

City of Hoonah

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Acting Commissioner Heidi Teshner
Alaska Department of Education & Early Development
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Juneau, AK 99801
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Re: Best interest determination for proposed Xunaa Borough School District

Dear Commissioner Teshner:

Since 2019, the City of Hoonah has been working to submit a petition for incorporation of the Xunaa Borough, and the City hopes to submit the petition to the Local Boundary Commission (the "LBC") in the quite near future. Under Alaska law, all boroughs in Alaska constitute a borough-wide school district as a matter of law. Based on current enrollment, the new borough school district will have 111 students. A map of the proposed borough boundaries is enclosed. Please note that the borough will exclude the cities of Gustavus, Pelican and Tenakee Springs, and thus incorporation will have no effect on either the Chatham School District or the Pelican School District. At the present time, the only school district that would be subsumed within the new borough would be the Hoonah School District.

The purpose of this letter is to request your concurrence under AS 14.12.025 that the new borough school district will be in the best interest of both the state and the new district.

AS 14.12.025 provides that "a new school district may not be formed if the total number of pupils for the proposed school district is less than 250. .." unless the Commissioner of the Department of Education & Early Development ("DEED") determines that formation of the new school district "would be in the best interest of the state and the proposed school district."

At the outset, it is unclear whether AS 14.12.025 overrides the unequivocal mandate in AS 14.12.010(2) that "each organized borough is a school district." That unconditional mandate is repeated in AS 29.36.160, which provides that "[e]ach borough constitutes a

borough school district” Certainly, AS 14.02.025 has not been an impediment to borough formation in the past. In at least these three instances, the school district of a proposed new borough included fewer than 250 students, and in no case was the size of the school district an obstacle to borough formation:

- **Lake and Peninsula Borough.** The incorporation proceedings for Lake and Peninsula Borough, which concluded in 1989, three years after the 250-pupil requirement was enacted, made no mention of the requirement.
- **Yakutat City and Borough.** As part of the petition for the City and Borough of Yakutat, the Commissioner determined that formation was in the best interest of the state.
- **Skagway Borough.** Despite request, the Municipality of Skagway never received a determination from the Commissioner; however, the LBC approved borough formation nonetheless.

That said, it is not our intent to use the City’s petition as a forum for debating the role of AS 14.12.025 in borough formation, because we believe that it is clear that the new borough, and its new school district, are in both the state’s and district’s best interests, for at least these reasons:

1. Tax Base

A borough’s required local contribution is based on the taxable real and personal property in the school district. AS 14.17.410(b)(2). Unorganized areas do not pay a required local contribution, and so unorganized areas do not directly contribute to the state’s funding of education. In addition to the required local contribution, nearly every organized area pays more in the form of a voluntary local contribution. Such voluntary local contributions are likewise based on the taxable property in the school district. AS 14.17.410(c)(1).

Incorporation of the proposed region into a borough would broaden the tax base from which local school contributions are derived, because those contributions would be based not only on property within the City of Hoonah, but also the surrounding communities. Outside the City of Hoonah, there are significant properties for which property valuations and corresponding school funding contributions remain unrealized:

- Funter Bay contains highly valued vacation and rental home properties that are not accounted for in any community’s school funding;
- Game Creek is an entirely self-contained community; and
- Elfin Cove is home not only to multiple residences but commercial fishing facilities as well as fishing lodges.

Moreover, by including communities not currently served by a locally administered school district, the proposed school district may be eligible for new sources of outside funding.

2. Correspondence Program

Several communities within the prospective Xunaa Borough exist outside the current public school system and beyond the jurisdiction of the existing Hoonah School District. Elfin Cove, for example, currently has no school-age children. If a resident there has a child, and

Elfin Cove remains an unincorporated area in the unorganized borough, the burden of administering a correspondence program for the child will fall entirely to the state. The funds would come from the statewide public education fund. AS 14.17.430. In the absence of an incorporated borough, administering and paying for such remote education would fall entirely on taxpayers outside the region benefitting from the funds. Conversely, if the Xunaa Borough were incorporated, the borough's school district would be situated to facilitate such remote education and would significantly share in the cost of funding it.

3. Maintaining Identity of the Funding and Educational Institutions

AS 14.12.025 by its terms does not represent veto authority over borough formation. The petition provides that, upon incorporation, the present City of Hoonah will be dissolved. Were the state to disapprove of the borough school district while the LBC approves borough formation, there would be a disconnect between the funding entity (the borough assembly) and the separate school district (the existing Hoonah School District). The consequences of that arrangement are, at best, unpredictable.

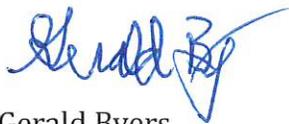
4. Absence of Adverse Consequences

Upon borough incorporation, the new borough school district will be educating the same number of students with the same instructional, administrative and support personnel. It will be operating out of the same school building currently housing the Hoonah School District. In a nutshell, the cost of education, either on an overall or per-student basis, will not increase.

Given the state's desire to supplant the unorganized borough with vibrant, functional, regional governments, and given the similarities of the proposed Xunaa Borough to the LBC's model borough for the region, we believe it is in the state's interest, as well as the interest of the residents of this prospective borough, to incorporate. We are not asking DEED to weigh in on borough formation. We only ask for your concurrence that, in essence, transforming the existing Hoonah School District into a borough school district, with a significantly larger tax base and increased responsibility for burdens now the sole responsibility of the state—all without cost or other adverse consequences to either the state or the district—is in the state's and the district's best interest.

Please do feel free to contact me with any questions or additional information you may require, and thank you in advance for the consideration we know you will give this request.

Respectfully,



Gerald Byers

Mayor