

What drives the cost of education in Alaska?

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You're hearing from

Here today

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With input from

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Today's presentation

1. Context
2. What do we pay?
3. Do we really pay that much more than the US average?
4. What drives the cost?
5. Where are areas of opportunity?

Student achievement

- ▶ Not directly addressed in today's agenda
- ▶ Will give input where data were readily available

Context

- ▶ 130,000 k-12 public school students
 - 22% Indigenous
 - ▶ Just over 500 public schools
 - Most funding comes from state
 - Distributed across urban, rural hub, and remote rural communities
 - ▶ State funds schools with 10+ students
 - ▶ No Bureau of Indian Education (BIE) or tribally operated public schools
- 

Alaska exceptionality

Diversity challenges looking at anything

- ▶ In aggregate
- ▶ In comparison
- ▶ As averages
- ▶ With small sample sizes

“We’re different from other places.”

- ▶ And we’re proud of that
 - Underscored in education system
 - CCSS
 - Alaska-specific standardized tests
- ▶ Exercise caution when looking at nationally normed measures of student achievement (NAEP)
 - Do they know it?
 - Can they apply it in the testing context?

What do we pay?

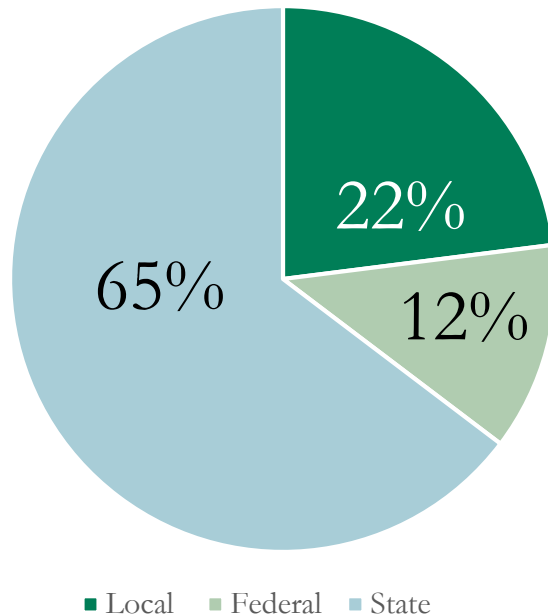
Question 1

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Alaska education funding

State General Fund

- ▶ High proportion of total cost comes from the state



Other revenue sources

- + Federal
 - No BIE schools limits federal dollars for Indigenous students
 - + Grant dollars
- + Local contributions
 - REAAs have no tax capacity
- + Other small revenue streams
 - + Investment earnings
 - + In-kind services

How do we come up with GF spending?

Start with BSA

- ▶ Set by legislature
- ▶ Increased about 8% in last 10 years
 - Not adjusting for inflation
- ▶ We have not done an adequacy study to determine actual need
 - Called for in HB 278

Apply school foundation formula to determine what is actually spent

More recent modifications

- ▶ **Late 1990s** – McDowell revises size adjustment
- ▶ **2002** – American Institutes for Research (AIR) develops structure including geographic cost differential
- ▶ **2005** – ISER updates cost differentials
- ▶ **2015** – ISER develops community cost differentials
 - Not implemented

How does the school foundation formula work?

In a nutshell

- ▶ Starts with BSA
- ▶ Makes 3 categories of adjustments for differences among schools:
 - School size
 - District cost factor
 - Adjustments for certain programs

Key considerations

- ▶ Includes
 - Federal payments in lieu of taxes
 - Districts keep 10%
 - Required local contribution
 - Hold harmless provisions
- ▶ Excludes
 - Limited extra local contribution

Average 2016 per pupil spending: \$17,510

Source: U.S. Census Bureau 2016 Annual Survey of School System Finances

To put this in context...

▶ Private school *tuition* in Anchorage

- Lower costs relative to rest of state
- Different student population (e.g., intensive SPED)
- Different services (e.g. transportation)

▶ Daycare costs in Anchorage

- Average \$1000/month

Private school tuition in Anchorage

**Pacific Northern
Academy**

\$13,815/year

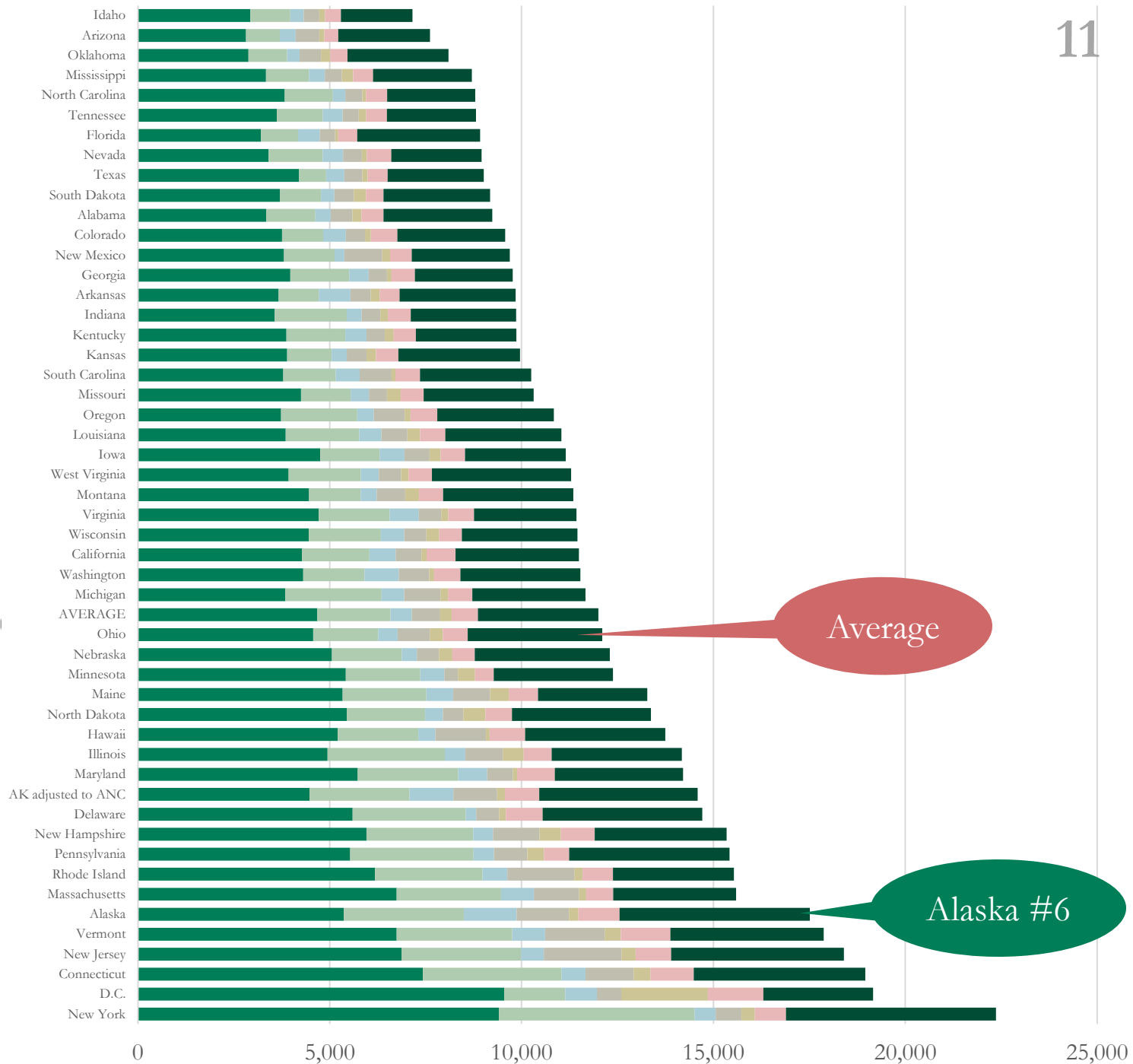
Anchorage Montessori
(elementary program)

\$10,700/year

2016 spending per pupil

- Instruction employee salaries
- Instruction employee benefits
- Instruction staff support
- Pupil support
- General admin.
- School admin.
- Other

Source: U.S. Census Bureau
2016 Annual Survey of
School System Finances



Do we really pay that much more than the US average?

Question 2

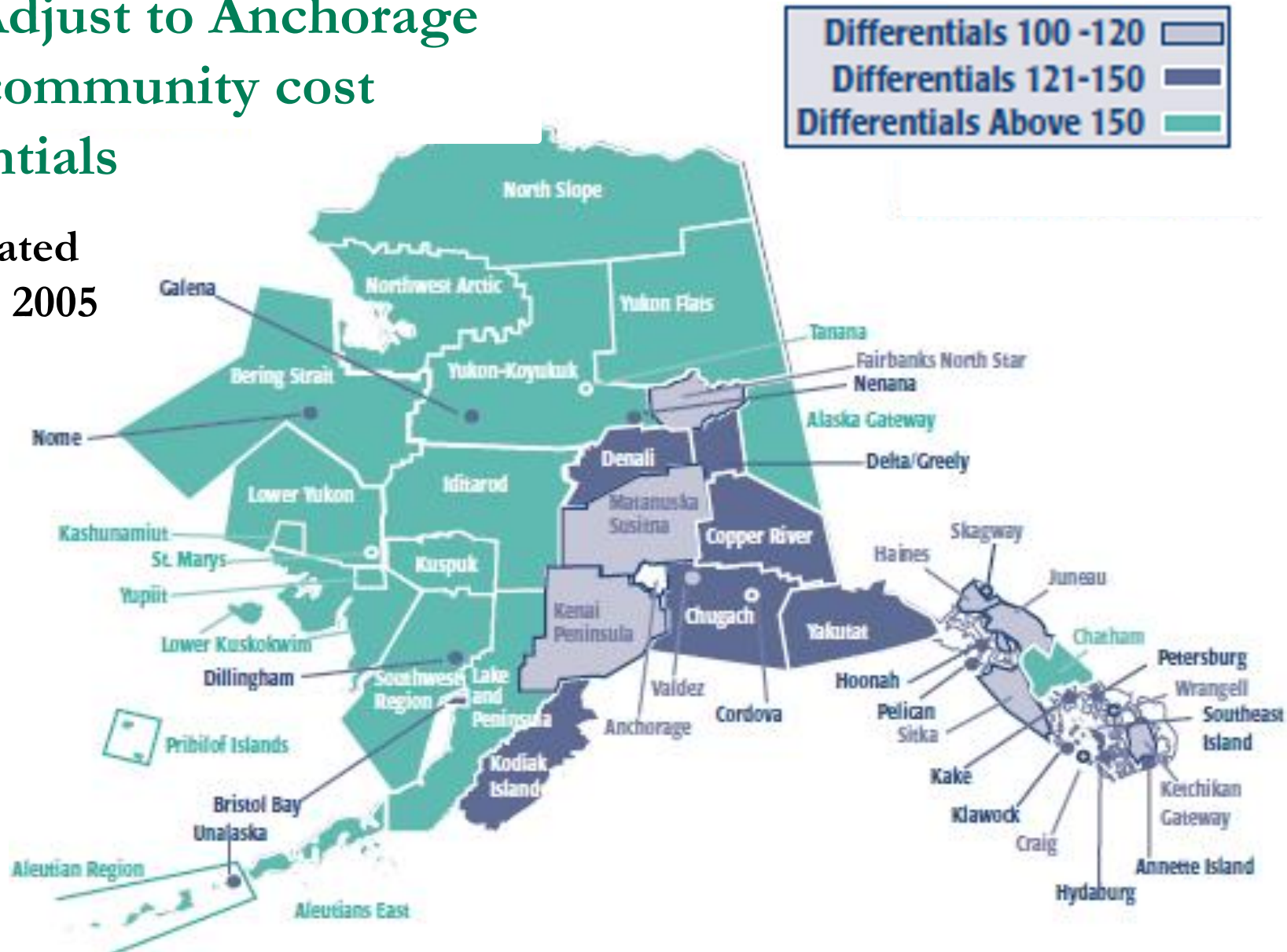


Comparing apples to apples

- ▶ \$17,510 is an average
 - Includes costs for
 - different places
 - different programs
- ▶ Statewide
 - Cost of goods varies by place
 - We typically adjust costs with differentials relative to Anchorage
- ▶ Nationally
 - Cost of living in Anchorage is higher than national average

First: Adjust to Anchorage using community cost differentials

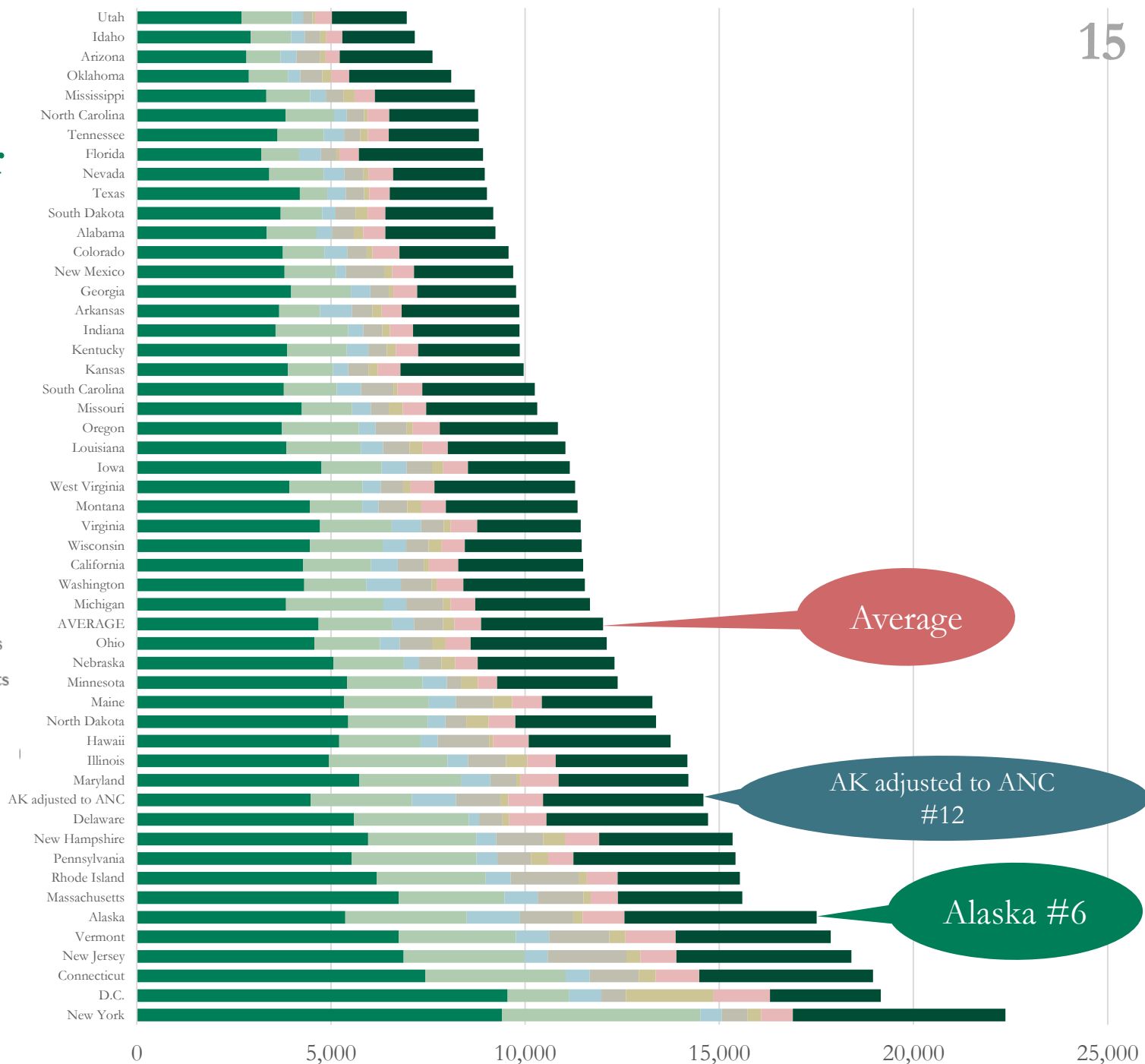
**Last updated
by ISER, 2005**



Alaska 2016 spending per pupil adjusted to Anchorage costs

- Instruction employee salaries
- Instruction employee benefits
- Instruction staff support
- Pupil support
- General admin.
- School admin.
- Other

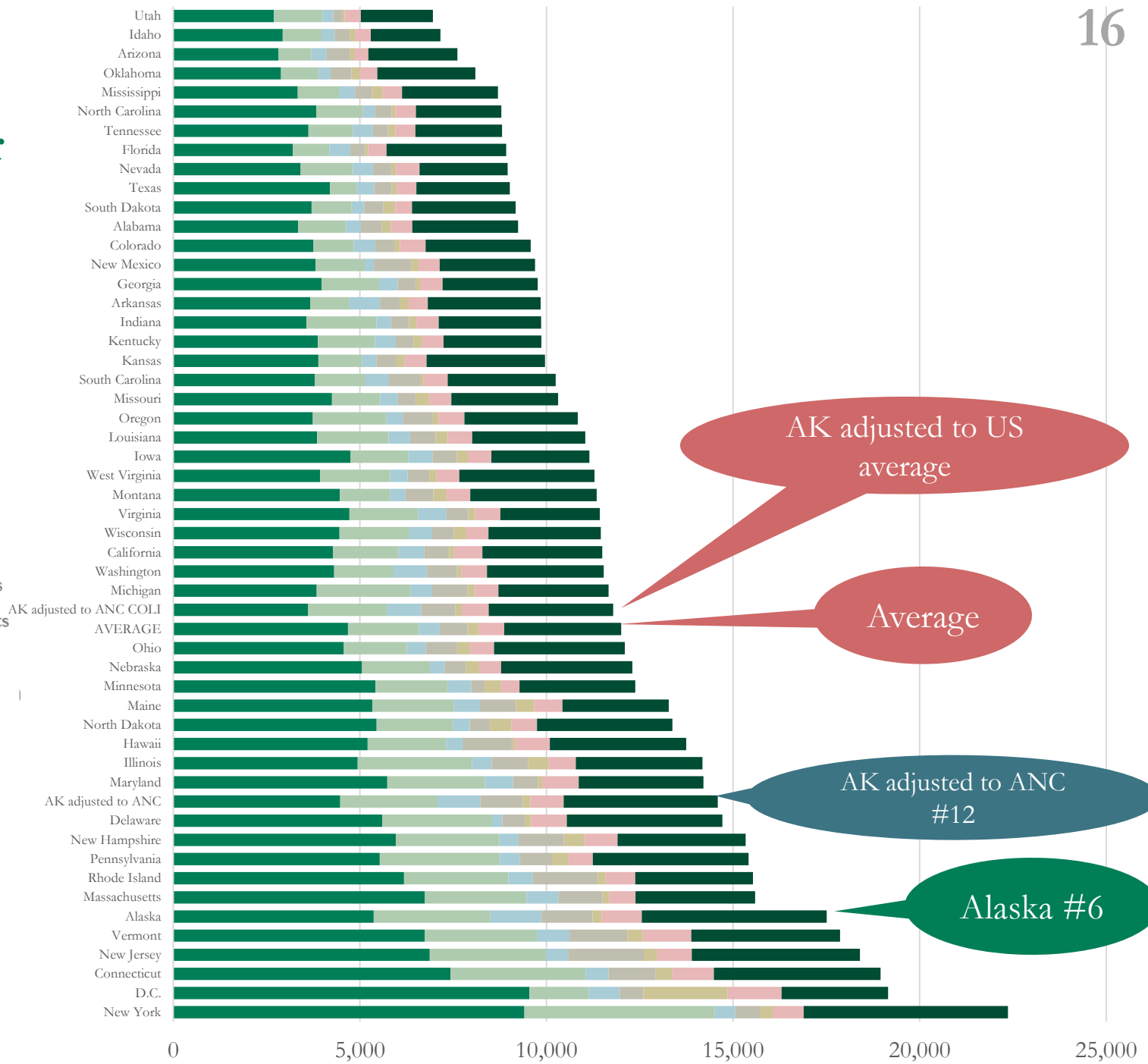
Source: U.S. Census Bureau
2016 Annual Survey of
School System Finances



Alaska 2016 spending per pupil adjusted to US average living costs

■ Instruction employee salaries
 ■ Instruction employee benefits
 ■ Instruction staff support
 ■ Pupil support
 ■ General admin.
 ■ School admin.
 ■ Other

Source: U.S. Census Bureau
2016 Annual Survey of
School System Finances



What drives the costs?

Question 3

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What drives the cost?

It's not...

- ▶ High per-pupil teacher salaries
- ▶ Extra contributions to retirement systems

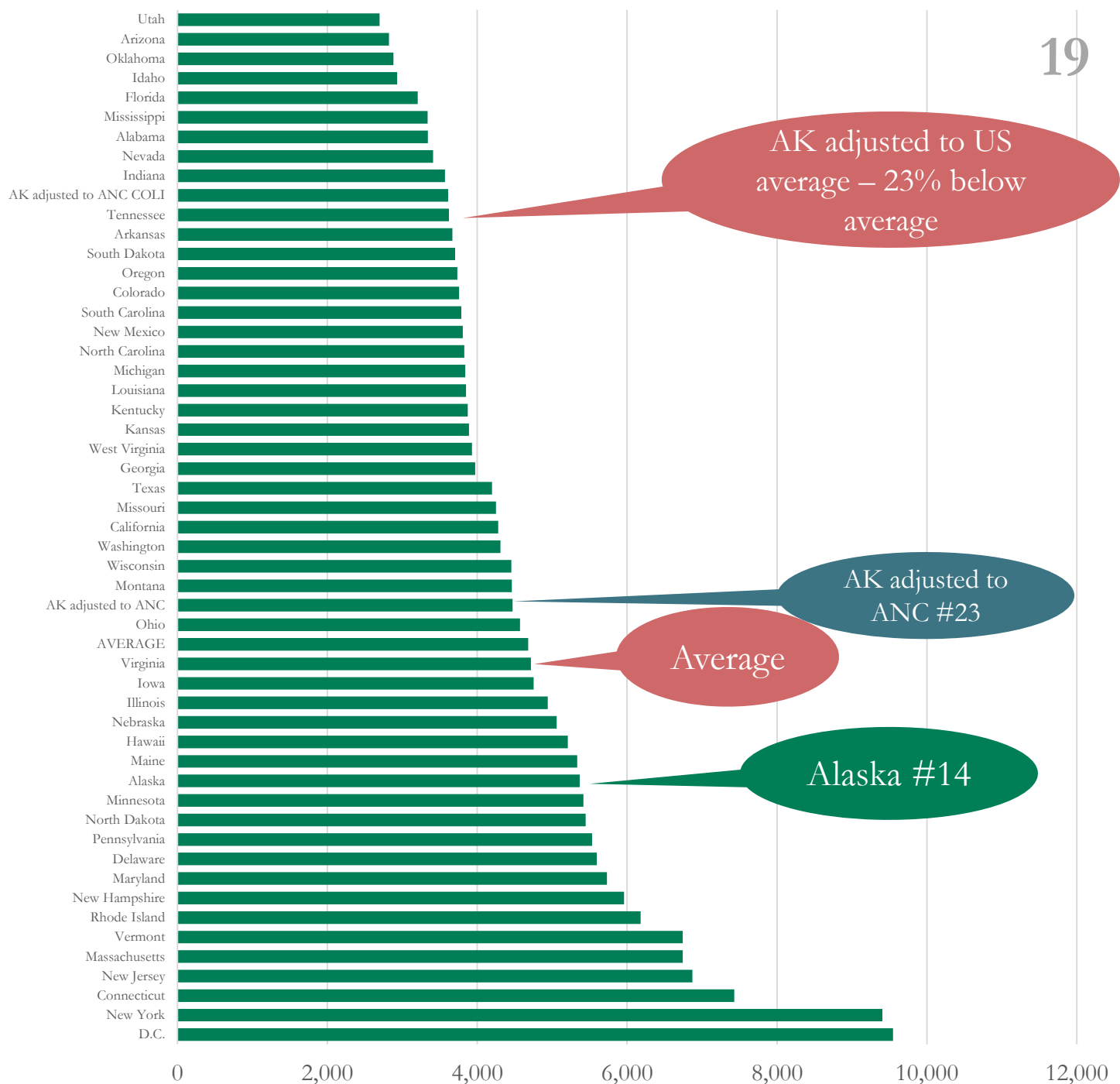
Evidence that it is...

- ▶ Small schools
- ▶ Healthcare
- ▶ Energy
- ▶ Geographic costs
 - Already discussed

Per pupil teacher salaries

- Instruction employee salaries
- Instruction employee benefits
- Instruction staff support
- Pupil support
- General admin.
- School admin.
- Other

Source: U.S. Census Bureau 2016 Annual Survey of School System Finances



Alaska's small schools

Alaska has a lot

- Of the 443 “regular” schools
 - 58 schools (13%) over 22 districts with fewer than 25 students
 - 34 schools (8%) have 26-50 students

More costly to operate

- High community cost of living
- Don't benefit from economies of scale in capital costs
- Relatively small class sizes
- Higher turnover
 - Teachers
 - Principals

Our legal and ethical responsibility

- **Hootch settlement** (1976)
- **Kasayulie v. State** (1999)
- **Moore v. State** (2004)

Healthcare costs

- ▶ Alaska has highest healthcare costs in US
 - Not unique to education
 - Negatively affects private and public sector
- ▶ Health care costs are part of overall compensation
 - Starting with fixed budget, growth rate in healthcare costs puts downward pressure on wage
 - Makes competing for teachers more difficult
- ▶ Benefits costs (using chart from before)
 - 4th highest in nation
 - 11 above average after all adjustments

Energy is expensive and variable

Costs

- ▶ Fuel
 - Costs more in remote places
 - Costs fluctuate (a lot)
 - Districts have different capacities to negotiate competitive prices
- ▶ Electricity
 - Schools don't benefit from Power Cost Equalization (PCE) program

Amount needed

- ▶ More to heat schools in colder places
- ▶ Regardless of the number of students in your building, you have to heat it

Where are the opportunities?

Question 4

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So some points and opportunities

Beyond education policy

- ▶ Fixed costs
 - Healthcare
 - Operating costs
- ▶ Reality – basket of goods
 - Stuff costs more in Alaska
 - Stuff costs more in remote and rural places

Policy opportunities

Teacher salaries are one of the few areas with flexibility

- ▶ But proceed with caution
- ▶ Salary is critical to other objectives
 - Recruitment
 - Retention
- ▶ Other states are increasing teacher salaries

Student achievement directly related to teacher quality²⁵

▶ Alaska has teacher turnover problem

- Bigger in rural communities
- Ample research on teacher turnover and student achievement

▶ Nation has a teacher shortage

- Alaska competes for teachers in national market
- Vast majority of our new teacher hires prepared out-of-state
 - Attract teachers
 - Attract GOOD teachers
 - Retain them

Attracting and retaining good teachers in to high-poverty schools, unfamiliar cultural contexts, and new geographies costs more.

Teacher compensation

What's going on

- ▶ On average, Alaska teacher salaries about 15% below where they should be
- ▶ “Right” salary varies by community & working conditions there
 - 116% difference between high and low recommended salaries

Opportunities to consider

- ▶ (More research needed)
- ▶ Improve
 - Salaries
 - Working conditions
- ▶ Reduce turnover
 - Invest in retention
- ▶ Maintain tenure
 - This is a cost savings

Fuel

What's going on

- ▶ Districts have different capacities to negotiate competitive prices
- ▶ Changing prices challenge fiscal planning

Opportunities to consider

- ▶ (More research needed)
- ▶ State negotiate fuel prices to ensure effective purchasing
 - Remove fuel from the funding formula

Needed research

- ▶ Adequacy study
- ▶ Case studies around
 - Alternate models
 - Settings that realize better-than-predicted outcomes
 - Efficiencies
- ▶ Causal studies around
 - School cost variables (inputs) and student outcomes
 - Benefits (healthcare & retirement) as drivers of Alaska's ability to recruit & retain educators

What we spend / How we spend it

- ▶ **We could spend a lot more and still not produce desired outcomes.**
 - We need to spend the money well.
- ▶ **Reducing spending without changing how dollars are spent will likely harm outcomes.**
 - It is difficult for districts to absorb cuts without increasing class sizes and laying off teachers.

Thank you, questions, follow-up

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