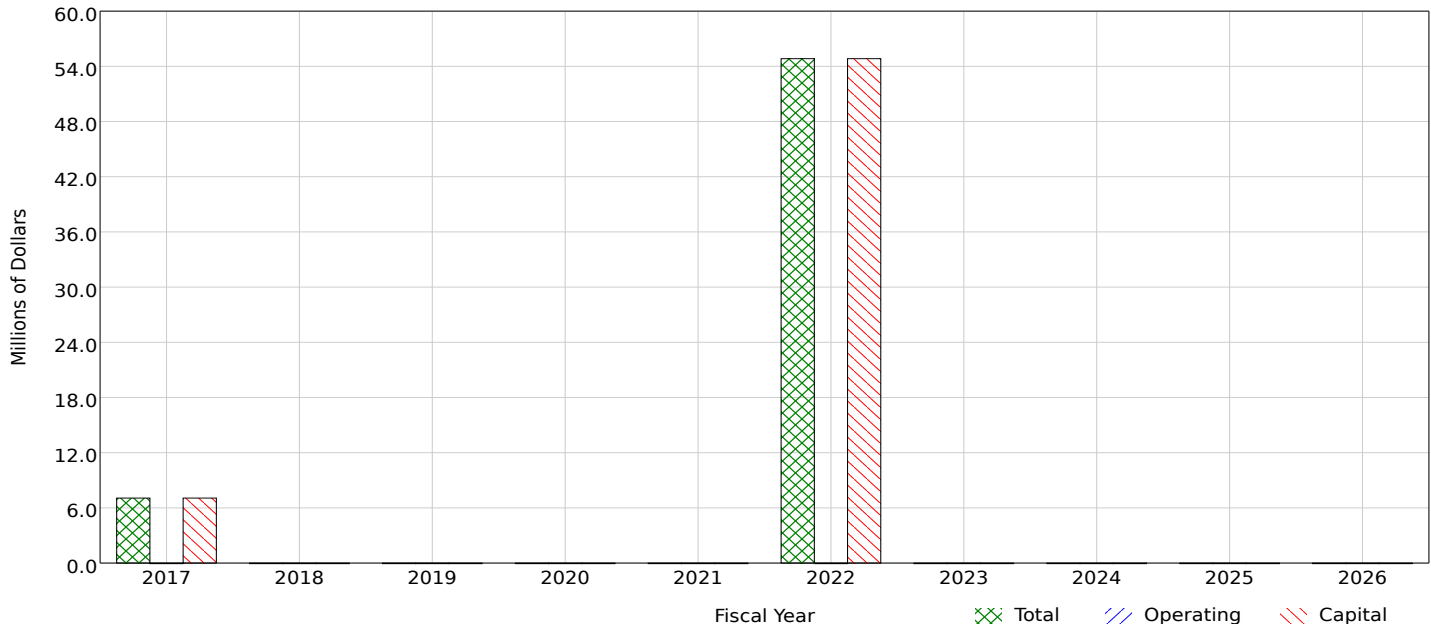


Fund Source Report

1222 REAA Fund REAA and Small Municipal School District School Fund

Year Authorized FY11	Year Repealed	Active? Yes	Mental Health? No	Duplicated? Yes	Fund Group Other Designated
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Operating and Capital Appropriations



Legal Authority

AS 14.11.030(a)

Source of Revenue

The amount of (presumably) UGF appropriated to the Regional Education Attendance Area and Small Municipal School District (REAA) fund shall be 24.4% of school debt reimbursement appropriations divided by the large district Average Daily Membership (ADM).

Restrictions on Use

Money in the fund is designated for school construction in REAAs and small school districts. Balances over \$70 million lapse to the general fund at year end.

Description and History

May 2013

The REAA fund was created by Chapter 93, SLA 2010 in an attempt to equalize school construction funding in rural and urban communities. The latter typically issue local debt for schools and then have up to 70% of debt service costs reimbursed by the state, while rural communities rely on state funding for school construction. A perceived funding imbalance resulted in the Kasayulie suit, which claimed rural school construction has been under-funded. The REAA fund is cited in the Kasayulie settlement as providing remedy for funding inequity.

Each year, the total school debt amount is divided by the percentage of Alaska schools which are located in a city or borough school district that is not a small municipal school district. Then 24.4% of that quotient is deposited into the fund. The fund may then be used to provide grant funding for rural school construction. Arguably, a grant fund requires no further appropriation; an agency determines grantees and amounts. However, as with the school construction and major maintenance grant funds, the legislature has chosen to identify REAA Fund grantees and amounts in appropriation bills.

Until FY14, rural school construction costs were typically paid with general funds; no money was deposited in the REAA fund until FY13 and no money in the fund was spent until FY14.

The fund is classified a duplicated designated general funds because it is capitalized with unrestricted GF, which (by virtue of being placed in the fund) becomes designated for rural school construction. Because deposits are counted as expenditures at the time of deposit, appropriations from the fund are duplicated expenditures.

January 2017

Fund Source Report

Legal opinions (attached) resulted in reclassification to the "other duplicated" fund category because money in the fund may be spent without further appropriation. The opinion requires appropriations to the REAA fund to be classified as fund capitalizations.