

A Guide to Funding Alaska's Schools

April 28, 2022

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Matanuska-Susitna Borough School District

Understanding the Formula

Senate Finance Committee Meeting Minutes from April 8, 2014.

“Senator Bishop queried the number of people that understood the education funding formula. Mr. Teal replied that possibly **20 people** understood the formula.”

Overview

- History of School Funding
- Foundation Formula
- State's Oversight of School District Spending
- Analysis, Observations, and Key Findings

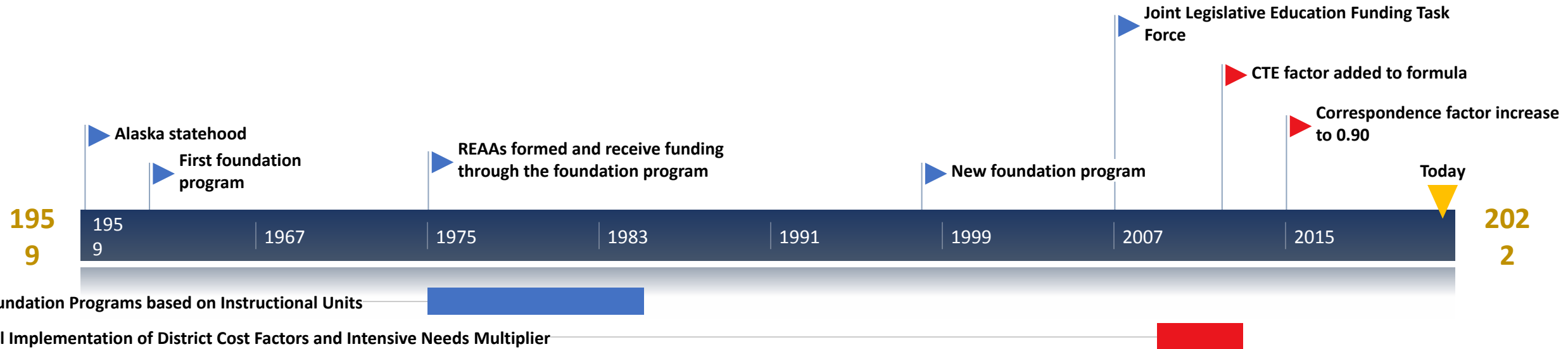


History of Education Funding

State of Alaska



Education Funding Timeline



Foundation Formula Changes

Fiscal Year	District Cost Factor	Special Needs Factor	CTE Factor	Intensive Needs	Correspondence
FY 2007					
FY 2008	X				
FY 2009	X			X	
FY 2010	X			X	
FY 2011	X			X	
FY 2012	X		X		
FY 2013	X		X		
FY 2014					
FY 2015					X
FY 2016					
FY 2017					
FY 2018					
FY 2019					
FY 2020					
FY 2021					
FY 2022					

No changes to the Foundation Formula since FY 2015.



Foundation Formula

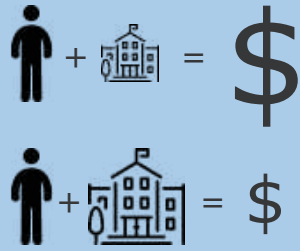
State of Alaska



State of Alaska Foundation Formula

Step 1

School Size Adjustment



The appropriate formula from the school size factor table is used to calculate the adjusted ADM for each school.

Step 2

District Cost Factors



The district's school size adjusted ADM is multiplied by the district cost factor.

Step 3

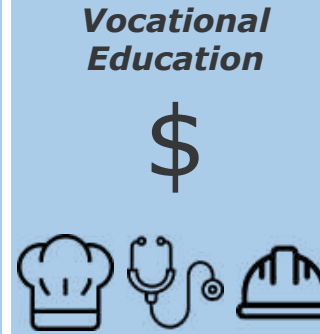
Special Needs Factor



The previously adjusted ADM is multiplied **1.20**, providing the district with an additional **20%**.

Step 4

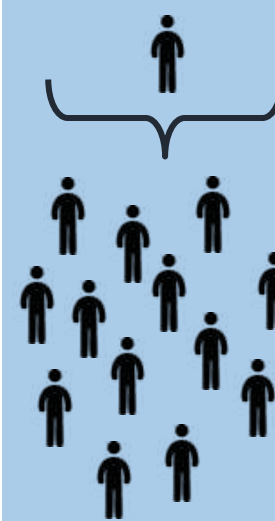
Voc. Ed. Funding Factor



The district's previously adjusted ADM is now multiplied by **1.015**, providing the district with an additional **1.5%**.

Step 5

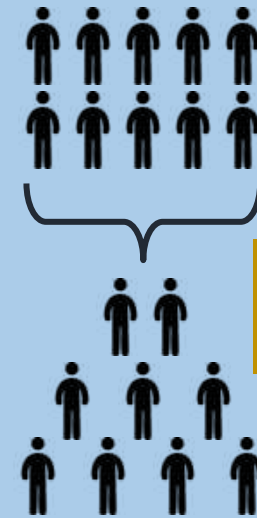
Intensive Services



The district's intensive count is added to the previously adjusted ADM **(13)**.

Step 6

Correspondence



The district's correspondence count is now added to the previously adjusted ADM to arrive at the Final Adjusted ADM **(0.90)**.

ADM
127,585

AADM
259,606

Calculating Adjusted Average Daily Membership (AADM)

	Factor	20-Day Count
School Enrollment		106,290.26
Correspondence Study Enrollment		21,294.62
Total Average Daily Membership (ADM/Enrollment)		127,584.88
Adjustment for Hold Harmless		4,424.03
School Size Adjustment		131,698.58
Total School Size Adjustment		136,122.61
District Cost Factor		27,641.71
Special Needs Factor	0.200	32,752.91
CTE Factor	0.015	2,947.76
Correspondence Factor	0.900	19,165.18
		218,630.17
Intensive Needs		3,152.00
Intensive Needs Factor	13.000	40,976.00
Total Adjusted ADM/Enrollment		259,606.18

Calculating Basic Need and State Aid

	Factor	20-Day Count
Adjusted ADM/Enrollment		259,606.18
Total Basic Need	\$ 5,930	1,539,464,650.00
Required Local Contribution		(274,252,137.00)
Deductible Impact Aid		(72,441,708.00)
State Entitlement		1,192,770,805.00
Quality Schools Factor	\$ 16	4,153,701.00
Total State Foundation Funding		\$ 1,196,924,506

Basic Need = Student Count (ADM) * Adjustment Factors * BSA

Basic Need is reduced by minimum Required Local Contribution and Deductible Impact Aid to arrive at State Aid.

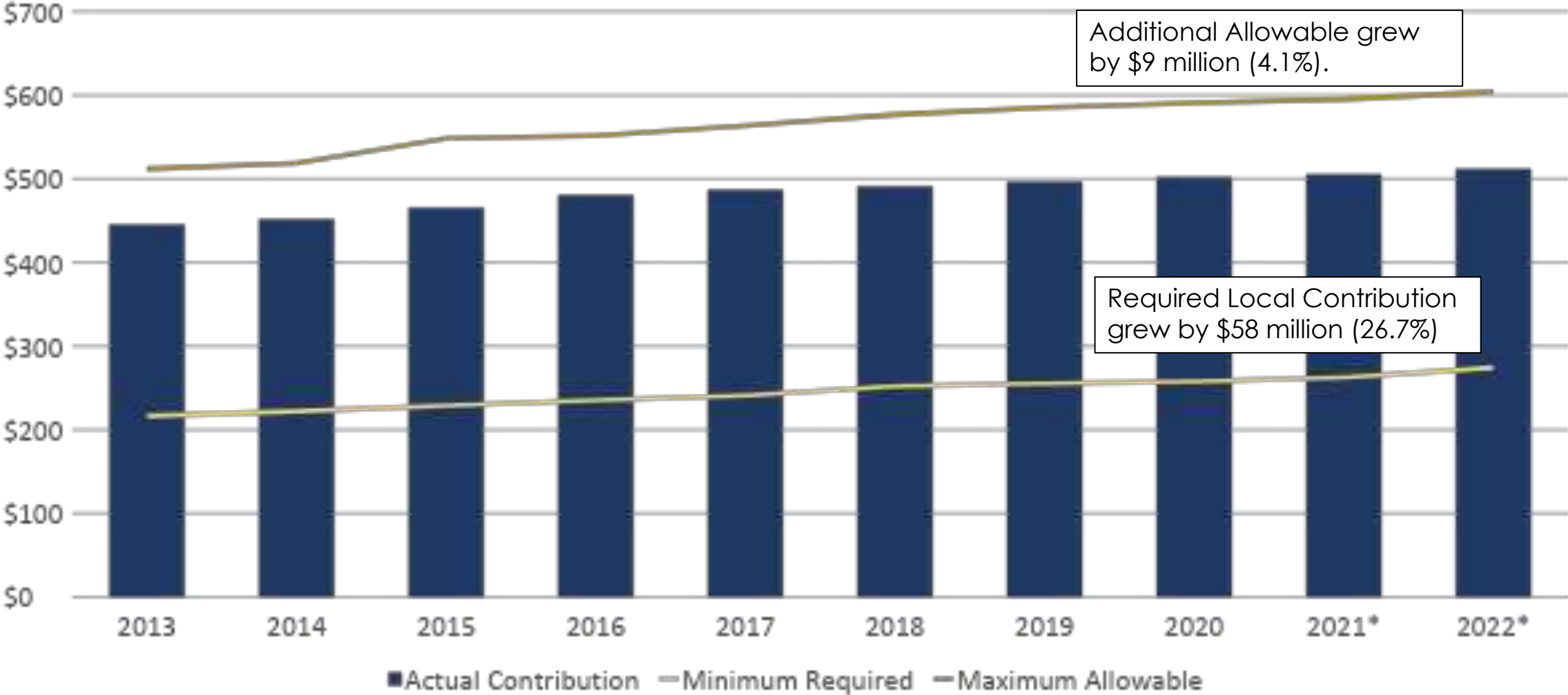
Deductible Impact Aid = Eligible Federal Impact Aid * Impact Aid % * 90%

Min/Max Calculations (e.g., Mat-Su)

THE LESSER OF:		
TAX BASE (DCRA assessed valuation for prior year), as adjusted, times 2.65 mils		
TAX BASE (2020)	13,037,335,724	
Times 2.65 mils	0.00265	
		34,548,940
OR		
Prior year ACTUAL basic need	204,081,629	
Times 45%	0.45	
		91,836,733
MINIMUM REQUIRED LOCAL CONTRIBUTION		34,548,940

THE GREATER OF:		
An additional 2 mils of the tax base		
Tax Base	13,037,335,724	
Times 2 mils	0.002	
		26,074,671
OR		
23% of basic plus the minimum required local contribution		
Basic need	204,081,629	
Times 23%	0.23	
23% of basic need	46,938,775	
Minimum required local contribution	34,548,940	
		81,487,714
MAXIMUM ALLOWABLE LOCAL CONTRIBUTION		81,487,714

Local Appropriations: Minimum vs. Maximum





Oversight of School Spending

State of Alaska

State Law and Administrative Code

4 AAC 09.110(a) School district budget and 4 AAC 09.120 Budget review

- Must submit budget to the Department no later than July 15 of the fiscal year
- DEED will reject a budget that is
 - (1) Not in the form required by the department;
 - (2) Not balanced;
 - (3) Does not meet the local effort provisions of AS 14.17; or
 - (4) Does not otherwise meet the requirements of AS 14.17.910.

AS 14.14.050 Annual audit

- Each school district is required to submit an independent audit of all school accounts for the school year

AS 14.17.505 Fund balance in school operating fund

- The unreserved year end fund balance cannot exceed 10% of the district's expenditures for that fiscal year

70/30 Calculation

AS 14.17.520 Minimum expenditure for instruction (Repealed 2016)

- A district shall budget for and spend a minimum of 70% its school operating expenditures on the instructional component.

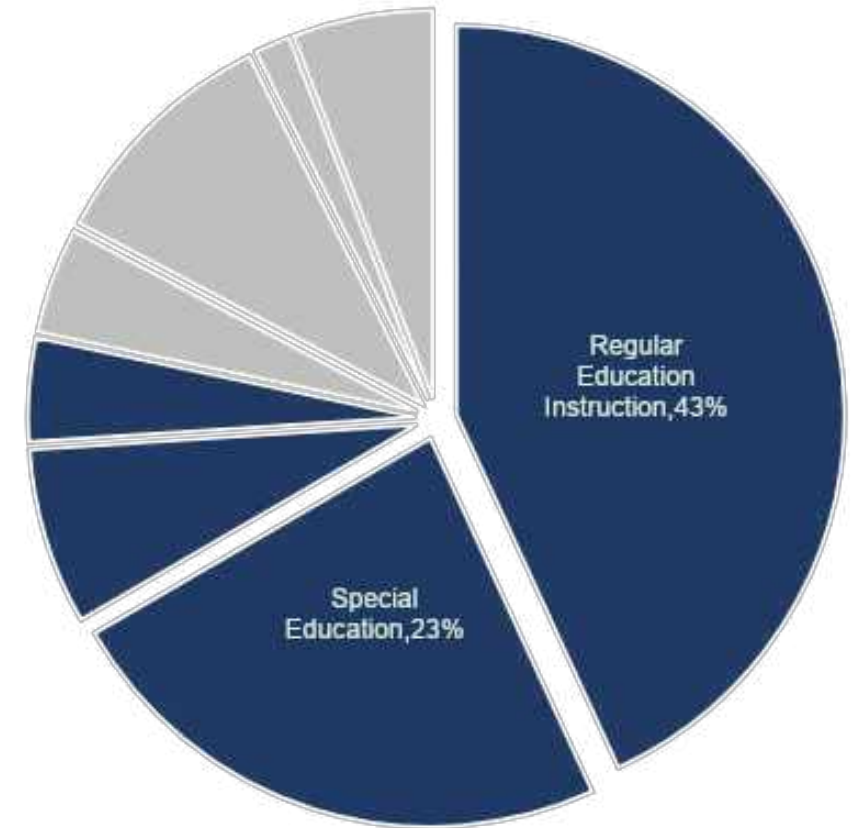
Expenditure by State Function (e.g., Mat-Su)

70/30 Calculation – Includes On-Behalf Contributions

- 78.29% Instruction
- 21.71% Instructional Support

Instruction Excludes:

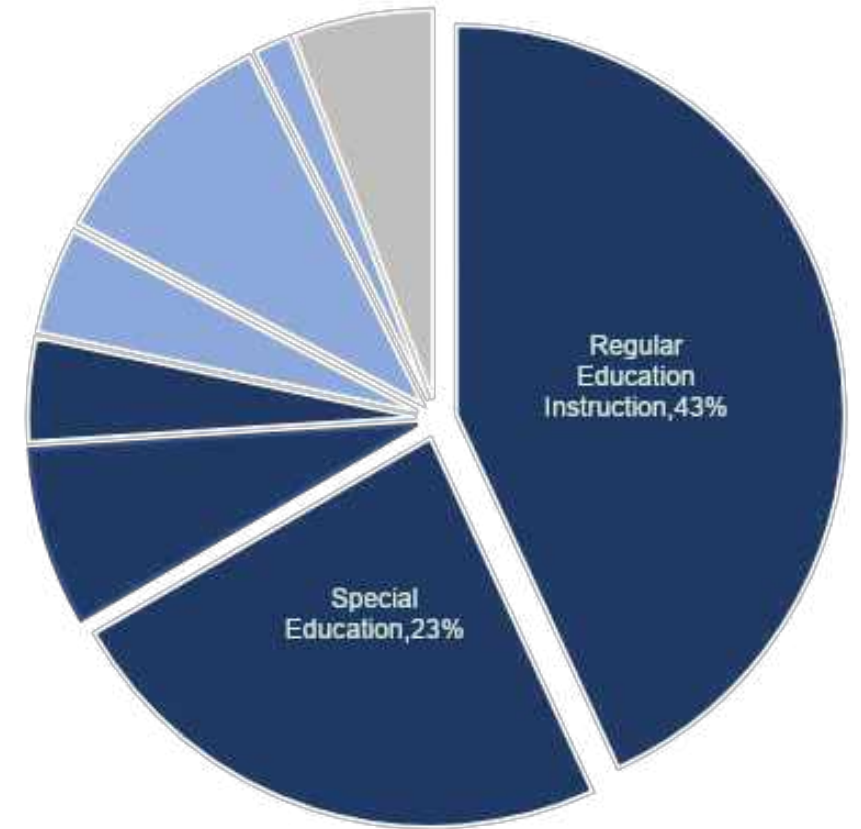
- Student Activities
- School Front Office Staff & Supplies
- Building Costs
 - Custodial Staff & Supplies
 - Maintenance Staff & Supplies
 - Utilities
 - Snow Removal
 - Insurance
 - Printing Costs



School Costs by State Function (e.g., Mat-Su)

Includes On-Behalf Contributions

- 94.15% Instruction & Instructional Support
- 5.85% District Administration & Support





Analysis, Observations, and Key Findings

State of Alaska



Economic Indicators: Alaska CPI

Year	Annual	1st Half	2nd Half	CPI % Change
2021	237.188	232.679	241.698	4.9%
2020	226.154	225.049	227.258	-1.1%
2019	226.677	228.858	228.495	1.4%
2018	225.546	223.099	227.993	3.0%
2017	218.874	218.616	219.131	0.5%
2016	217.83	216.999	218.66	0.4%
2015	216.909	217.111	216.706	0.5%
2014	215.805	214.777	216.833	1.6%
2013	212.382	210.853	213.91	3.1%
2012	205.916	205.215	206.617	2.2%
2011	201.427	200.278	202.576	3.2%
2010	195.145	194.834	195.455	1.8%

Consumer Price Index (CPI) is the most practical economic indicator for inflation in Alaska.

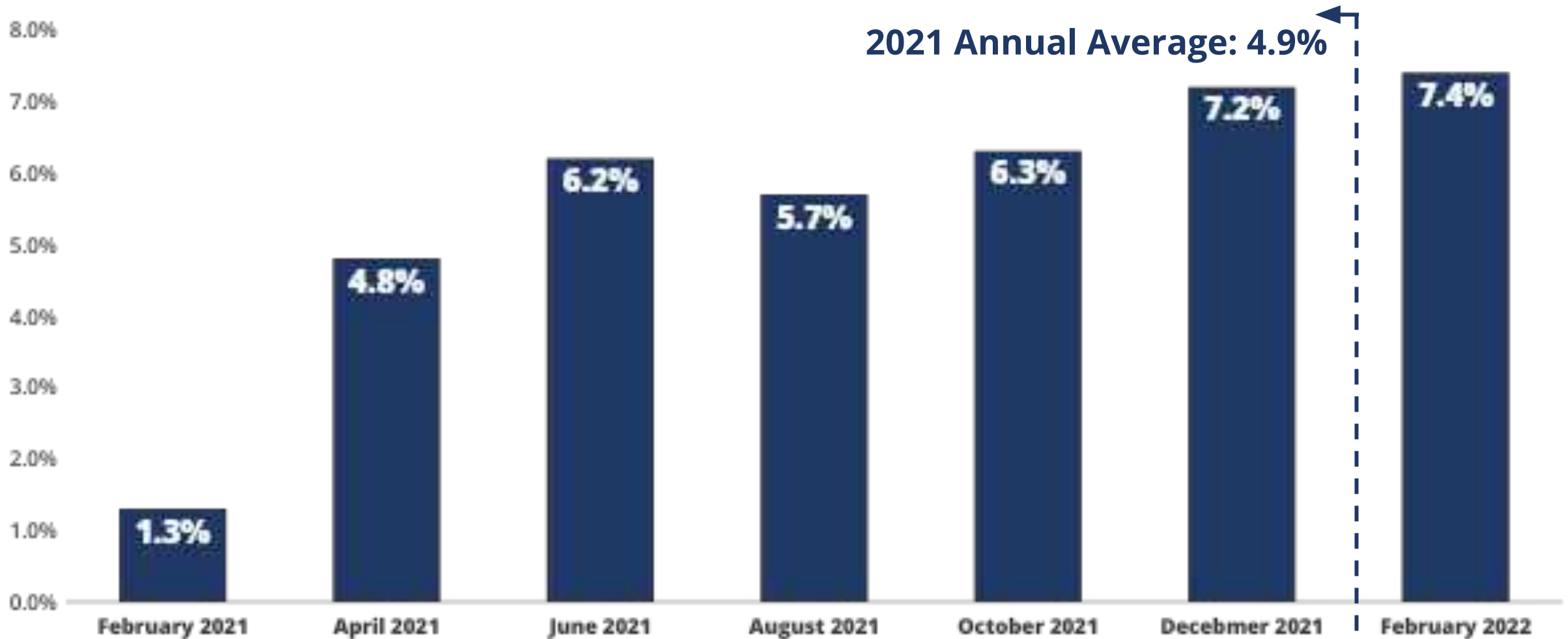
The U.S. Bureau of Labor Statistics calculates and publishes estimates for Alaska throughout the year.

2021's inflation is relative to 2020, a year when prices fell. Some increase was anticipated in 2021 as the economy started to recover.¹

¹ Fried, N. (2022, February). Highest Inflation in 30+ Years: Urban Alaska's Prices Increased 4.9 Percent in 2021. *Alaska Economic Trends Magazine*, pp. 11-13.

Economic Indicators: Inflation is Gaining Momentum

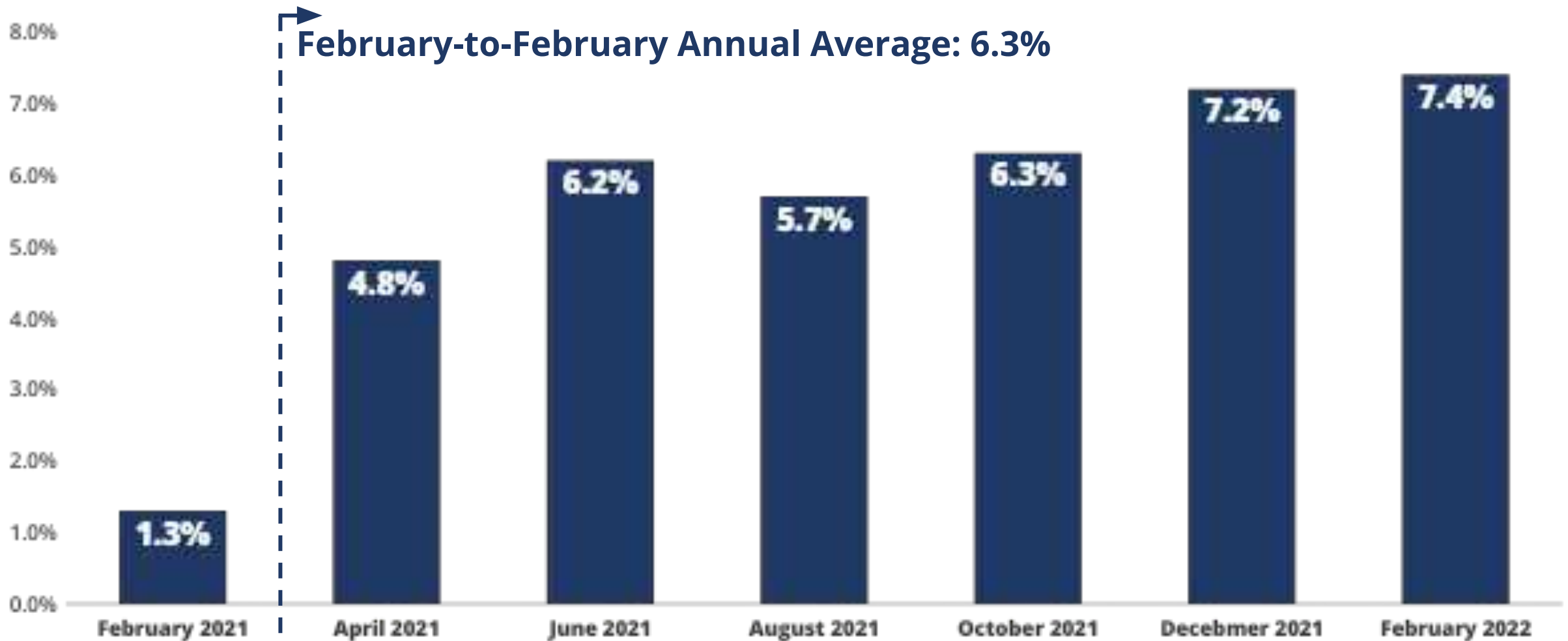
Alaska CPI, Over-the-Year Percent Change



Source: State of Alaska Department of Labor & Workforce Development

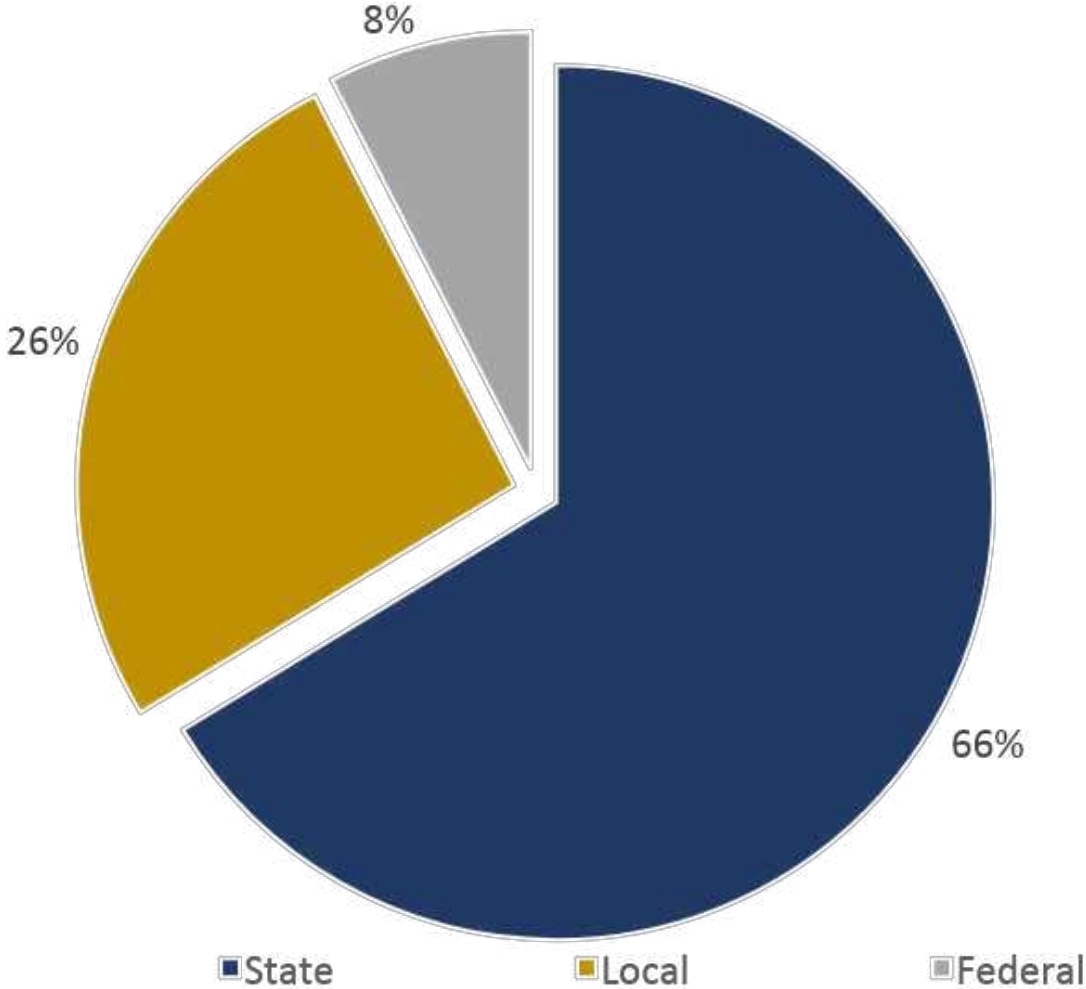
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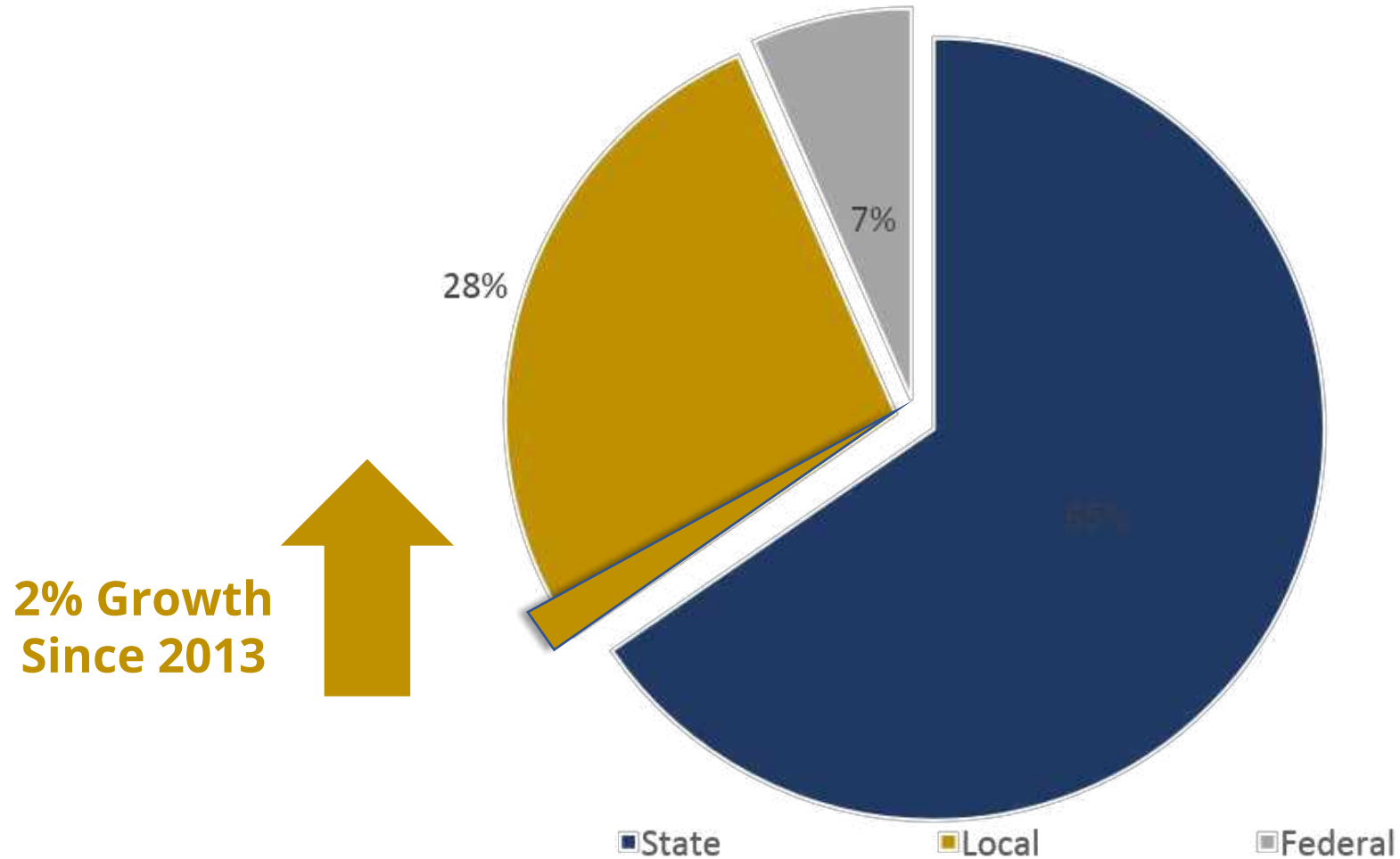


Source: State of Alaska Department of Labor & Workforce Development

2013 Revenue by Source



2022 Revenue by Source



Operating Revenue Comparison

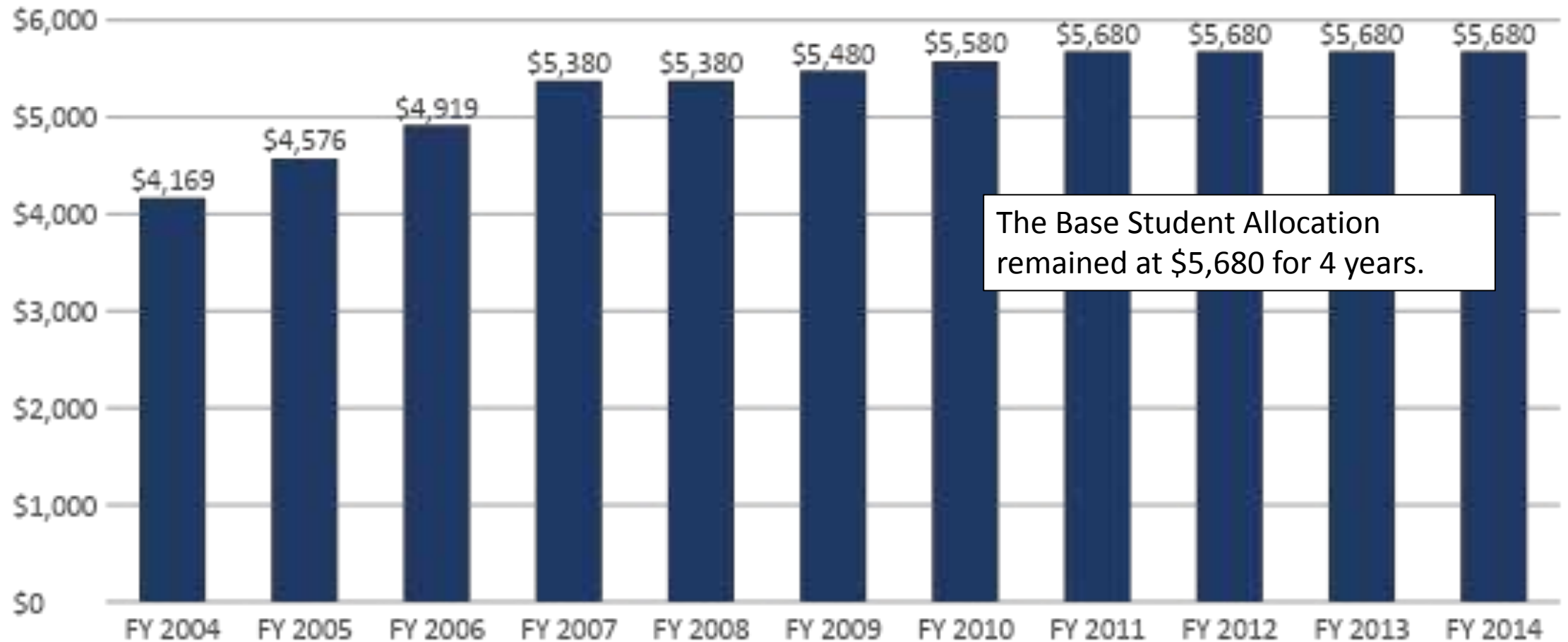
Money to School Districts (Partial)	FY 2013		FY 2022		Difference	
State	\$ 1,127,079,888	66%	\$ 1,196,924,506	65%	\$ 69,844,618	6%
Local	\$ 444,898,541	26%	\$ 511,872,026	28%	\$ 66,973,485	15%
Federal	\$ 127,984,306	8%	\$ 120,943,622	7%	\$ (7,040,684)	-6%
Total	\$ 1,699,962,735	100%	\$ 1,829,740,154	100%	\$ 129,777,419	8%

Increase in local funding is more than double state or federal increases. However, local funding increases are not extraordinary since Alaska CPI-U over same time span is 15.8%.

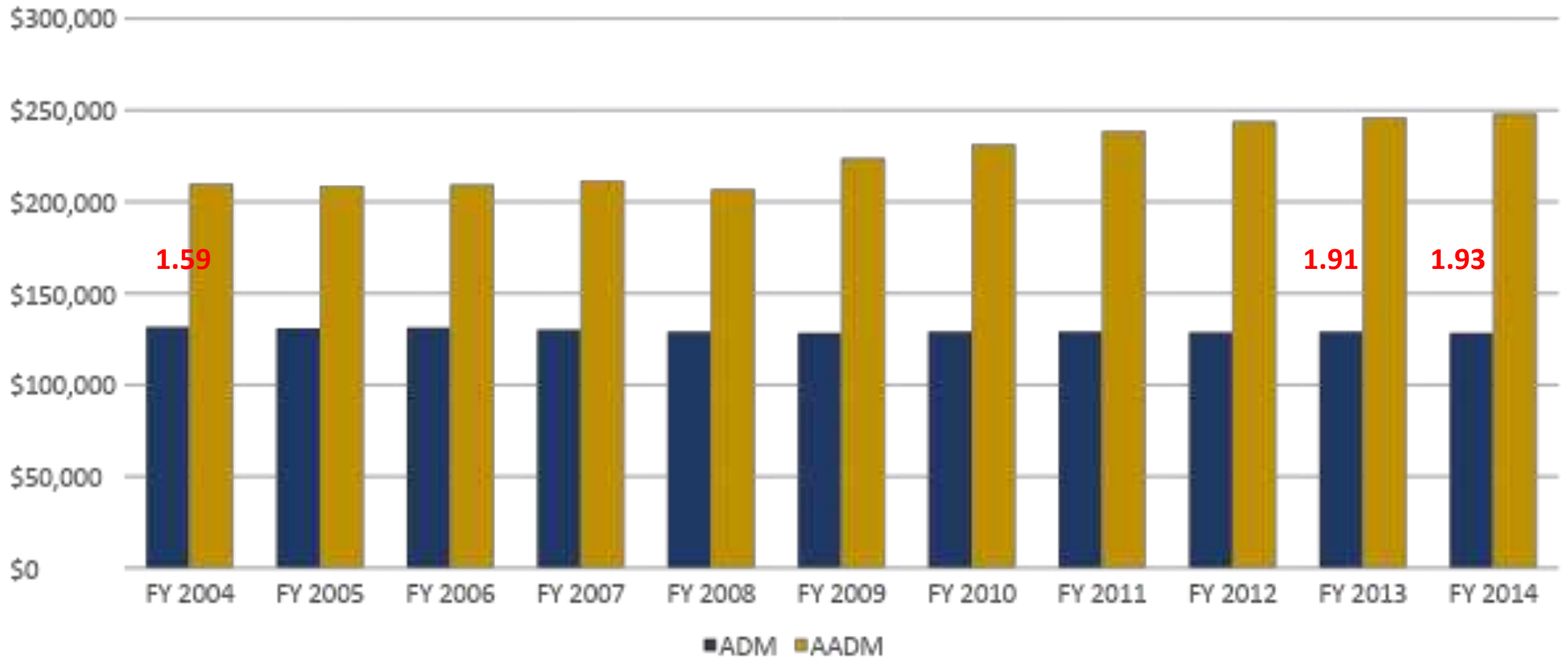
State Funding Analysis

- The Base Student Allocation (BSA) was funded at \$5,680 from FY 2011 to FY 2014. In the spring of 2014, Legislative Finance Division presented “Funding Public Education in Alaska” to the House Finance and Senate Finance Committees.
- Analysis showed that while BSA is major factor in K-12 funding, it is not a “valid stand-alone measure” since the foundation formula includes adjustment factors that have changed over time.
- The following charts (A1-A4) reproduce data for the original time period analyzed by Legislative Finance. Charts B1-B4 apply the same methodology to the most recent 10-year period.

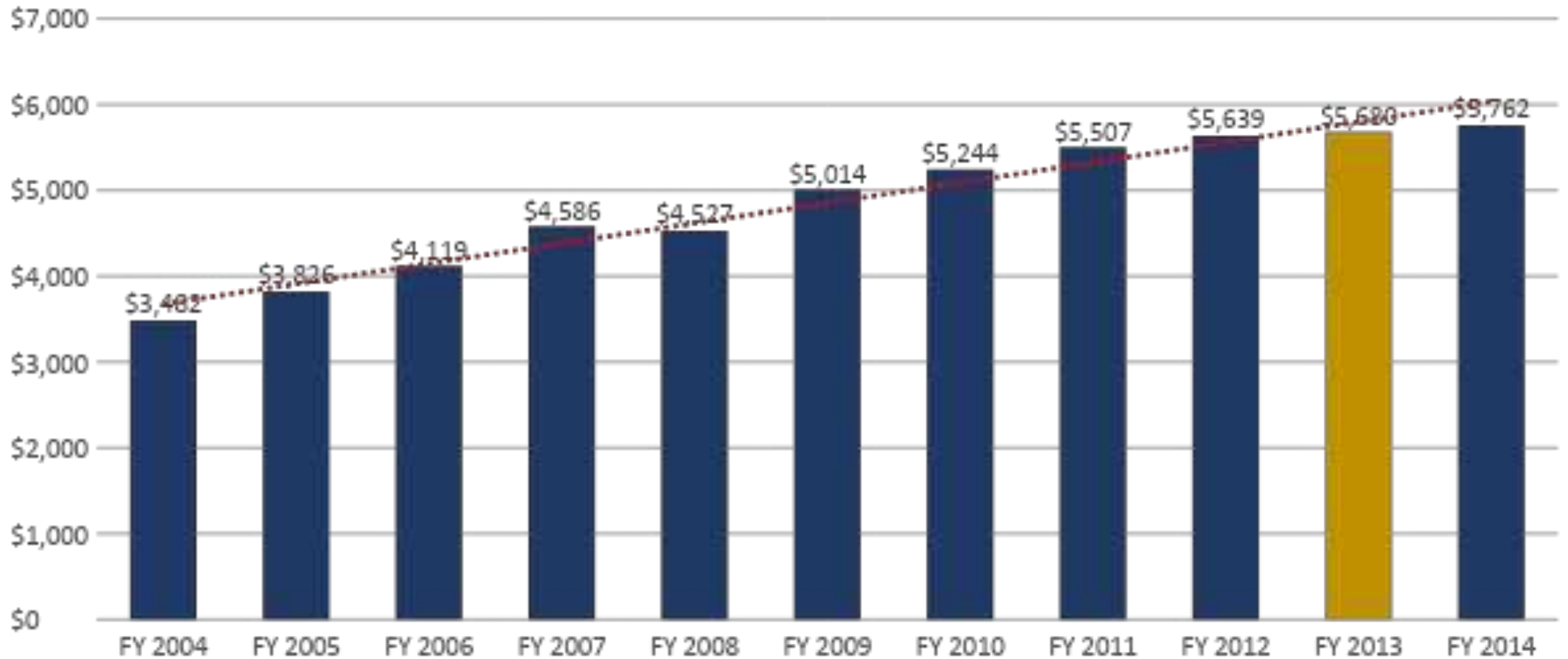
A1: Statutory Base Student Allocation



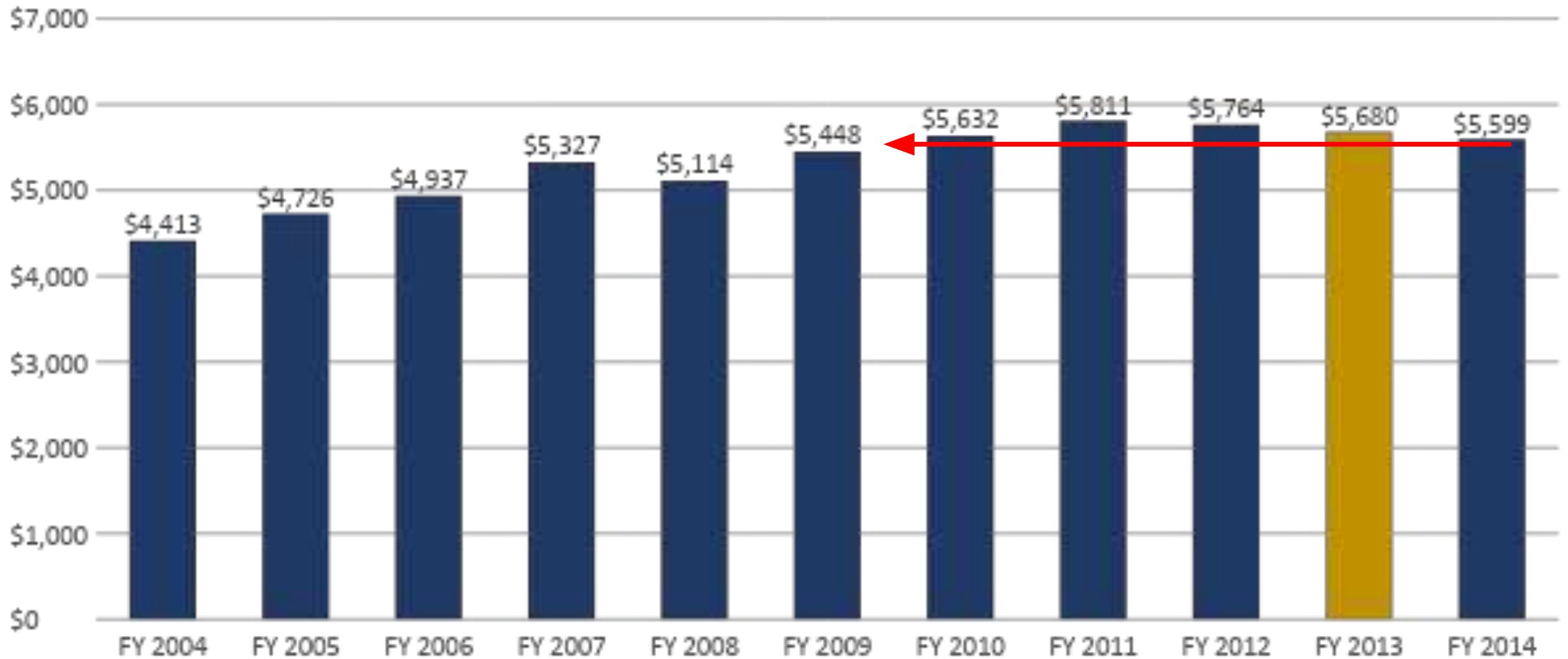
A2: Converting Head Count to Students That Are Funded



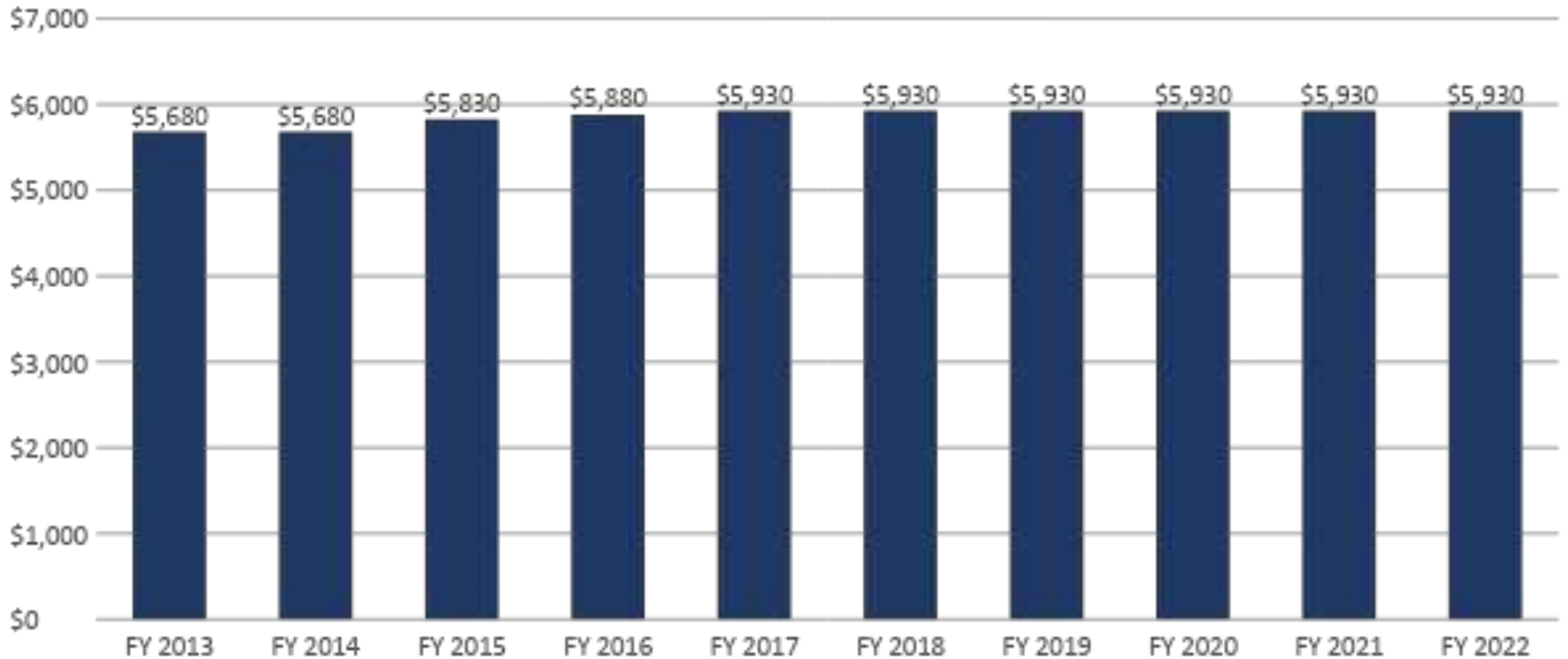
A3: BSA Adjusted for Factor Changes



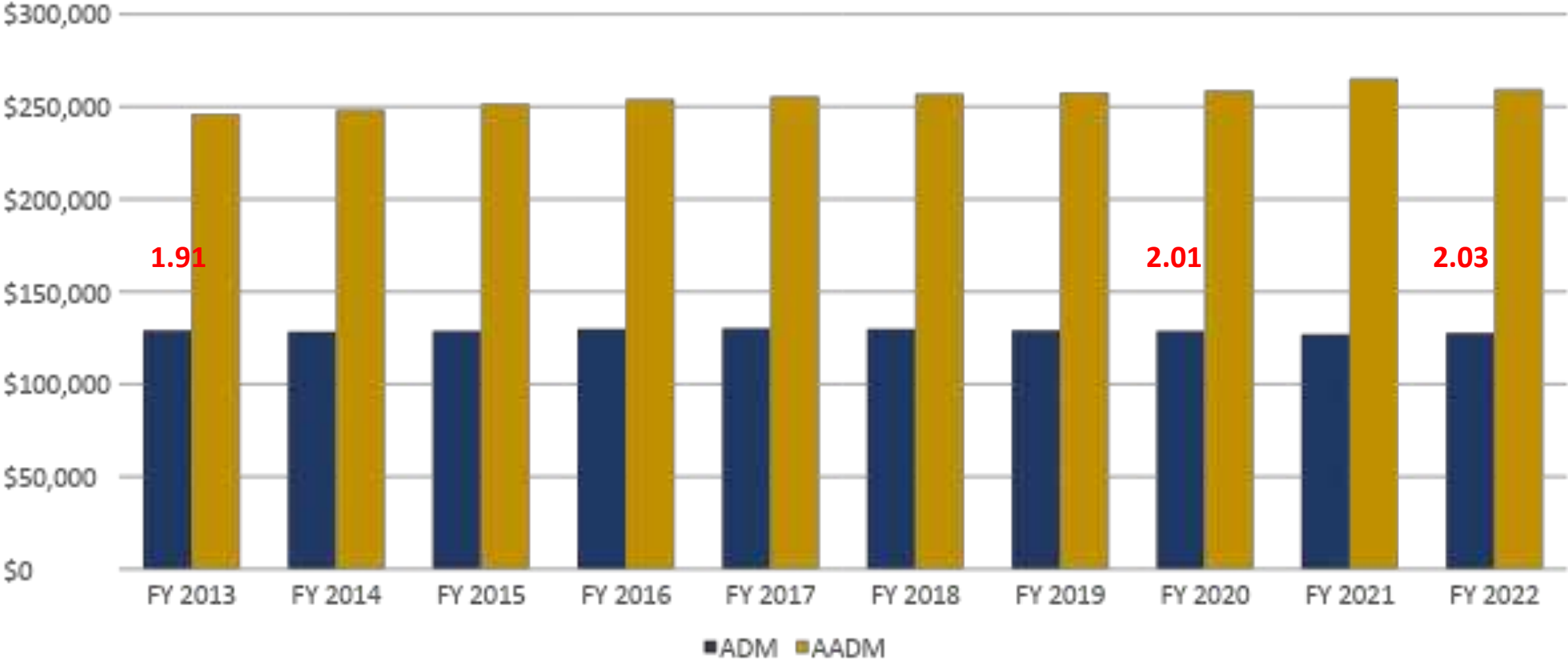
A4: Adjusted BSA in FY13 Dollars



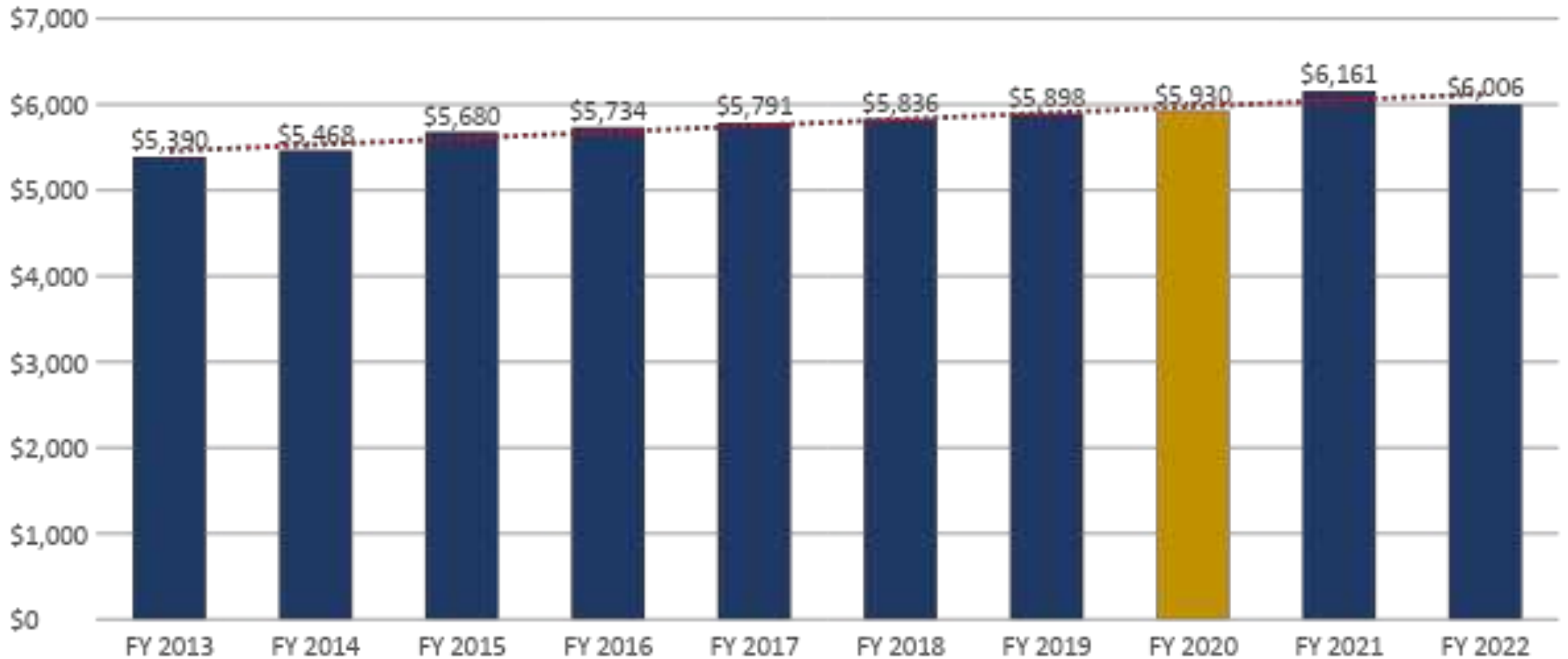
B1: Statutory Base Student Allocation



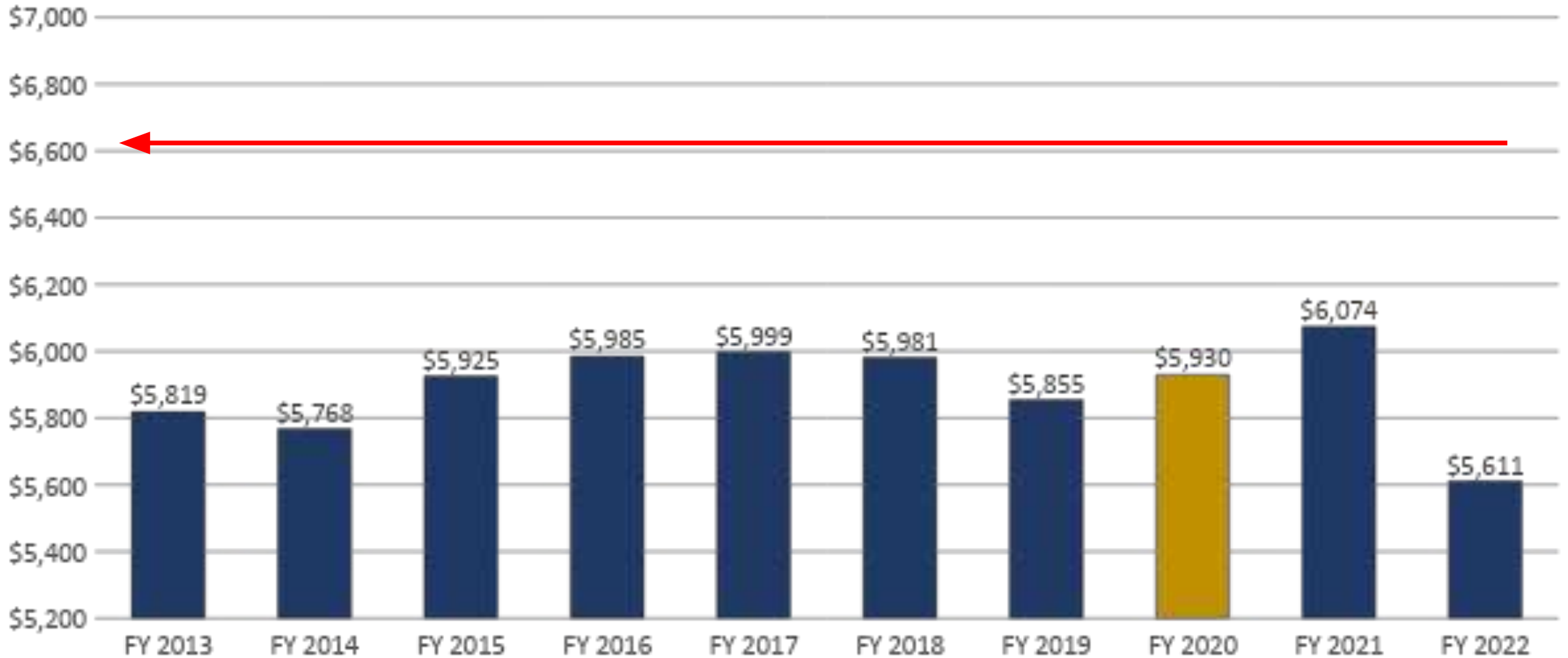
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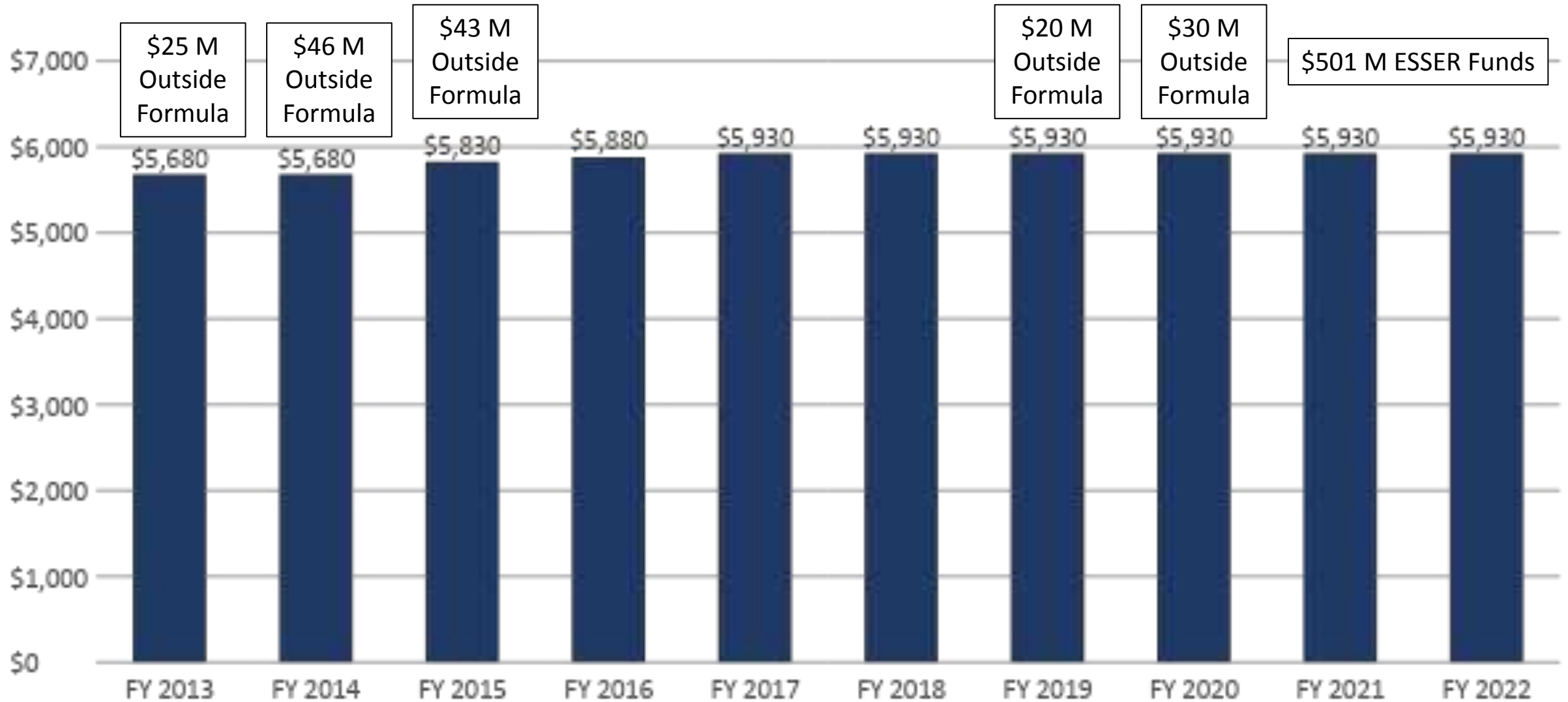
B3: BSA Adjusted for Factor Changes



B4: Adjusted BSA Adjusted in FY20 Dollars



BSA and One-Time Monies



Key Findings

- When considering inflation, State funding from Foundation Formula is at its lowest level in over a decade.
 - Hold harmless provision and more accurate reporting of intensive needs students has led to marginal increase in funding.
- Federal relief funds must be relied upon to sustain current operations.
- School districts have received moderate increases from local governments, consistent with Alaska CPI-U.



Thank you!