

The background of the slide features a large, multi-story brick building with many windows. To the left, a snow-capped mountain rises steeply, and an American flag is visible. A semi-transparent white box is centered over the building, containing the title and date information.

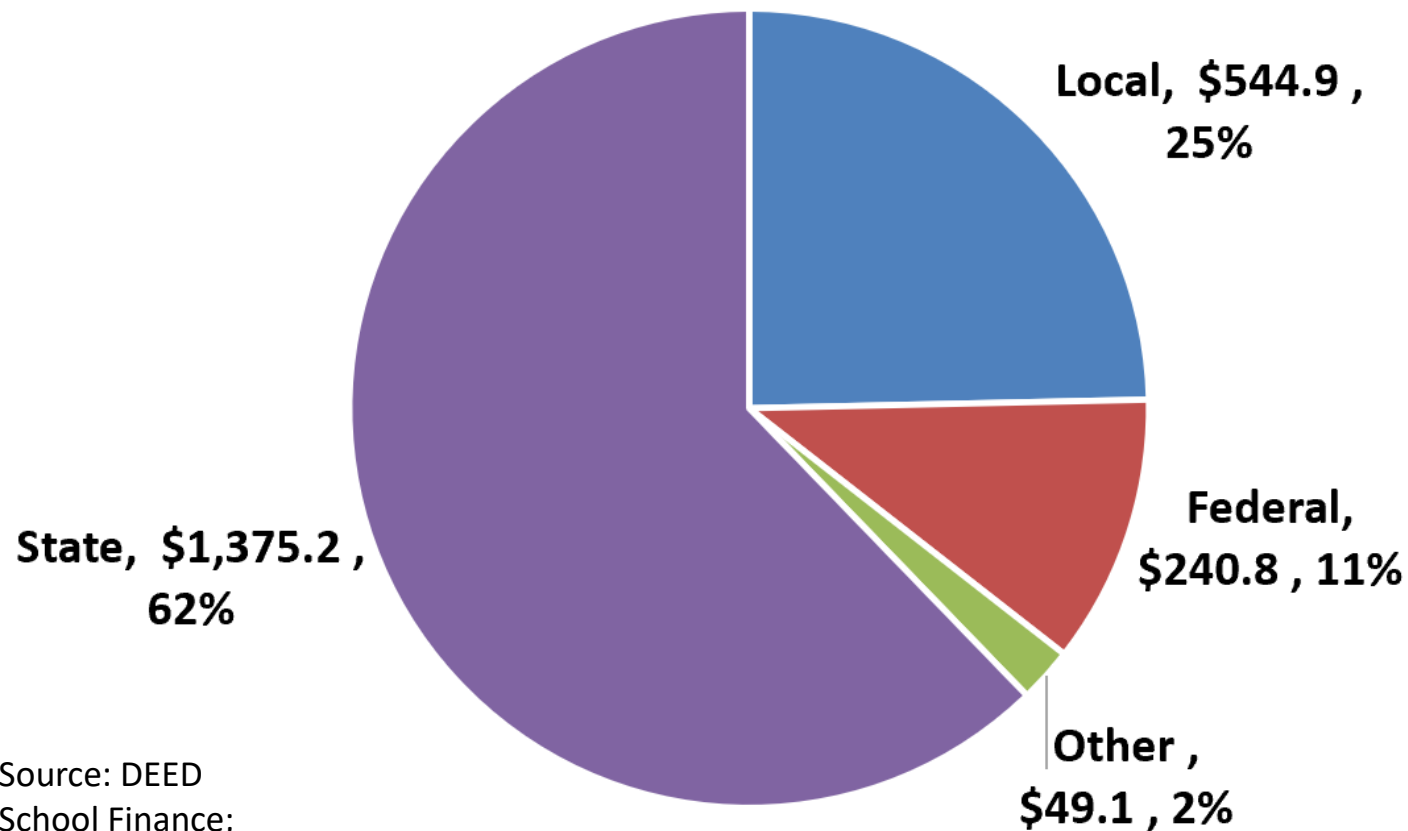
K-12 Funding History

House Education Committee
January 24, 2025
Legislative Finance Division

Outline

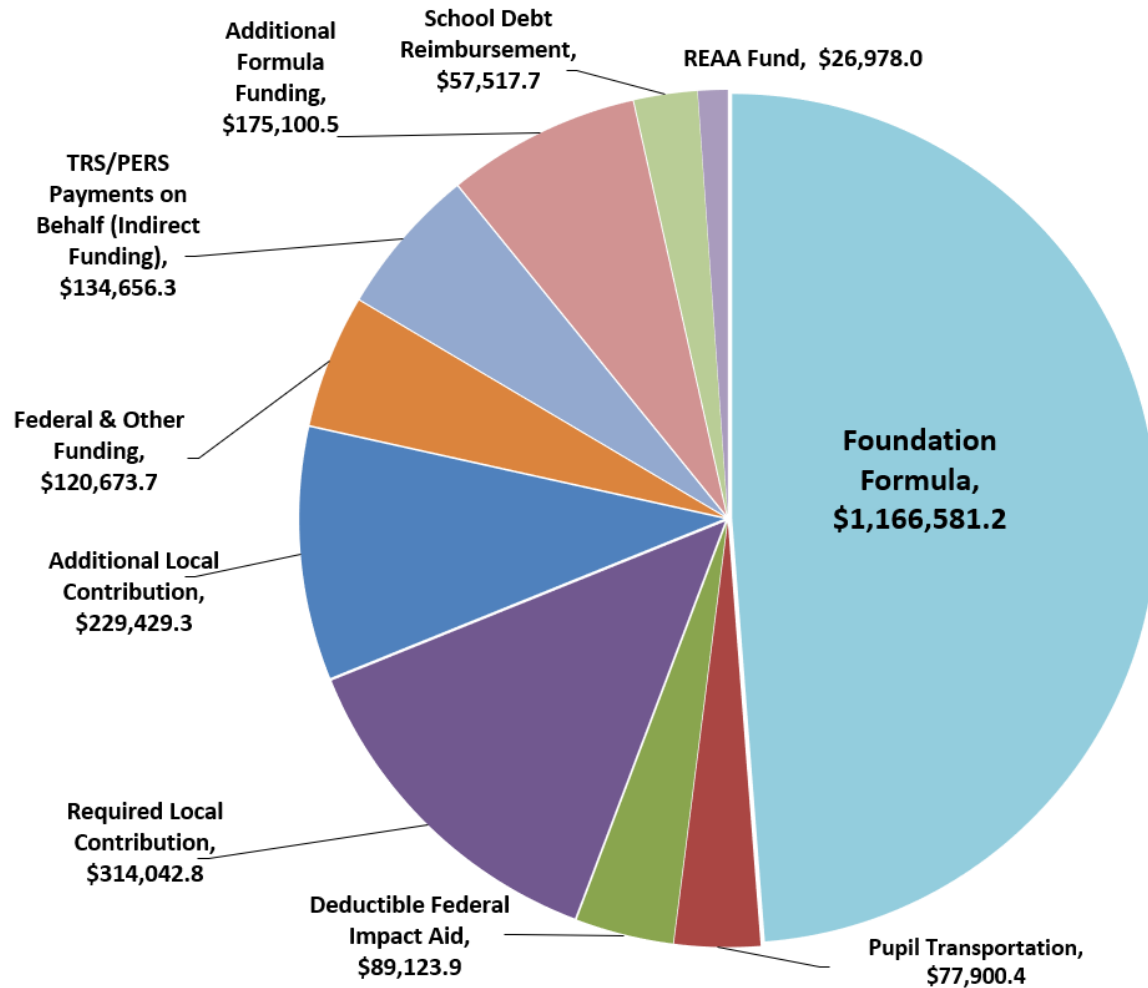
- Funding Sources for School Districts
 - State, federal, and local sources
 - Direct versus indirect sources
 - Comparison to other states
- Basics of State Foundation Formula
- State Formula Funding History
 - Impact of factors in the foundation formula
 - Changes over time
- Funding Levers for the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

FY25 School District Budgeted Revenues by Payor



Source: DEED
School Finance;
compiled by LFD

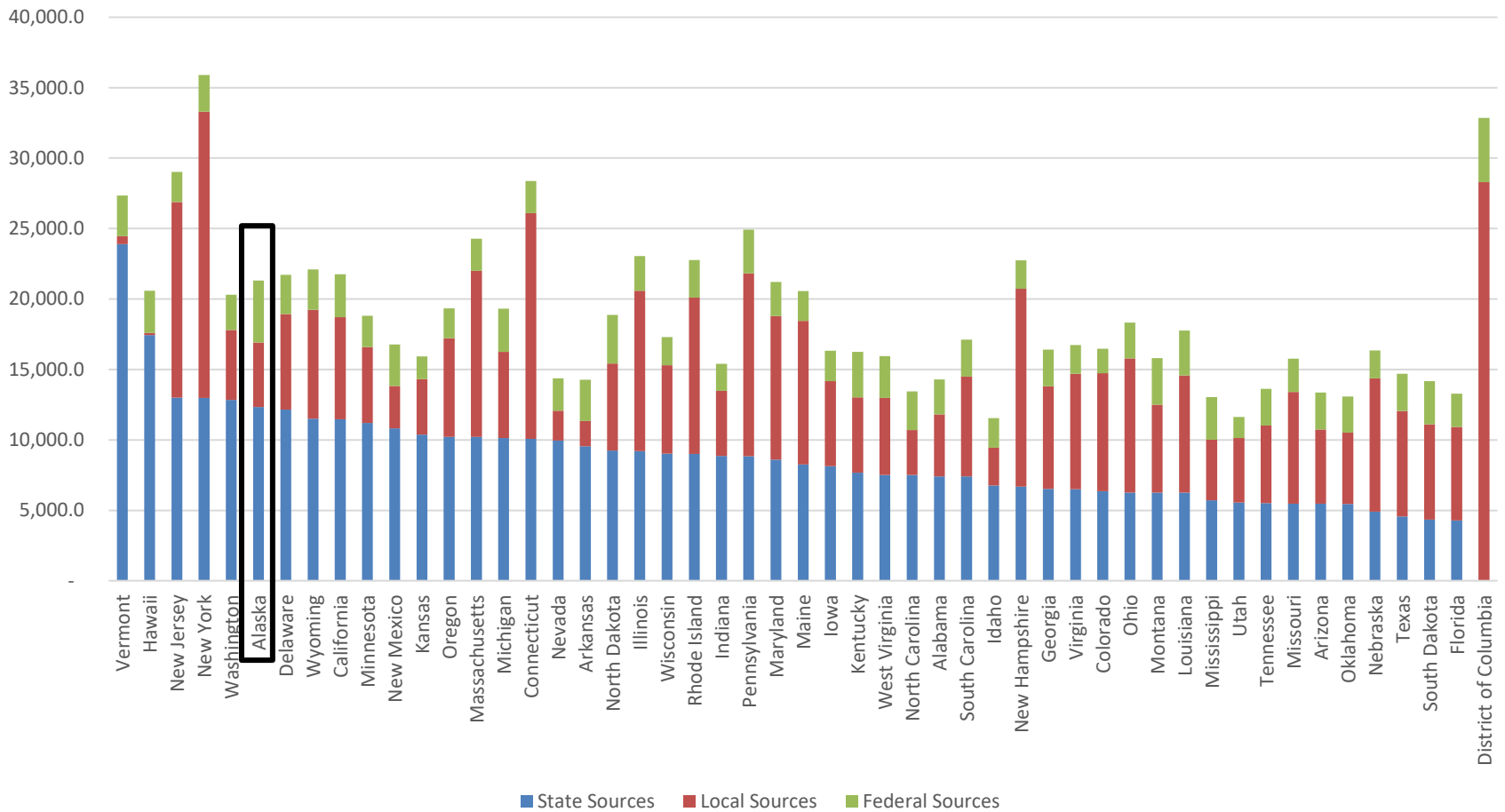
FY25 Sources of Funding for School Districts



Direct versus Indirect Sources

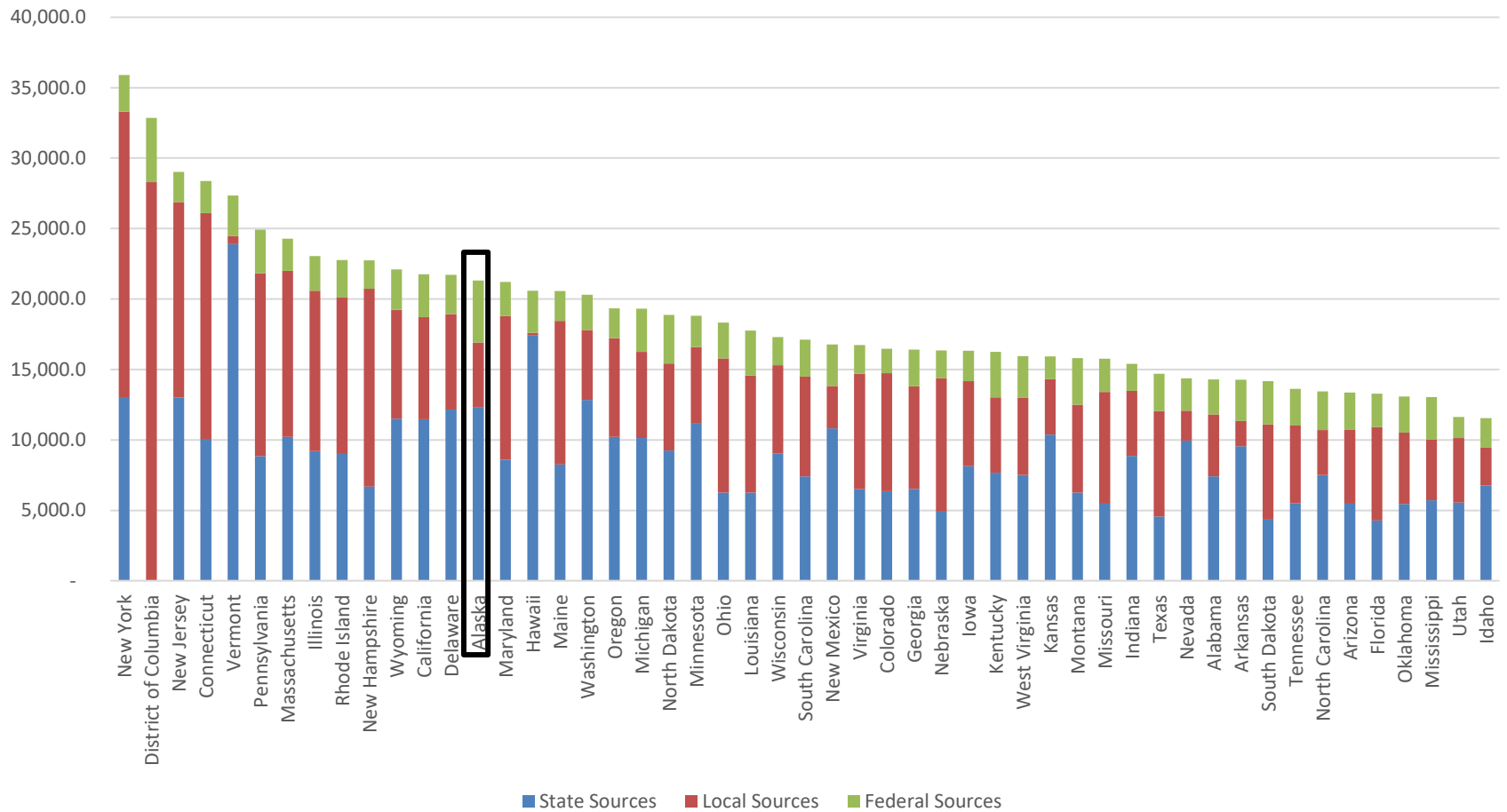
- School districts receive *direct* funding through the State foundation and pupil transportation formulas, federal impact aid and title programs, municipal contributions, and E-Rate funding.
- They also receive *indirect* funding that does not show up in their revenue reports but is spent by the State 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 FY22 – Sorted by State Funding



Source: US Census Bureau

All States Education Funding FY22 – Sorted by Total Funding



Source: US Census Bureau

Notes on National Comparisons

- In FY22, Alaska was 6th in State funding for school districts.
- Alaska was 10th in the proportion of funding coming from the State government, with 57.9% (compared to a national median of 43.8%).
- By total revenue, Alaska was ranked 14th.
- ISER has done comparisons in the past that adjust for cost-of-living differentials.

Basics of Foundation Formula

- Amounts for the Foundation Formula and Pupil Transportation Formula are appropriated to the Public Education Fund (PEF)
- Funding flows to districts from the PEF according to the statutory formula without further appropriation
- Funding is typically appropriated as a language item for the amount necessary to fund the formula rather than a fixed dollar amount
- Formula funding is subject to appropriation

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 1.13 (Anchorage) to 3.30 (Aleutian Region)
 - 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 – Adjustment Factors

Example: FY26 Projected Fairbanks North Star Borough
Going from ADM of 11,626 to AADM of 23,187

Factor	Calculation	Explanation
ADM	11,626	October student count
Non-Correspondence ADM	10,849	Removing 777 correspondence students
With School Size Factor	12,928	Differs by school
With District Cost Factor	13,833	Fairbanks' is 1.070
With Special Needs Factor	16,600	1.2 multiplier
CTE Factor	16,849	1.015 multiplier
With SPED Intensive	22,488	388 students * 13 = 5,044
With Correspondence	23,187	777 * 0.9 = 715.5

Foundation Formula – Other Provisions

- Hold Harmless
 - For school districts with a reduction in ADM of at least 5% from the prior year, the reduction is phased in over three years
- Consolidation of Schools
 - For districts that consolidate one or more schools, leading to reduced school size factors
 - Funding reduction phased in over four years

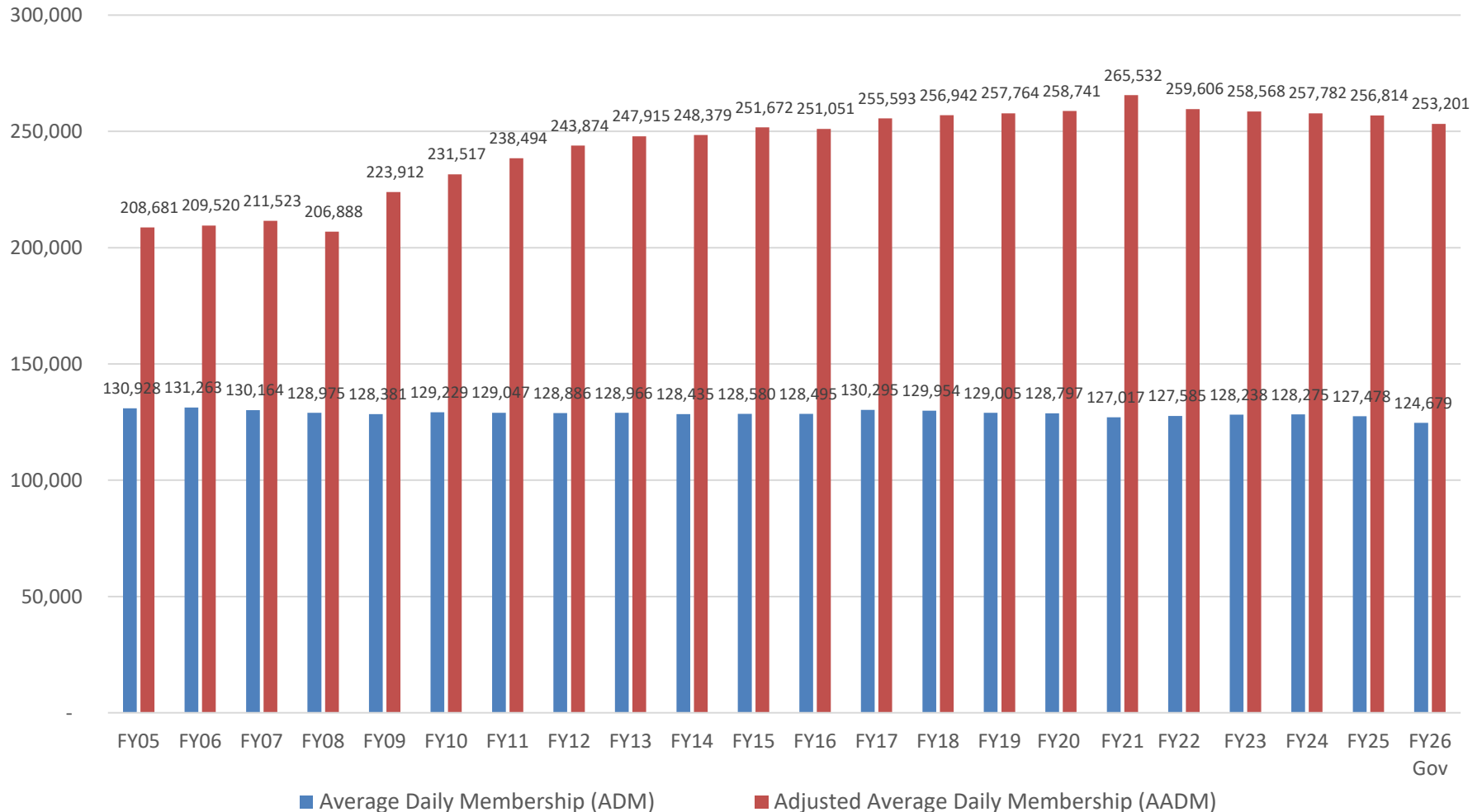
Foundation Formula History

- 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 FY25.
- 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.
- The Career and Technical Education (CTE) factor was added in FY10 at 1.01 (or 1%).
- In FY15, the Career and Technical Education Factor was increased to 1.015, and the Correspondence Multiplier increased from 0.8 to 0.9.

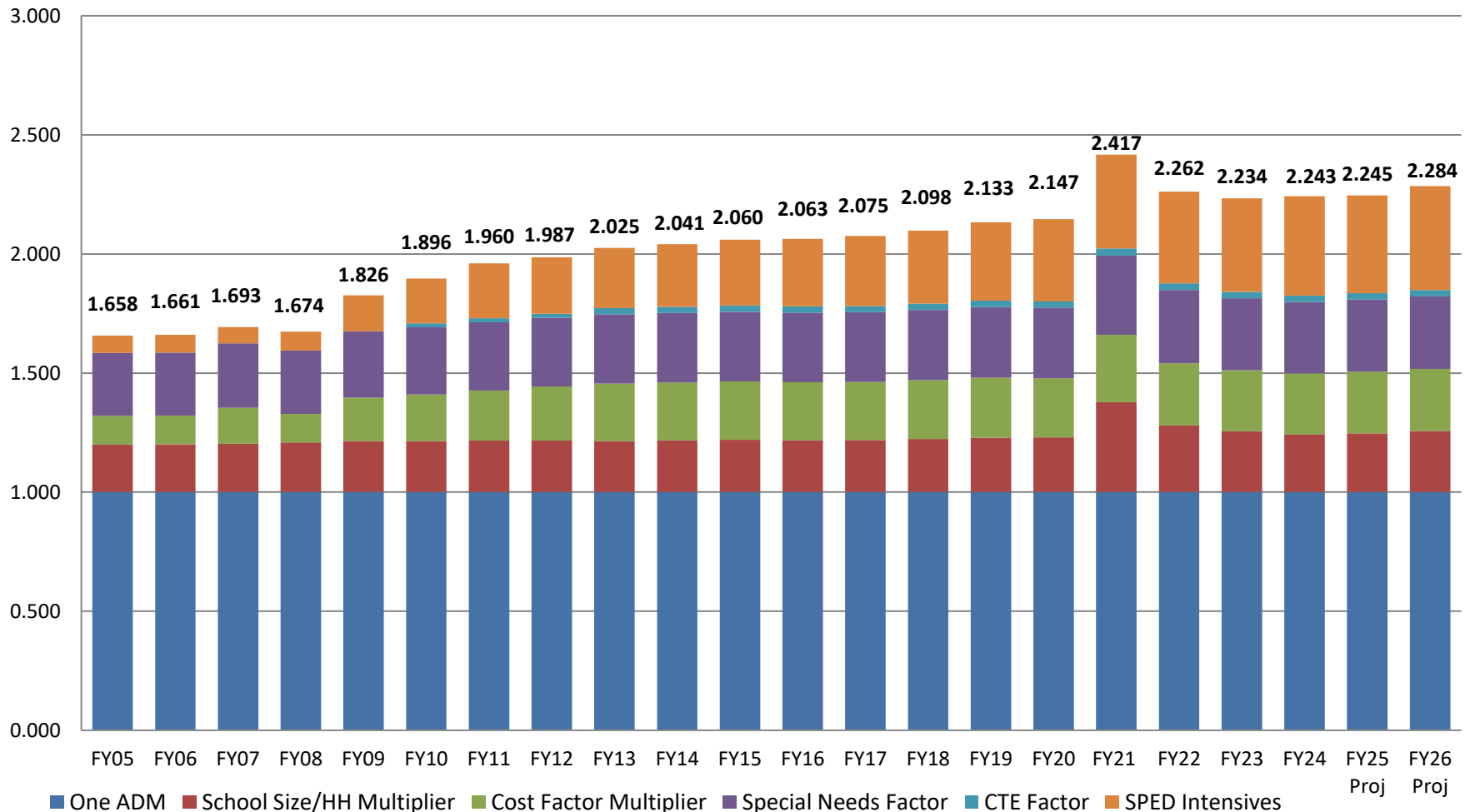
Changes in State and Local Contributions

- 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 (REAAs), 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 \$81 million of federal impact aid from the State share of funding).

Statewide Average Daily Membership and Adjusted Average Daily Membership History



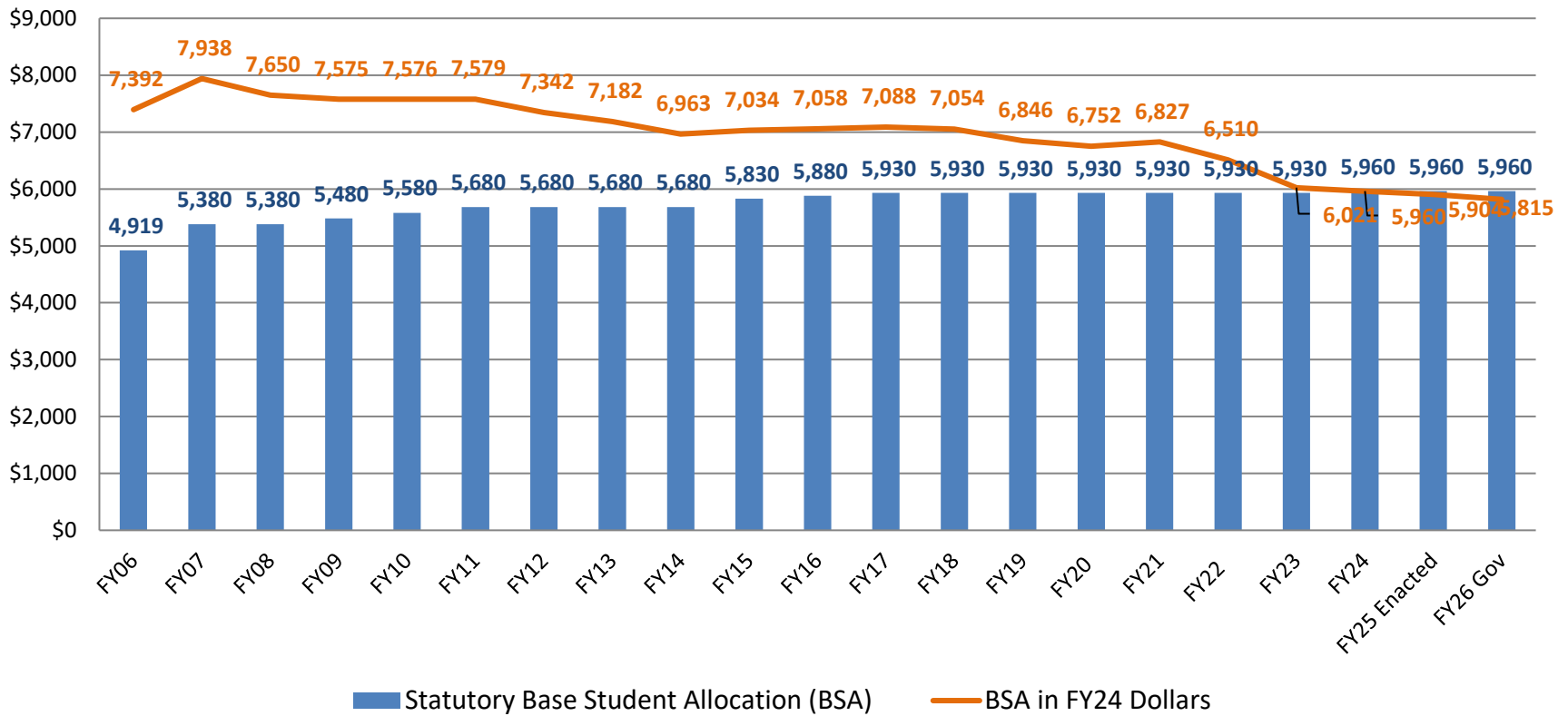
Impact of Factors per Non-Correspondence ADM, FY05-26



Base Student Allocation History (Formula Only)

Base Student Allocation, FY06-FY26

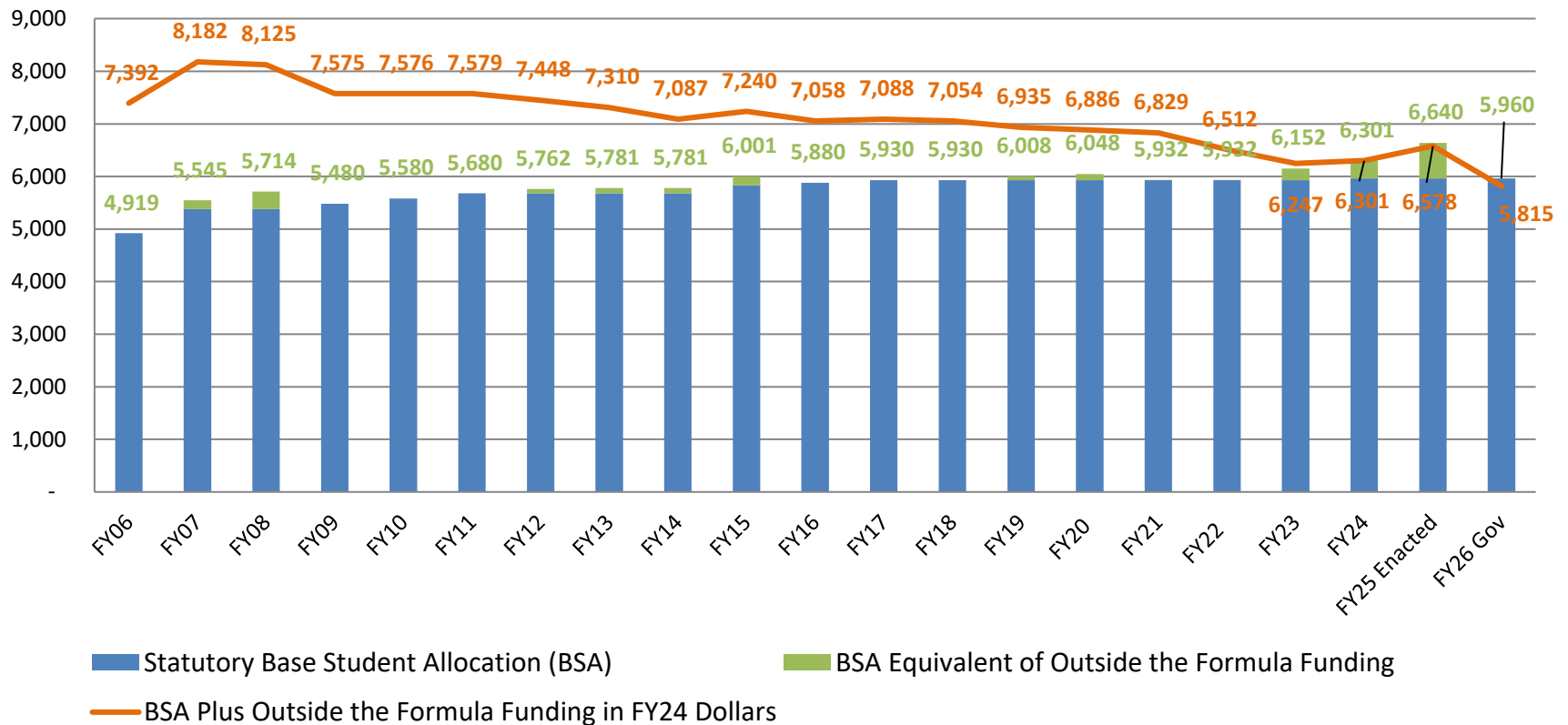
Based on Alaska CPI for FY06-24, 2.5% Inflation in FY25-26



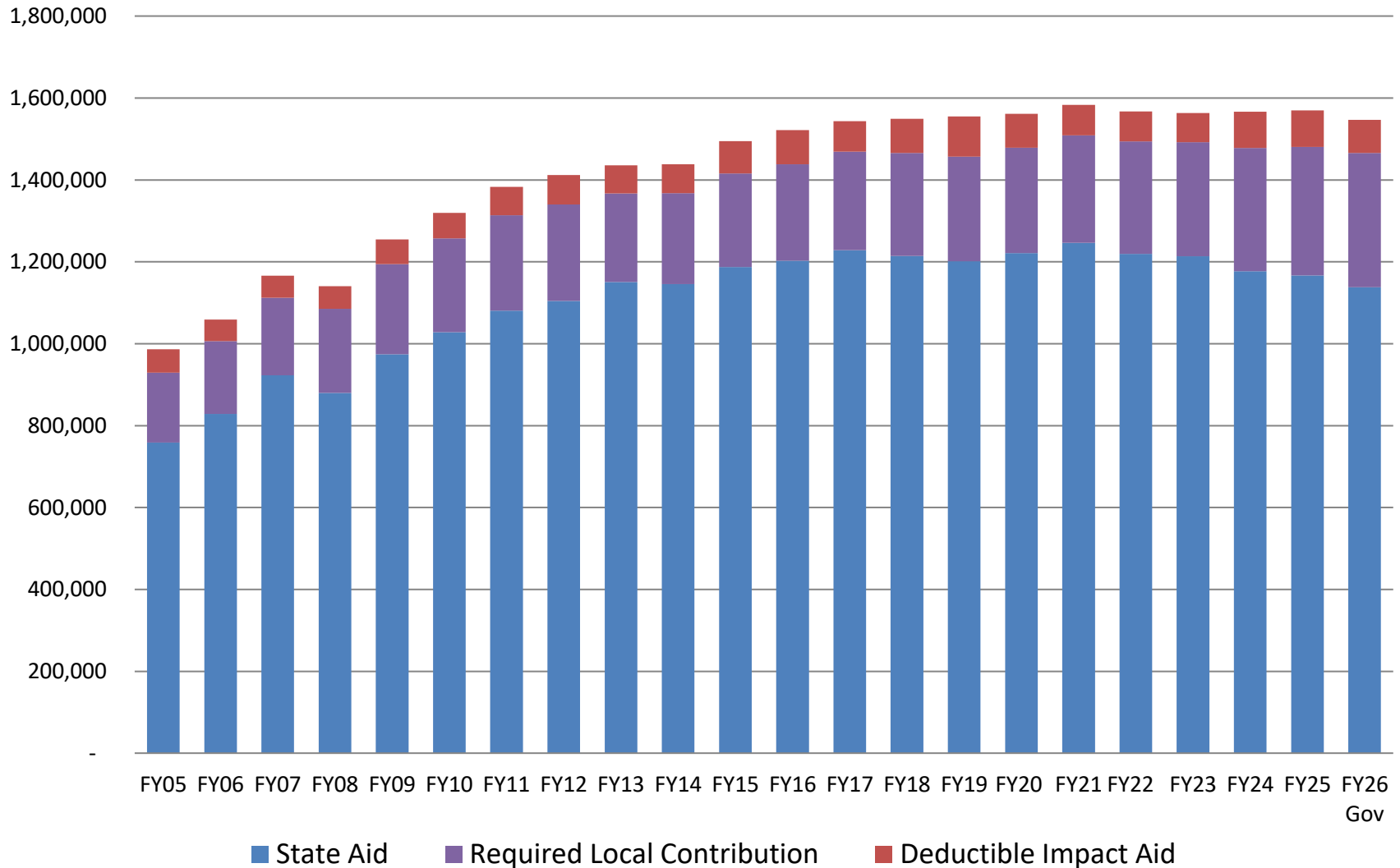
Base Student Allocation History (Including Outside the Formula Funding)

Base Student Allocation Plus Outside the Formula Funding, FY06-FY26

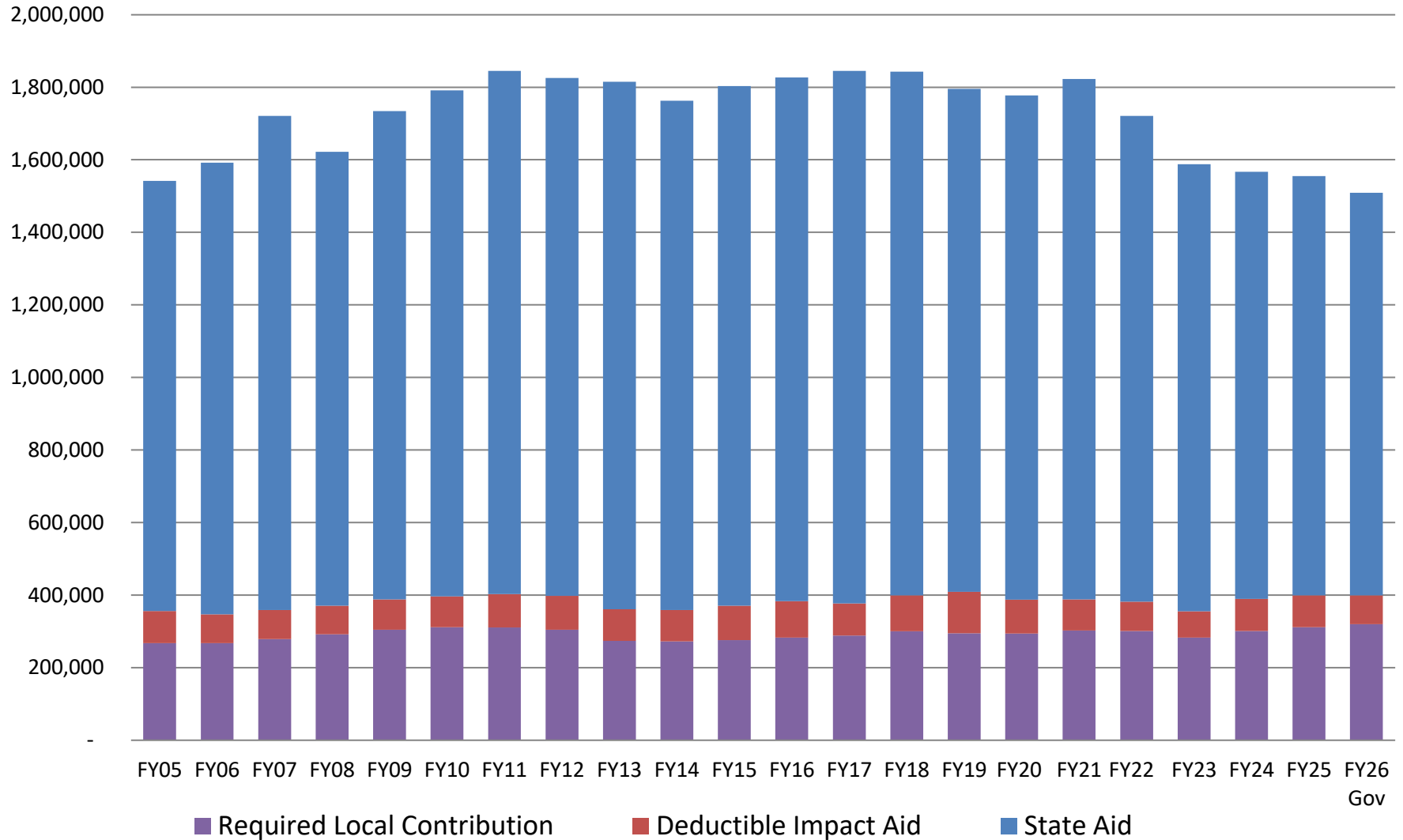
Based on Alaska CPI for FY06-24, 2.5% Inflation in FY25-26



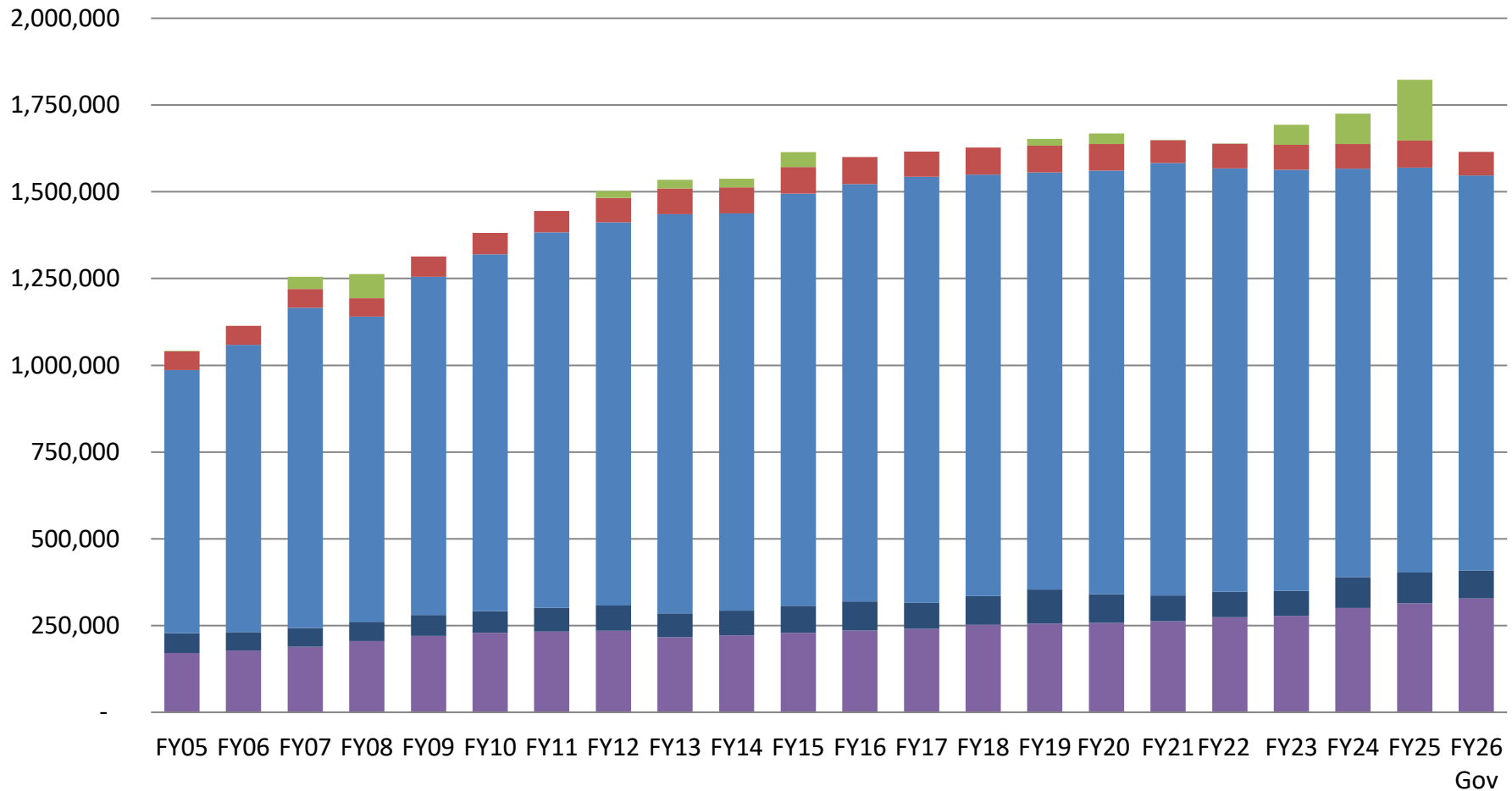
Basic Need, FY05-FY26 Projection (Nominal dollars)



Basic Need, FY05-FY26 Projection (FY24 dollars)



Foundation Funding plus Additional Formula Funding and Pupil Transportation, FY05-26 (Nominal dollars)



Required Local Contribution

Deductible Impact Aid

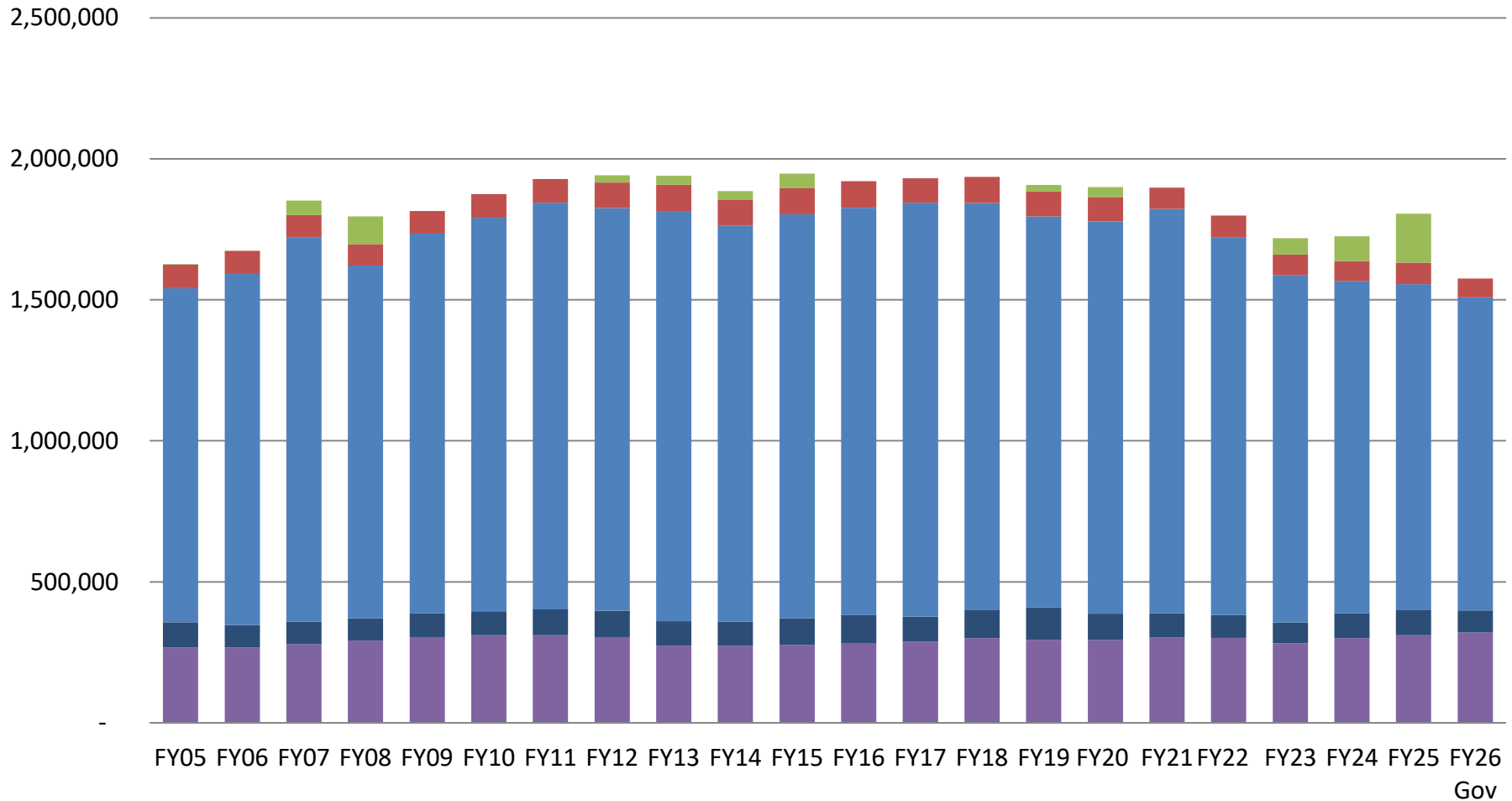
State Aid

Pupil Transportation

Additional Formula Funding

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Foundation Funding plus Additional Formula Funding and Pupil Transportation, FY05-26 (FY24 dollars)



Required Local Contribution

Deductible Impact Aid

State Aid

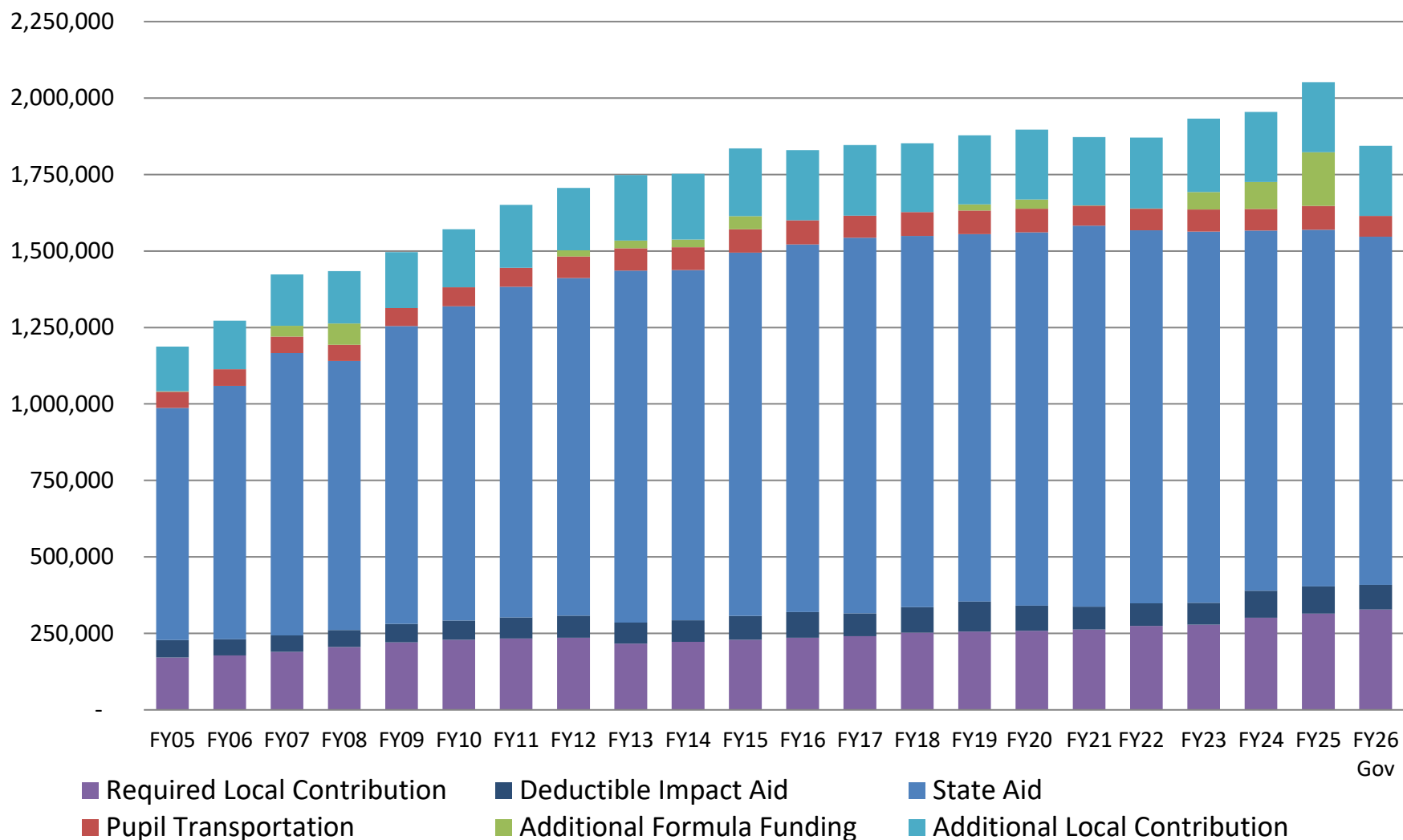
Pupil Transportation

Additional Formula Funding

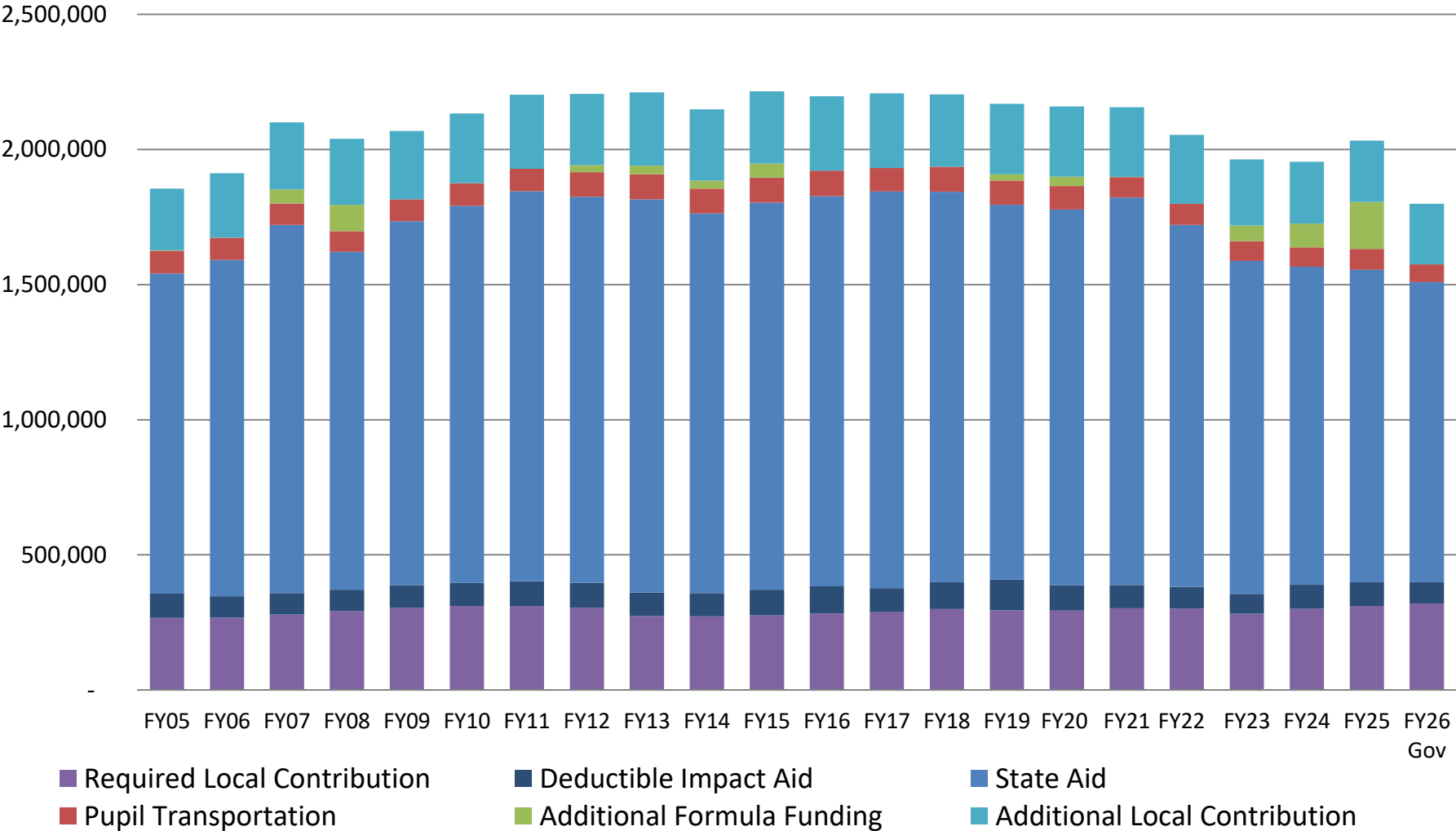
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Foundation Funding plus Additional Formula Funding, Pupil Transportation, and Additional Local Contribution, FY05-26 (Nominal dollars)



Foundation Funding plus Additional Formula Funding, Pupil Transportation, and Additional Local Contribution, FY05-26 (FY24 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, FY24 as Base

