



ALASKA · STATE · CAPITOL

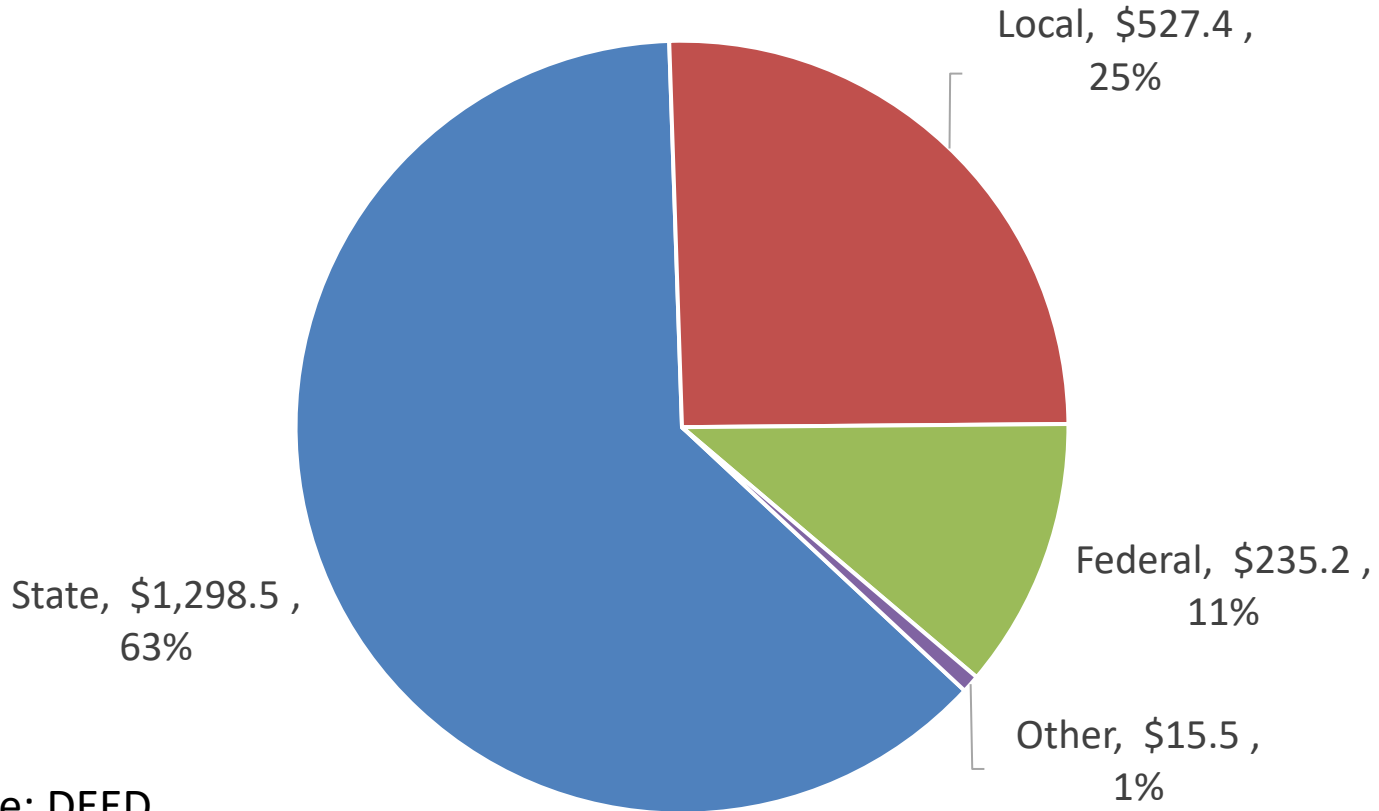
K-12 Funding History

House Finance Committee
February 28, 2023
Legislative Finance Division

Outline

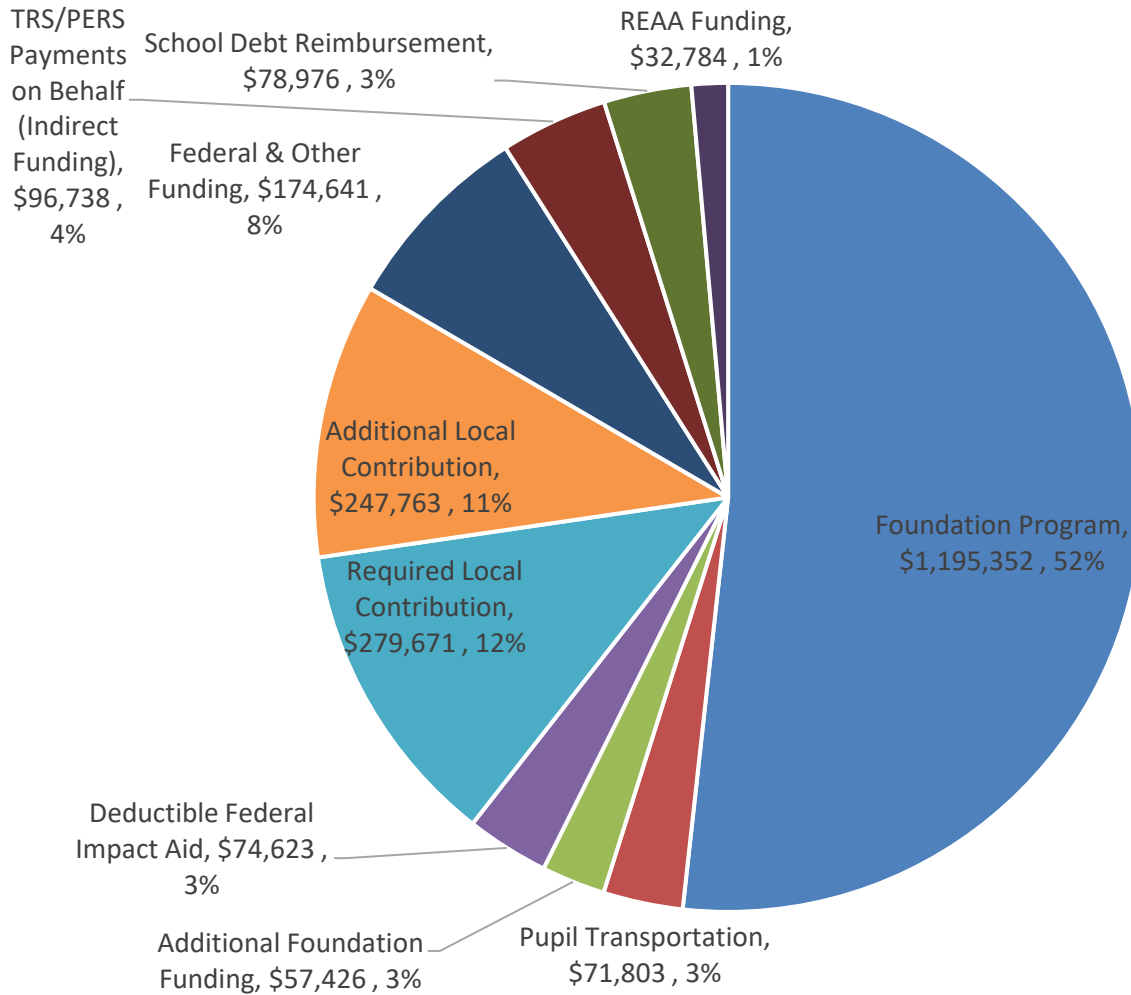
- Funding Sources for School Districts
 - State, federal, and local sources
 - Direct versus indirect sources
 - Comparison to other states
- State Formula Funding History
 - Impact of factors in the foundation formula
 - Changes over time
- Funding Levers for the Legislature

FY23 School District Budgeted Revenues by Payor



Source: DEED
School Finance

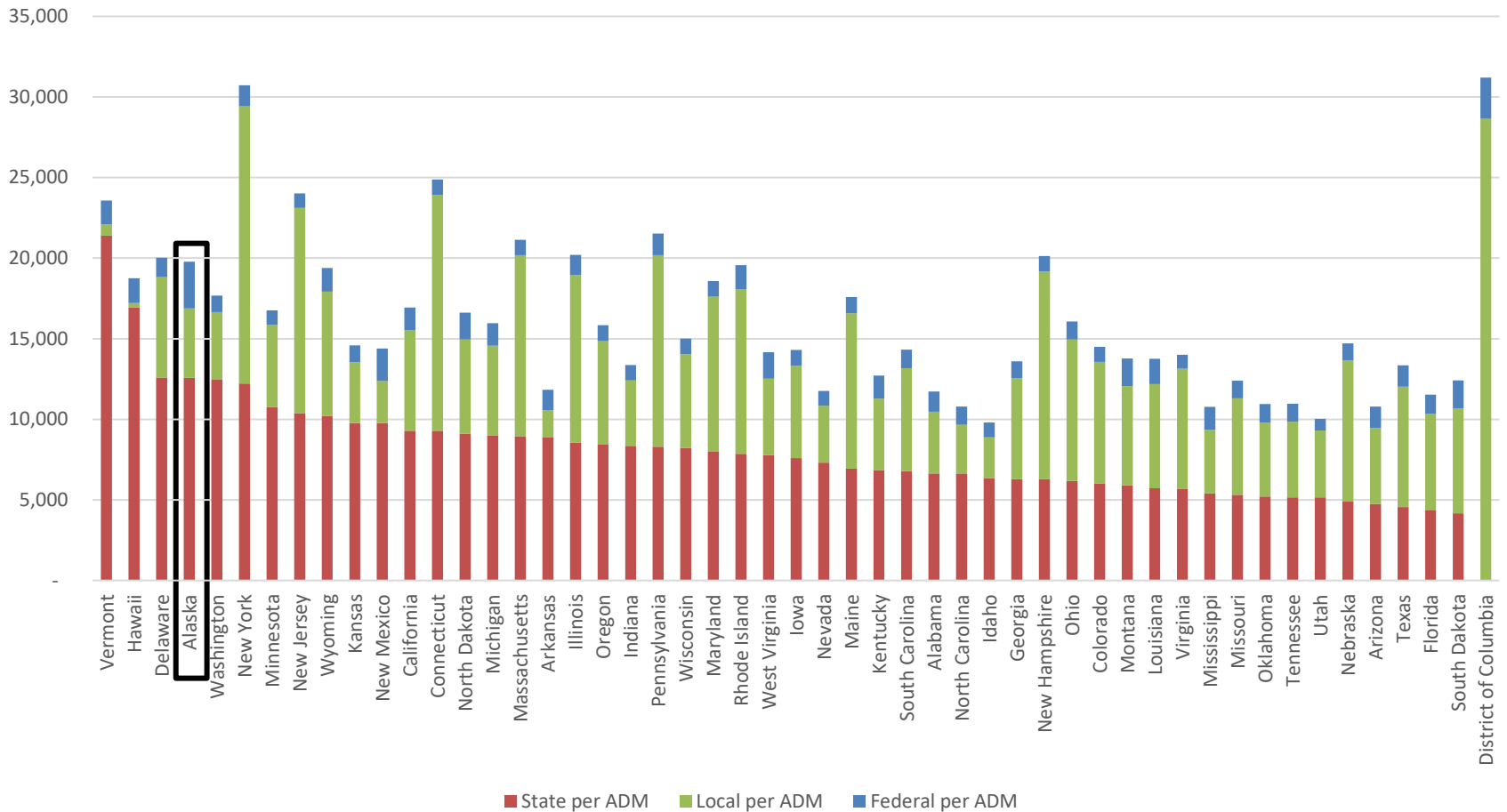
FY23 Sources of Funding for School Districts



Direct versus Indirect Sources

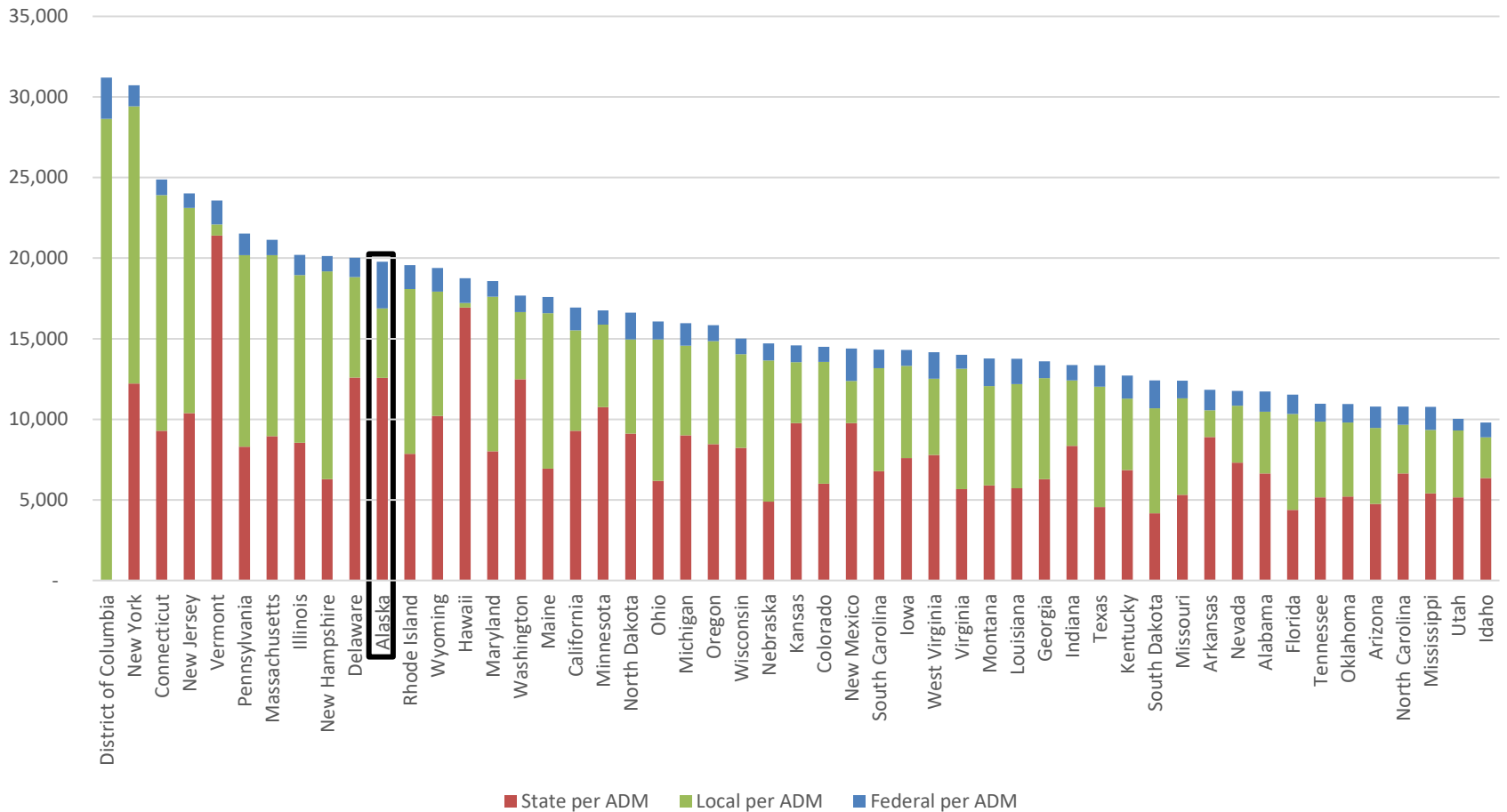
- School districts receive *direct* funding through the State foundation and pupil transportation formulas, federal impact aid and title programs, municipal contributions, and E-Rate funding.
- They also receive *indirect* funding that does not show up in their revenue reports but is spent by the State on their behalf. This includes PERS and TRS funding above the employer caps, school debt reimbursement, school construction and major maintenance funding.
- The Census Bureau's school finance data (used for cross-state comparisons) includes PERS and TRS funding but not other indirect sources.
- Most of this presentation will focus on the foundation and pupil transportation formulas, as well as municipal contributions.

All States Education Funding FY20 – Sorted by State Funding



Source: US Census Bureau

All States Education Funding FY20– Sorted by Total Funding



Source: US Census Bureau

Notes on National Comparisons

- In FY20, Alaska was 4th in State funding for school districts.
- Alaska was 9th in the proportion of funding coming from the State government, with 63.6% (compared to a national median of 47.6%).
- By total revenue, Alaska was ranked 11th.
- ISER has done comparisons in the past that adjust for cost-of-living differentials.

Basics of Foundation Formula

- Average Daily Membership (ADM) – student count taken in 20-day period ending in the last Friday in October
- Adjusted Average Daily Membership (AADM) – student count as modified by factors:
 - Correspondence students are not multiplied by other factors, but count as 0.9 ADM
 - Non-correspondence student count is multiplied by:
 - School size factor, providing more funds per student for smaller schools. District values range from 1.12 (Anchorage) to 2.83 (Pelican)
 - District cost factor, adjusting for cost differentials between districts. Values range from 1.000 (Anchorage) to 2.116 (Yukon Flats)
 - Special Needs Factor, a block grant multiplying every district's ADM by 1.20
 - Career and Technical Education (CTE) Factor, a block grant multiplying every district's ADM by 1.015
 - Special Education (SPED) Intensive factor, providing 13x ADM for special education students in a high-need category
- The AADM is then multiplied by the Base Student Allocation (BSA) to get Basic Need
- Basic Need is paid by a combination of the required local contribution, deductible federal impact aid, and state aid.

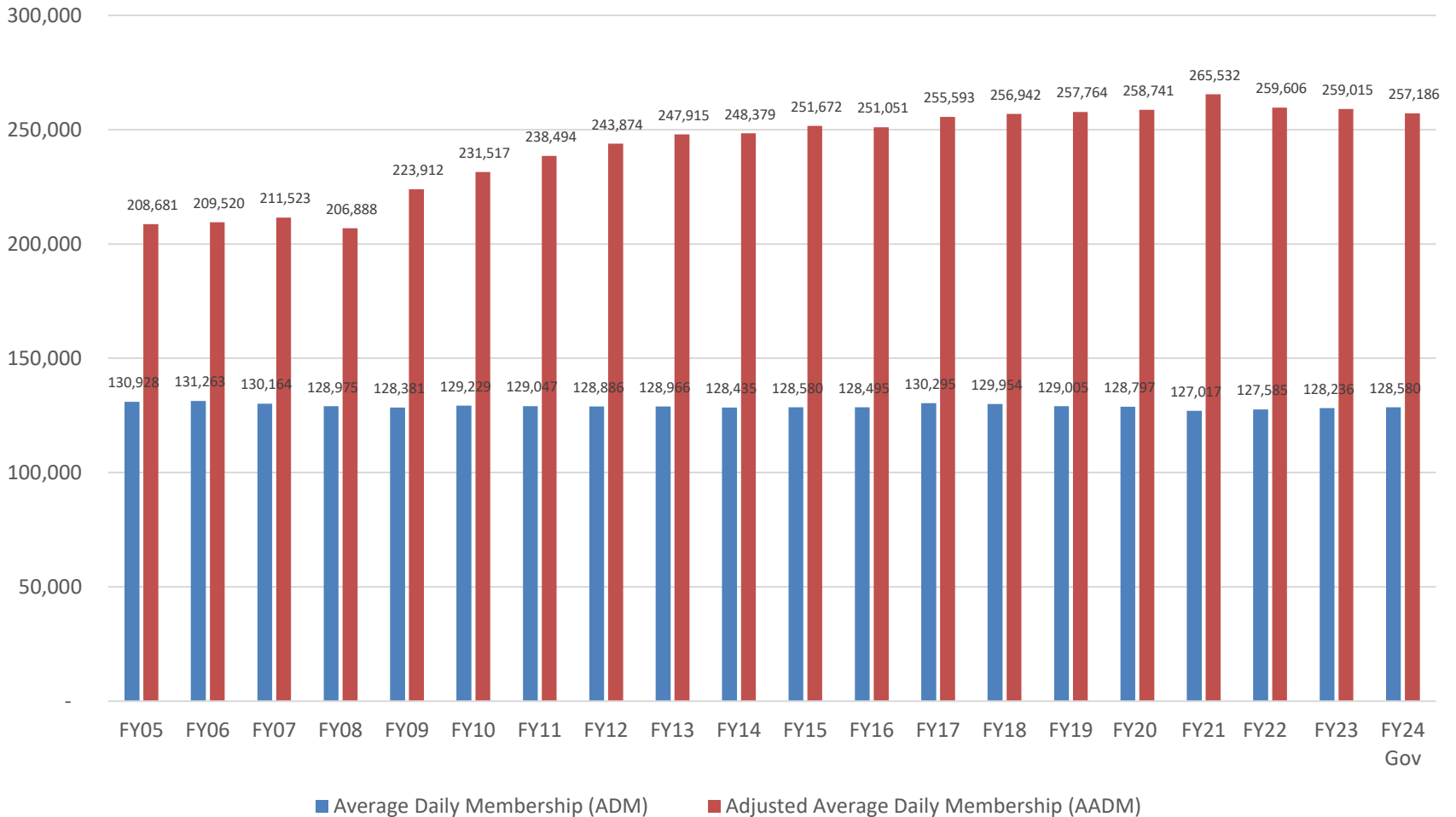
Foundation Formula History

- Since the current formula was established in 1998, the legislature has modified the factors several times. This means that \$1 in the BSA in FY99 is not equivalent to \$1 in the BSA in FY23.
- District Cost Factors: Original factors were modified in 2008 to implement a study conducted in 2005, based on FY00-03 data. The new factors were phased in from FY09-13.
- The Intensive Special Education factor was increased from 5x to 9x in FY10, to 11x in FY11, and to 13x in FY12.
- In FY15, the Career and Technical Education Factor was added, and the Correspondence Multiplier increased from 0.8 to 0.9.

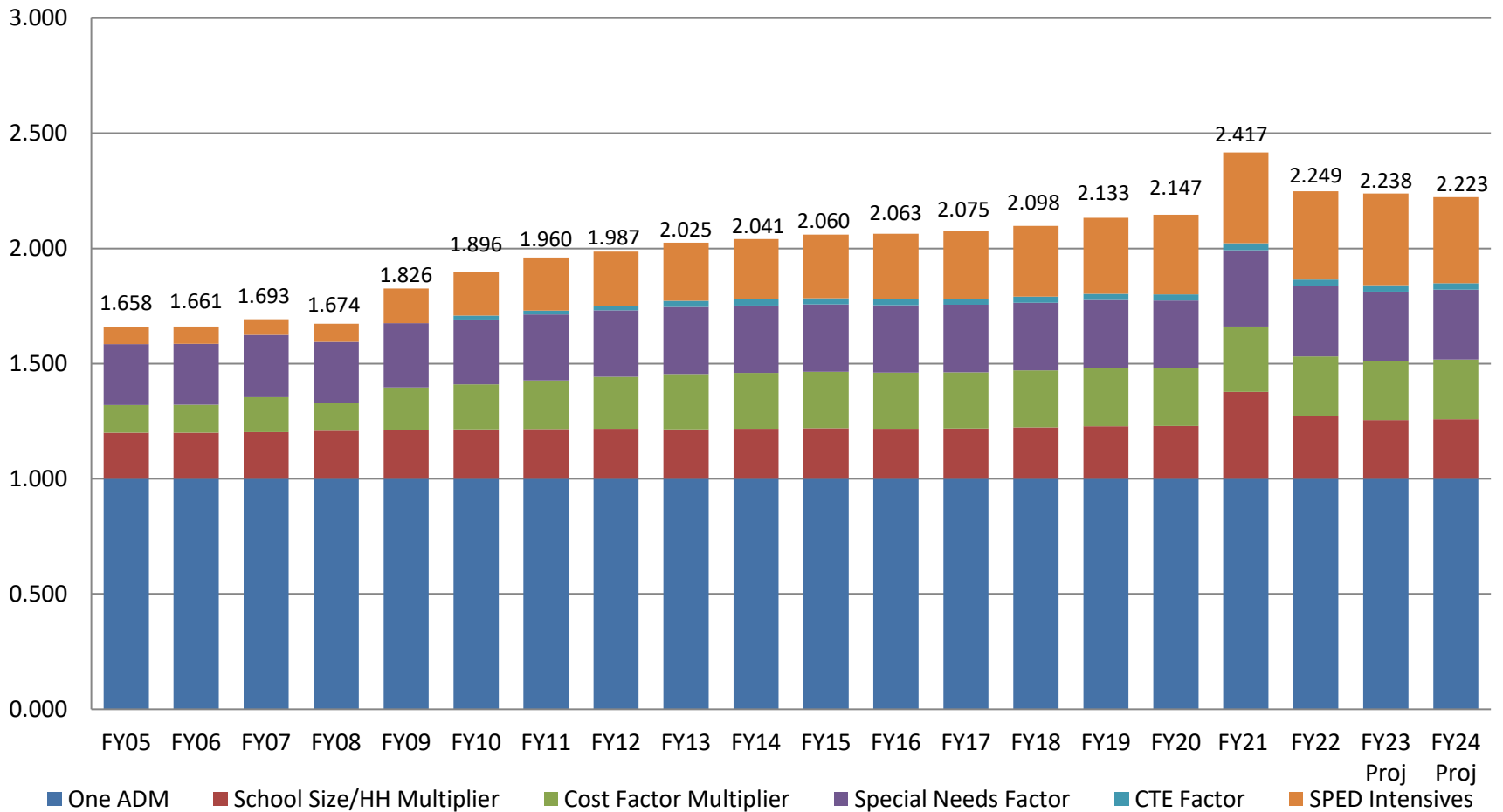
Changes in State and Local Contributions

- 34 of Alaska's 53 school districts are in organized areas, meaning that their boundaries correspond to municipal boundaries. The remaining 19 districts are Regional Educational Attendance Areas (REAs), with no municipal government and no taxing power.
- Municipal school districts have a required local contribution and a maximum local contribution.
- Until FY01, the required local contribution is the lesser of 4 mills (0.4% of property value) or 45% of Basic Need. From FY02 to FY11, only 50% of the increase in property values could be added to the local contribution each year, resulting in many districts paying less than 4 mills. From FY12 on, the contribution has been fixed at 2.65 mills or 45% of Basic Need.
- The maximum optional local contribution for most districts is 23% of Basic Need, allowing Alaska to pass the federal disparity test (which requires no more than 25% difference in funding per AADM and allows Alaska to deduct \$73.3 million of federal impact aid from the State share of funding).

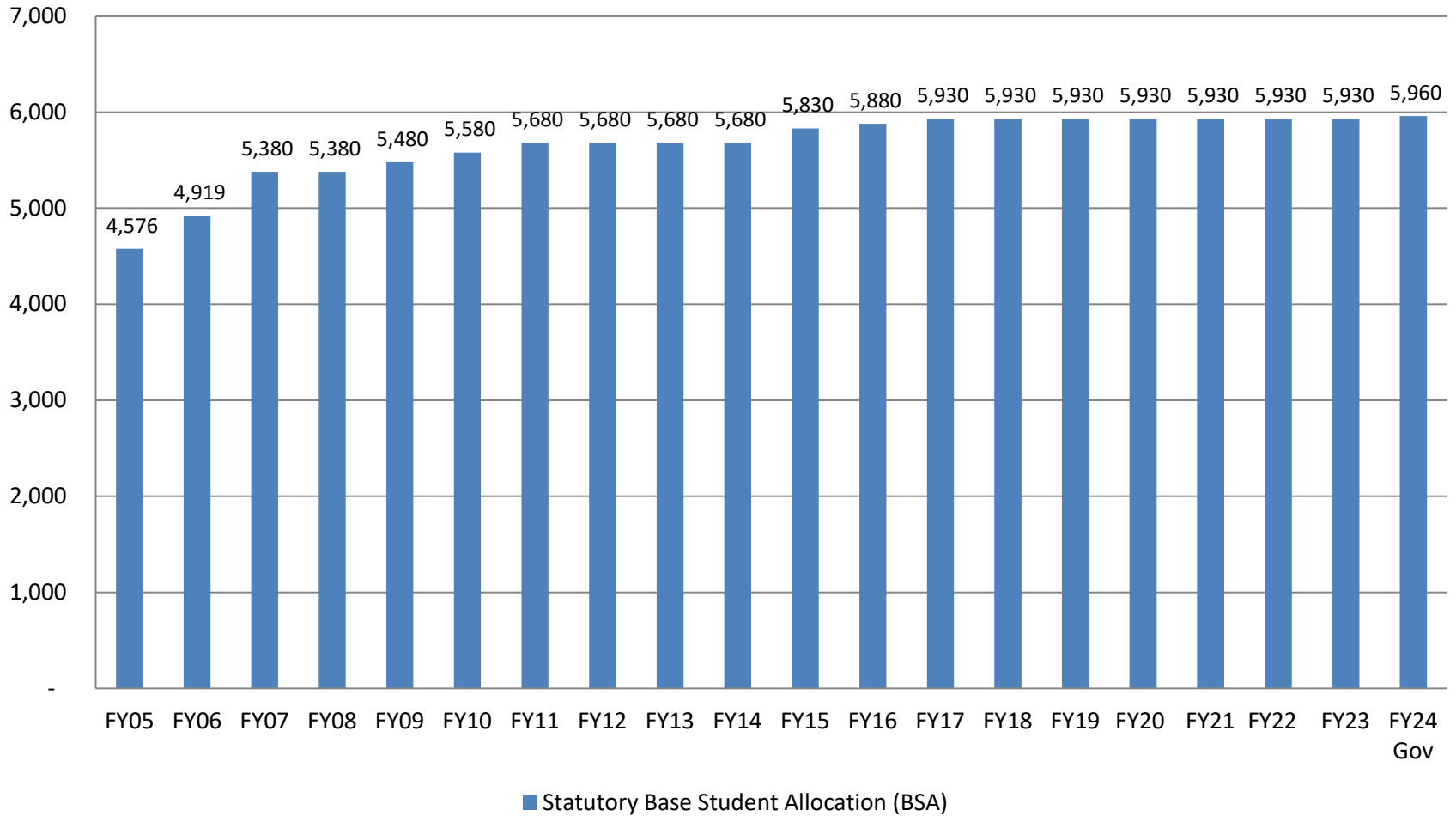
Statewide Average Daily Membership and Adjusted Average Daily Membership History



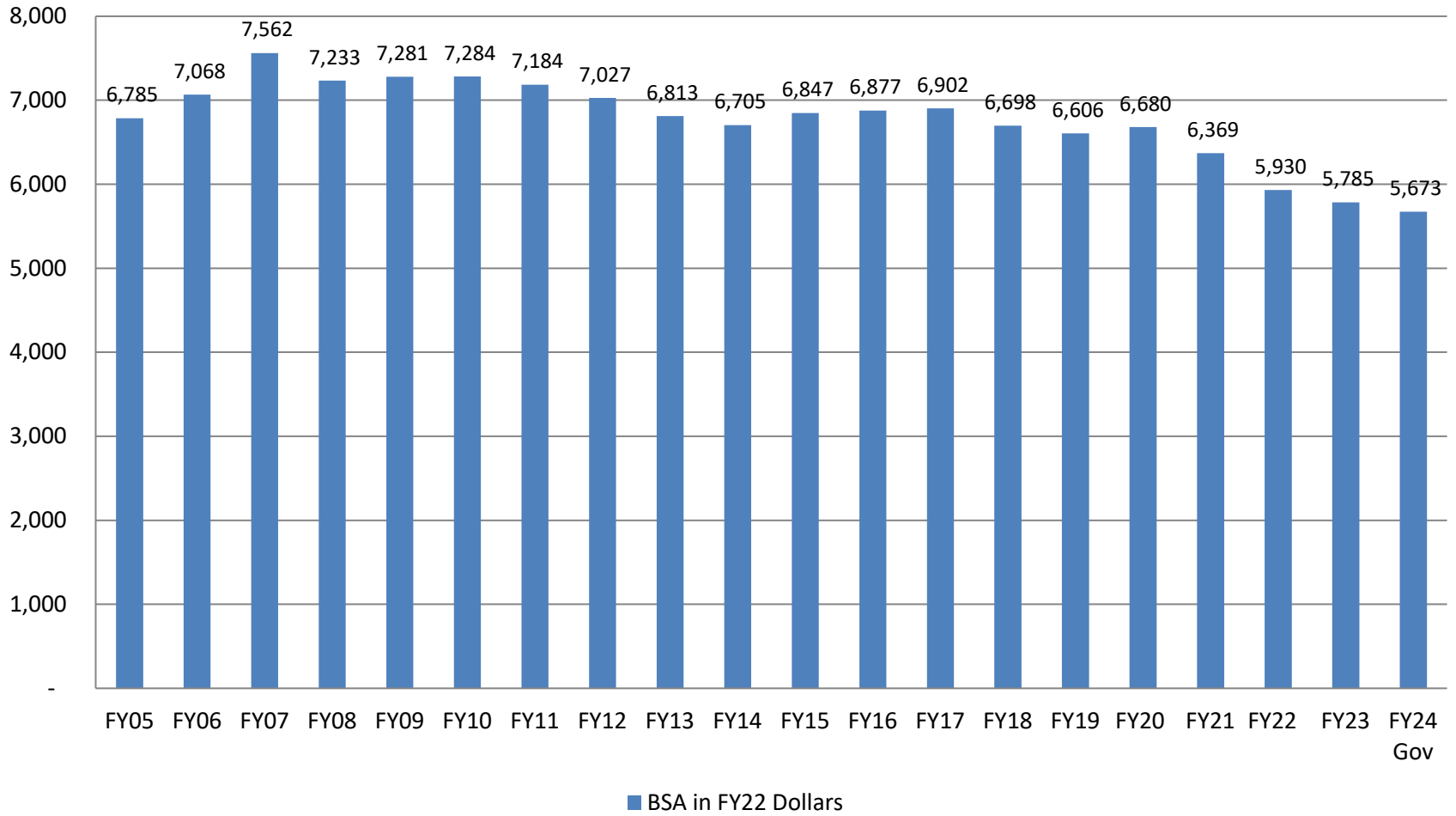
Impact of Factors per Non-Correspondence ADM, FY05-24



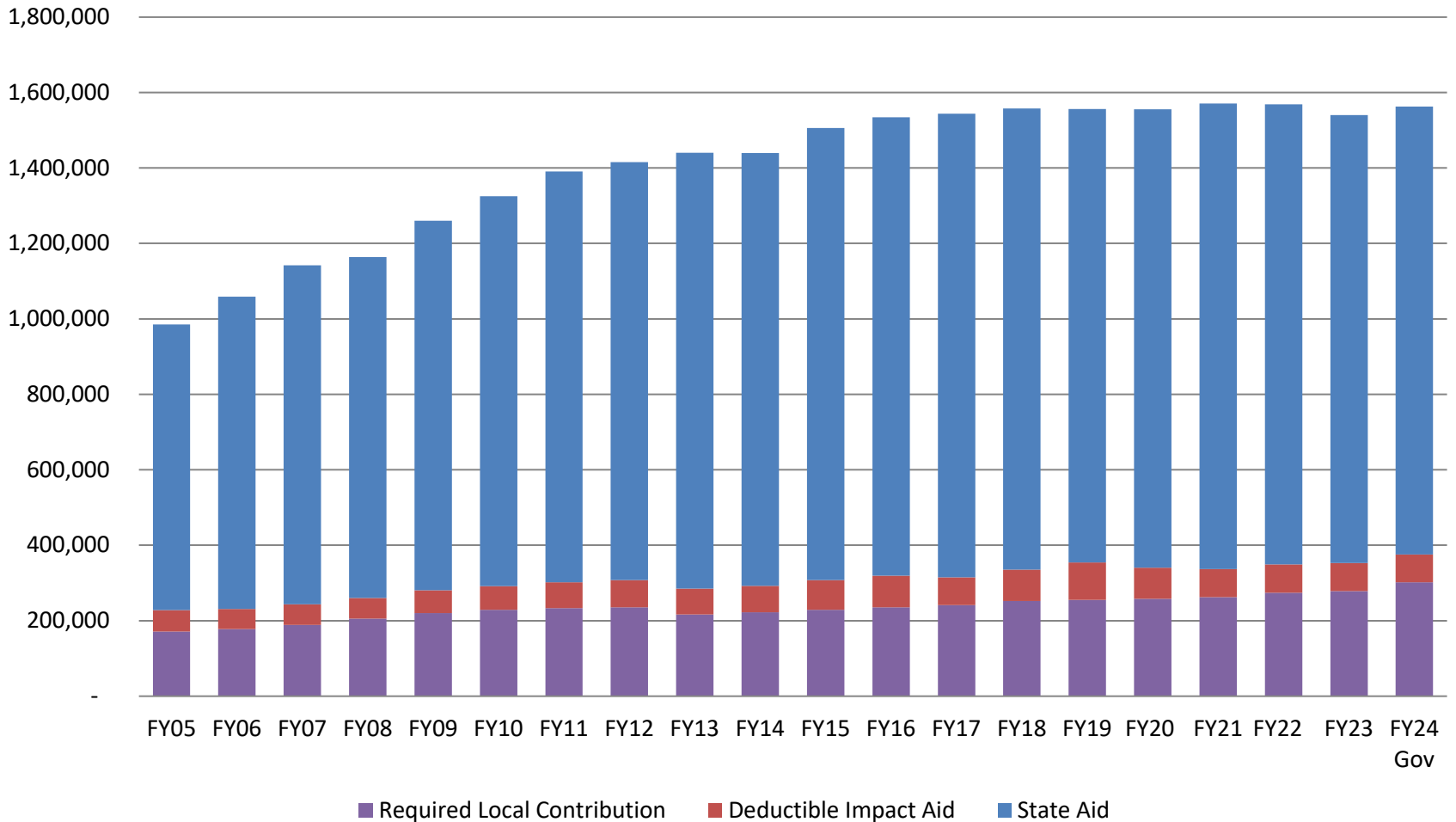
Base Student Allocation History (Nominal dollars)



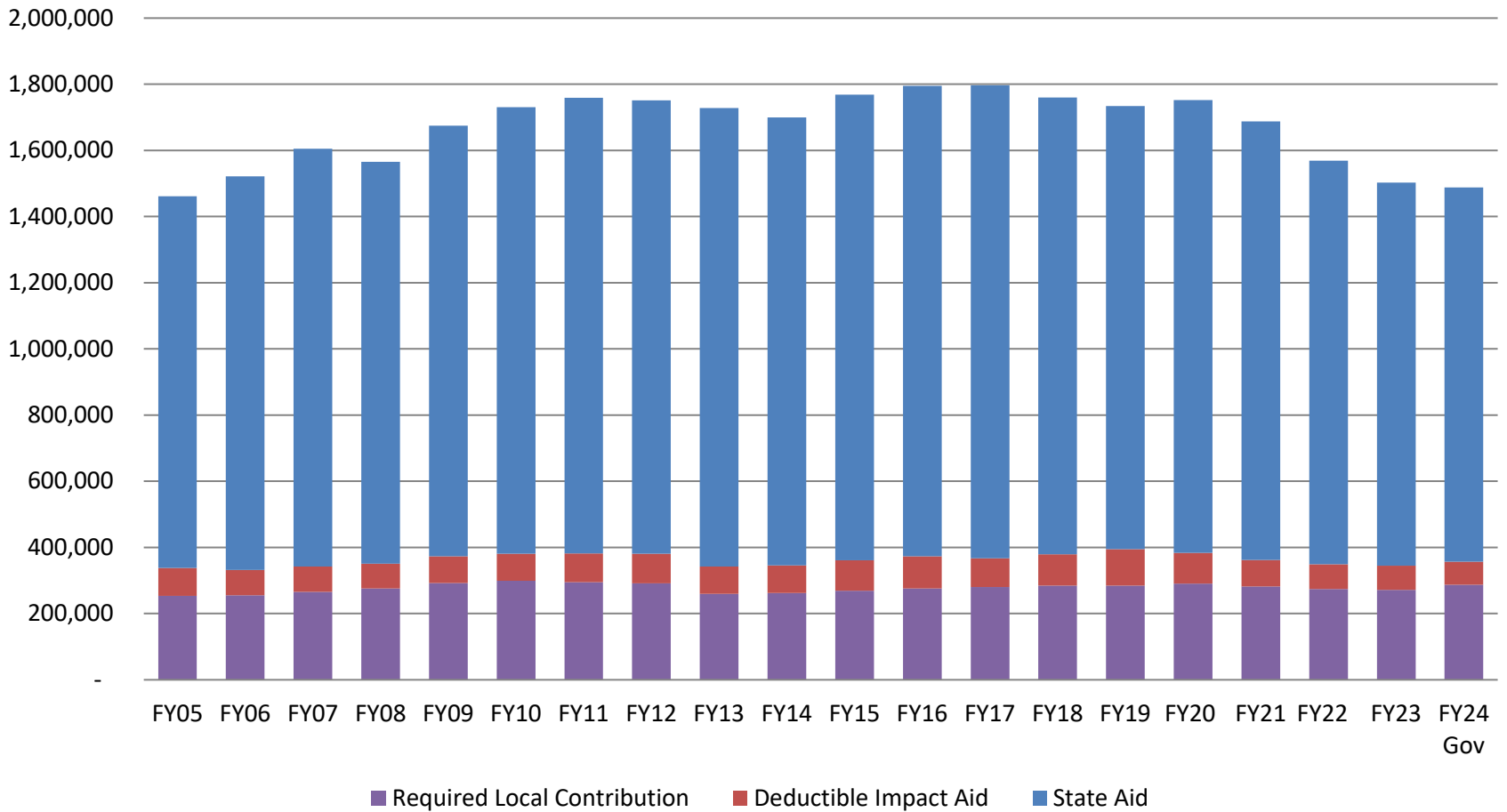
Base Student Allocation History (FY22 dollars)



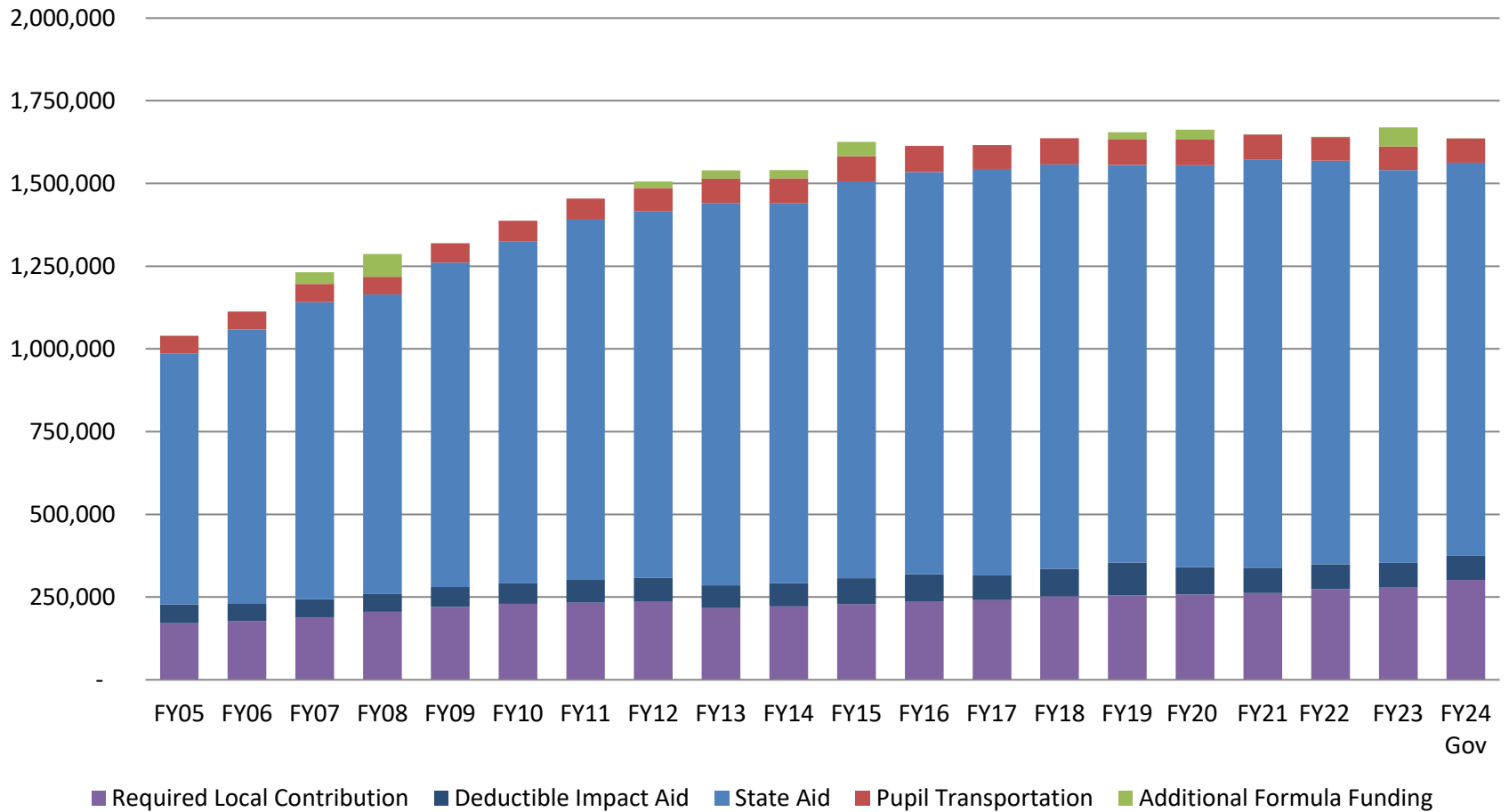
Basic Need, FY05-FY24 Projection (Nominal dollars)



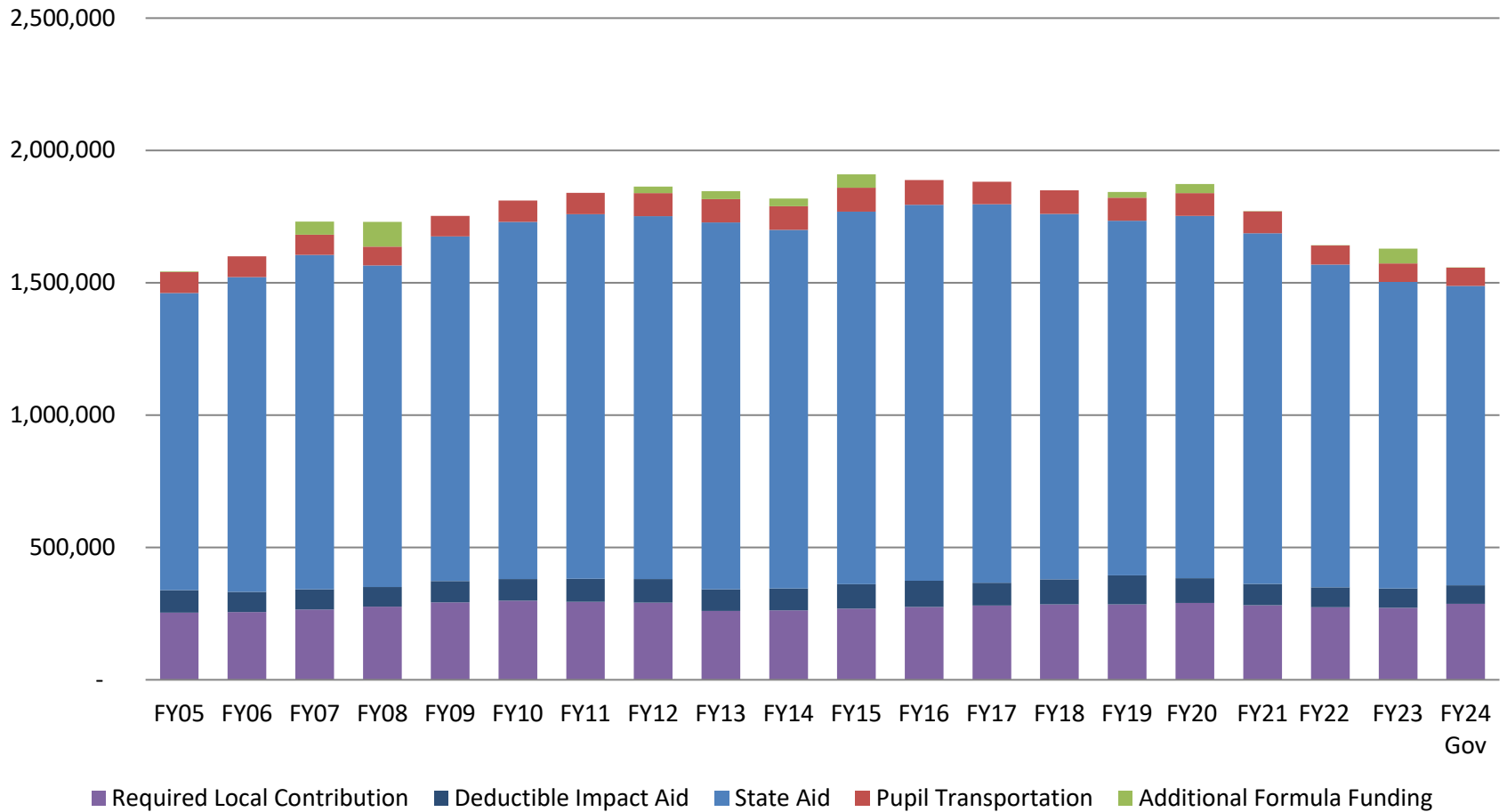
Basic Need, FY05-FY24 Projection (FY22 dollars)



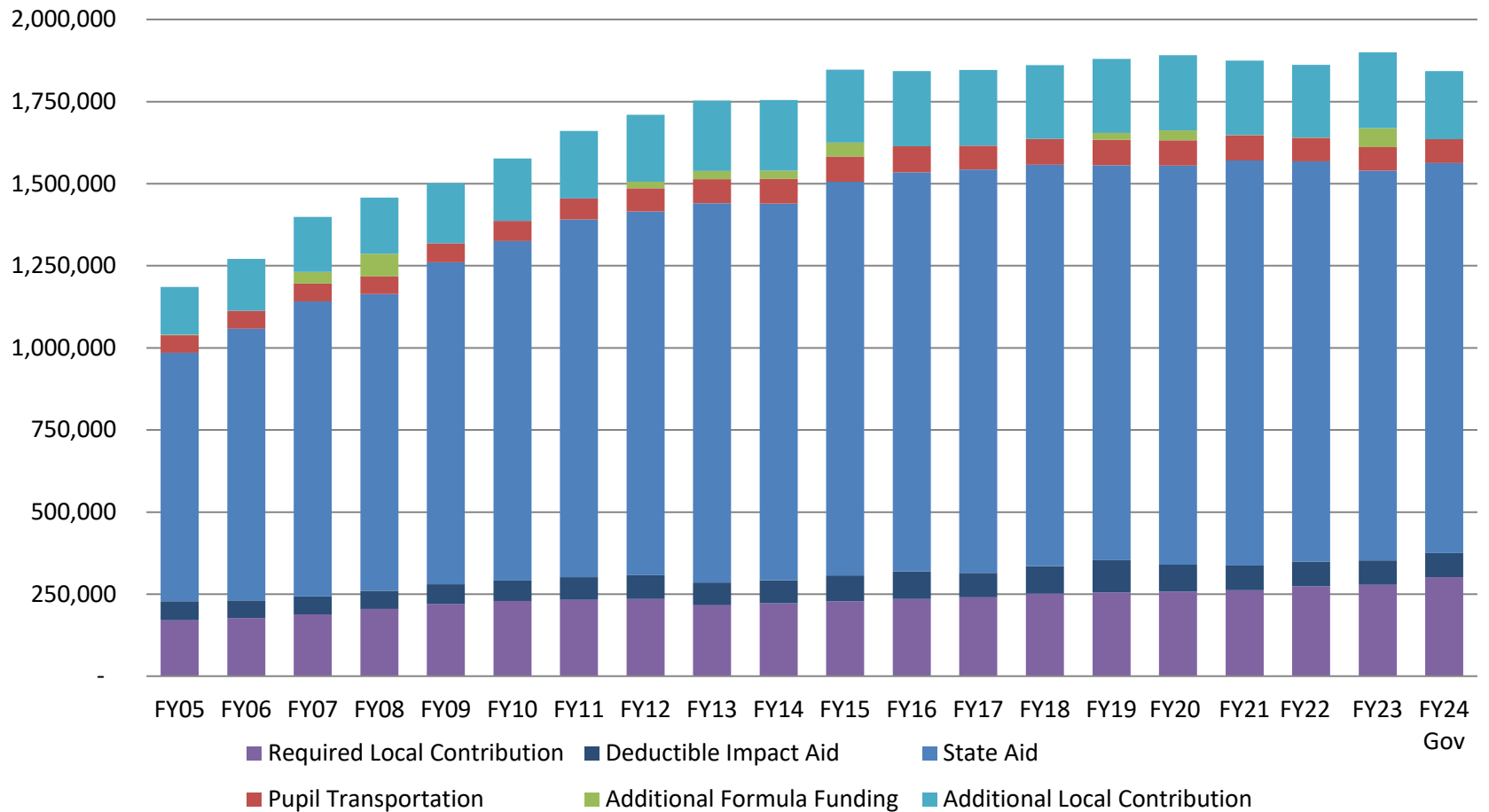
Foundation Funding plus Additional Formula Funding and Pupil Transportation, FY05-24 (Nominal dollars)



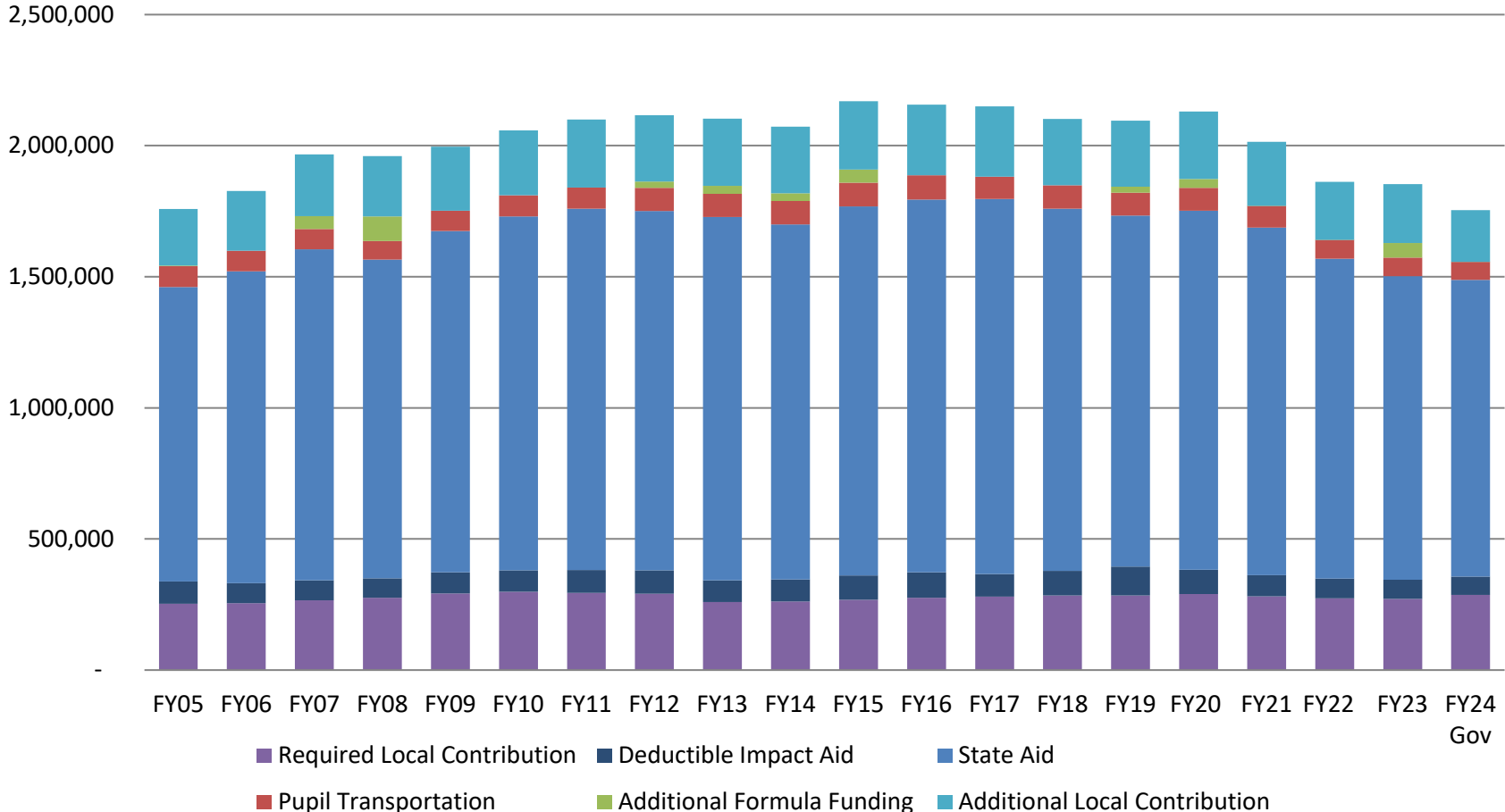
Foundation Funding plus Additional Formula Funding and Pupil Transportation, FY05-24 (FY22 dollars)



Foundation Funding plus Additional Formula Funding, Pupil Transportation, and Additional Local Contribution, FY05-24 (Nominal dollars)



Foundation Funding plus Additional Formula Funding, Pupil Transportation, and Additional Local Contribution, FY05-24 (FY22 dollars)



Funding Levers for the Legislature

The Legislature has several levers to impact school funding, each with different impacts to districts:

- Base Student Allocation – provides across-the-board funding to all school districts on an equal per-adjusted-student basis
- Outside-the-formula funding – same as above on a one-time basis
- Formula factors – targeted changes that would affect districts differently
- TRS on-behalf payment cap – provides equal amounts of funding to districts on a per-employee basis (rather than per-student)
- Required local contribution – shift who pays between State and local governments
- Local contribution cap – allow greater contributions by some municipalities, but likely lose equalized formula (increasing State costs but providing more funding to some districts)

Questions?

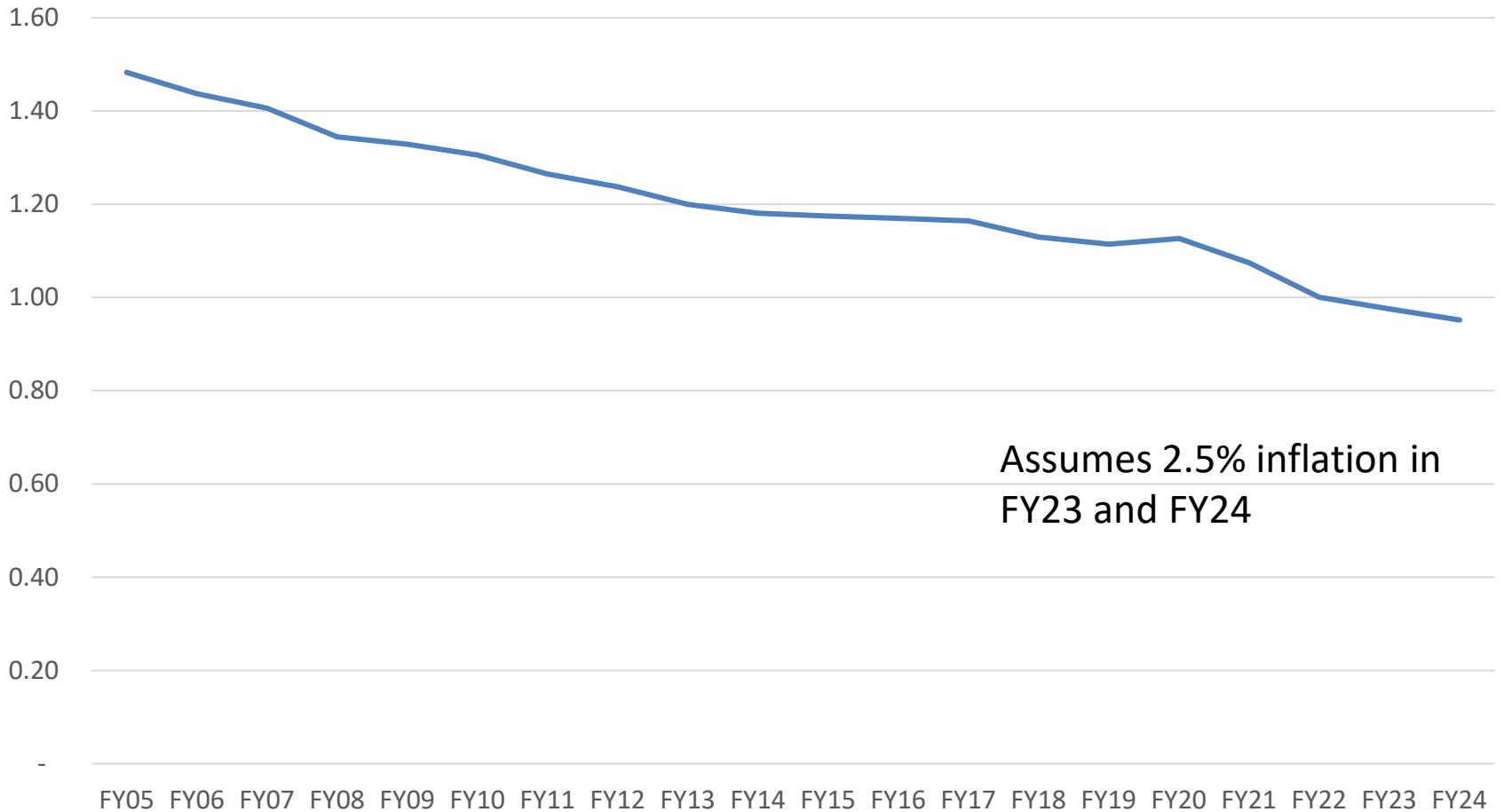
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Appendix: Alaska Inflation Multiplier, FY22 as Base



Appendix: Nominal Data for Slides 15-20

	State Aid	Required Local Contribution	Deductible Impact Aid	Total Basic Need	Pupil Transportation	Additional Formula Funding	Additional Local Contribution	Combined Total
FY05	757,145.6	170,973.9	57,051.8	985,171.3	53,557.2	1,454.1	145,846.8	1,186,029.4
FY06	827,832.2	177,857.6	53,022.1	1,058,711.9	54,319.9	-	158,365.6	1,271,397.4
FY07	898,399.0	189,026.2	54,216.9	1,141,642.1	54,707.2	35,000.0	168,053.3	1,399,402.6
FY08	903,541.4	205,209.4	55,395.5	1,164,146.3	53,250.2	69,101.0	171,209.8	1,457,707.2
FY09	979,867.2	220,304.9	60,235.7	1,260,407.7	58,516.6	-	183,062.9	1,501,987.3
FY10	1,033,545.6	229,207.5	62,495.0	1,325,248.1	61,674.3	-	190,050.0	1,576,972.4
FY11	1,089,219.4	232,945.4	68,753.7	1,390,918.4	63,839.2	-	205,625.8	1,660,383.5
FY12	1,107,981.1	235,319.3	72,195.2	1,415,495.6	70,769.1	20,000.0	203,761.2	1,710,025.9
FY13	1,155,202.9	216,537.0	68,617.7	1,440,357.6	73,795.9	25,000.0	214,346.1	1,753,499.6
FY14	1,147,039.0	222,114.1	70,470.4	1,439,623.5	75,466.0	25,000.0	214,968.0	1,755,057.5
FY15	1,198,664.3	228,831.9	78,471.3	1,505,967.5	76,773.9	42,953.5	221,769.1	1,847,464.0
FY16	1,215,262.7	235,586.4	83,769.1	1,534,618.2	79,240.3	-	229,427.4	1,843,285.9
FY17	1,228,382.9	240,946.1	74,294.3	1,543,623.3	72,619.8	-	230,417.6	1,846,660.7
FY18	1,222,257.6	252,046.7	83,372.0	1,557,676.2	79,029.6	-	224,431.2	1,861,137.0
FY19	1,202,114.5	255,299.2	98,729.9	1,556,143.5	78,184.6	20,000.0	226,165.0	1,880,493.2
FY20	1,214,932.2	257,895.3	82,363.5	1,555,191.0	77,214.6	30,488.2	228,084.7	1,890,978.5
FY21	1,234,069.4	262,432.8	74,502.9	1,571,005.2	76,997.7	488.2	226,735.4	1,875,226.5
FY22	1,219,528.6	274,252.1	74,924.1	1,568,704.8	71,435.9	550.0	221,537.3	1,862,228.0
FY23	1,187,006.1	278,480.4	74,622.5	1,540,109.0	71,803.0	57,426.1	230,389.6	1,899,727.7
FY24	1,187,823.3	301,869.9	73,276.6	1,562,969.8	72,568.3	450.0	207,000.0	1,842,988.1

Appendix: Data for Slides 15-20 in FY22 dollars

	State Aid	Required Local Contribution	Deductible Impact Aid	Total Basic Need	Pupil Transportation	Additional Formula Funding	Additional Local Contribution	Combined Total
FY05	1,122,729.7	253,527.8	84,599.0	1,460,856.5	79,417.0	2,156.2	216,268.3	1,758,698.0
FY06	1,189,467.4	255,554.0	76,184.6	1,521,206.0	78,049.3	-	227,546.9	1,826,802.3
FY07	1,262,819.7	265,701.5	76,209.1	1,604,730.4	76,898.3	49,197.2	236,221.3	1,967,047.2
FY08	1,214,687.8	275,875.9	74,471.6	1,565,035.4	71,587.6	92,896.8	230,168.1	1,959,688.0
FY09	1,301,860.4	292,699.0	80,029.6	1,674,589.0	77,745.7	-	243,219.1	1,995,553.8
FY10	1,349,253.0	299,221.3	81,584.8	1,730,059.2	80,513.4	-	248,102.7	2,058,675.3
FY11	1,377,579.4	294,615.3	86,955.5	1,759,150.3	80,740.0	-	260,063.2	2,099,953.5
FY12	1,370,759.4	291,129.7	89,317.6	1,751,206.6	87,553.3	24,743.4	252,086.9	2,115,590.3
FY13	1,385,675.6	259,738.0	82,307.5	1,727,721.1	88,518.8	29,987.7	257,110.0	2,103,337.5
FY14	1,354,053.0	262,200.5	83,188.7	1,699,442.1	89,085.9	29,511.9	253,764.8	2,071,804.7
FY15	1,407,793.5	268,755.9	92,162.0	1,768,711.5	90,168.5	50,447.5	260,460.8	2,169,788.4
FY16	1,421,253.2	275,519.0	97,968.1	1,794,740.3	92,671.8	-	268,316.0	2,155,728.1
FY17	1,429,751.4	280,444.4	86,473.3	1,796,669.1	84,524.3	-	268,189.9	2,149,383.4
FY18	1,380,538.5	284,686.4	94,168.5	1,759,393.4	89,263.8	-	253,494.7	2,102,152.0
FY19	1,339,196.2	284,411.9	109,988.4	1,733,596.5	87,100.3	22,280.7	251,955.5	2,094,933.0
FY20	1,368,575.2	290,509.3	92,779.4	1,751,863.8	86,979.3	34,343.8	256,928.8	2,130,115.8
FY21	1,325,390.5	281,852.9	80,016.1	1,687,259.6	82,695.5	524.3	243,513.8	2,013,993.2
FY22	1,219,528.6	274,252.1	74,924.1	1,568,704.8	71,435.9	550.0	221,537.3	1,862,228.0
FY23	1,158,054.7	271,688.2	72,802.5	1,502,545.3	70,051.7	56,025.5	224,770.4	1,853,392.9
FY24	1,130,587.3	287,324.1	69,745.7	1,487,657.2	69,071.6	428.3	197,025.6	1,754,182.7