contracted teachers, and number of students served. Contracts terms may not exceed five years, and allow for termination if the local school board determines that the school has failed to meet educational goals or accounting standards.

The local school district must fund an approved charter school at a rate equal to the basic need generated by the students enrolled in that school, less state-approved indirect costs. In general, this is the same funding level as provided for traditional schools. However, if a charter school has less than 200 students, its ADM is counted for funding purposes as part of the largest school in the district. In addition, charter schools that serve home-schooled students, such as the Delta-Greeley cyber-school, are funded as correspondence programs. Non-state funds must be used to pay expenses of housing nonresident students who attend the charter school.

Charter schools may not selectively enroll students, nor may a school board require a student to attend a charter school. The charter school and the local school board shall attempt to accommodate all applicants by providing additional classroom space and assigning additional teachers to the charter school. A lottery will be used to select students if it is not possible to accommodate all eligible students. Teacher assignments to Alaska charter schools are voluntary, and school district collective bargaining agreements apply to all charter school employees.

XIX. AID TO PRIVATE SCHOOLS

Article 7.1 of the Alaska Constitution prohibits state aid to private schools. Senate Bill 168, introduced in 1999 seeks to establish a tuition voucher program for parents of school children. Legislative leaders did not bring the bill up for a vote, due to its constitutional problems. Another bill proposing a constitutional amendment to permit a tuition voucher program is likely to be introduced soon, although support for the measure is uncertain.

Alaska does have a provision (ALASKA STAT. § 14.03.095) that provides funds for school districts that serve students who attend public school part time. In addition, some school boards allow private school students to participate in student activities supported by the school district.

XX. RECENT AND PENDING LITIGATION

In 1997, Alaska city and borough school districts alleged that the state's system of public school funding disadvantaged them relative to rural area REAA school districts (*Matanuska-Susitna v. State* 931 P.2d 391 (Alaska 1997)). However, the Alaska supreme court upheld the state's funding system. Many observers expect

rural school districts to litigate over the changes in the foundation program (SB36). No legal challenges have been filed to date, however.

XXI. SPECIAL TOPICS

None.