

How much does Alaska spend on K-12 education?

Presented to the Alaska Joint Legislative Task Force on
Education Funding

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Outline

4 questions

1. How much does Alaska spend on public education, and how does that compare to other states?
2. How does inflation factor in?
3. Where does the money come from?
4. Where does the money go?

Context & recommendations

1. Putting comparisons into perspective
2. Looking ahead

Update of Feb. 2025 report

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How has Alaska's K-12 education spending changed? Trends from 2017-2023

Matthew Berman & Dayna Jean DeFeo

Education funding in Alaska, as in most states, is one of the largest allocations in the state operating budget. In 2022, K-12 schools in Alaska spent \$20,191 per student for current operations, which was 29% more than the national average of \$15,633. However, many things are more expensive in Alaska than they are in other parts of the nation, and this is also true for operating schools. After adjusting Alaska's spending for its higher relative costs, we find that Alaska's per-pupil current expenditures fall below the national average by 15%. In the five years between 2017 and 2022 (the first year we conducted this analysis and the most recent year with full data available, respectively), per pupil current spending in other US states increased by 26%, whereas Alaska's spending increased by only 13%.¹

Where does school funding come from?

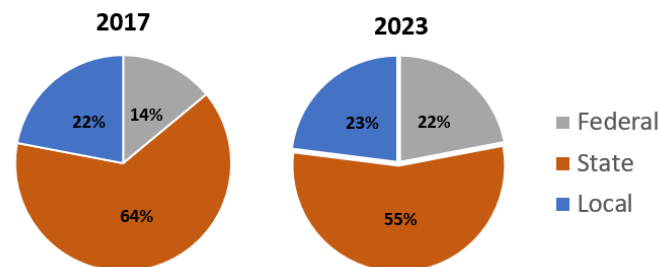
Funding for K-12 schools includes education investments from state, federal, and local sources. The largest portion of Alaska state spending is determined by the *School Foundation Formula*, which starts with the base student allocation (BSA). The BSA is a fixed per student amount that is set annually by the legislature. The School Foundation Formula then adjusts the BSA account for different costs associated with delivering education, including:

- **School size** - because smaller schools cost more to operate at the per-pupil level
- **District cost factor** - because some Alaska communities have higher costs of living and operating costs than others
- **Special programs like special education, vocational education, and correspondence programs** – because these programs operate differently from other instructional activities, and have different operating costs

In addition to the funding determined by the School Foundation Formula, the state pays all the costs of pupil transportation.

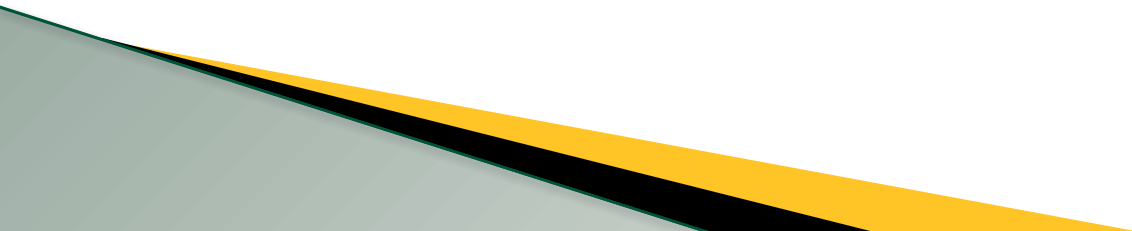
Although the state pays for more than half of school spending in Alaska, not all education funding comes from the state, and the state's proportional contribution has been declining. In 2023, 55% of Alaska's K-12 spending came from state general funds, 22% came from federal streams, and 23% came from local contributions. In 2017, 64% of Alaska's funding came from the state, indicating that over the past 6 years, federal and local revenues have increased by more than state contributions (see Figure 1). The 2023 spending also included some residual funds from increased federal investments during the COVID pandemic, meaning that the federal proportion of spending should decrease in 2024 when these funds are no longer available.

Figure 1
Distribution of funding sources in Alaska K-12 schools, 2017 & 2023
Source: US Census Bureau, Annual Survey of School System Finances



This figure depicts how the proportion of Alaska's current per-pupil spending changed between 2017 and 2023, with larger proportions coming from federal and local streams, and less from the state.

Key findings:

- ▶ After adjusting for geographic cost differences, Alaska's per pupil current spending was 17% below the national average in 2023.
 - ▶ Alaska's spending relative to the national average has been falling steadily since 2017.
 - ▶ Since 2017, the proportion of Alaska's per-pupil spending coming from federal and local sources has increased, while state support has decreased.
 - ▶ Alaska's education investments are not keeping up with inflation.
- 

How much does Alaska spend on public education, and how does that compare to other states?

Question 1

Two ways to measure school spending

- ▶ *Current spending*
 - Annual expenditures on instruction, administration, and operations and maintenance
- ▶ *Total spending*
 - Includes current spending
 - Capital outlays
 - Other spending (mostly debt service)

How much does Alaska pay? Total Spending

Raw dollars: per-pupil K-12 spending, 2022-2023

Source: US Census Bureau, *Annual Survey of Public School System Finances*

US average

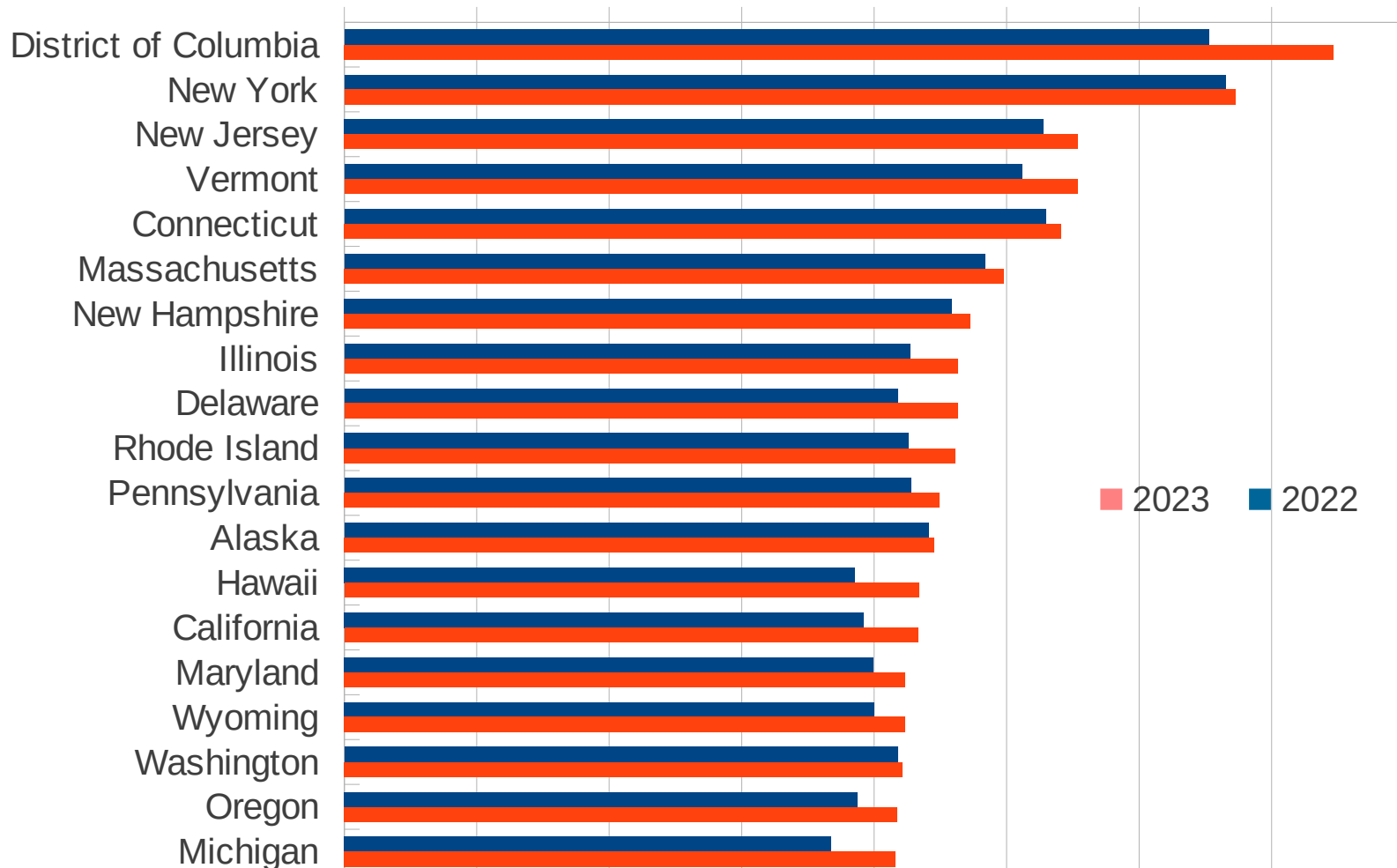
\$19,148

Alaska

\$22,266

- ▶ 12th highest in nation
- ▶ 16% more than national average
- ▶ 4 states moved ahead of Alaska in 2023
 - Illinois
 - Delaware
 - Rhode Island
 - Pennsylvania

Average total expenditures per student, 2022 and 2023
Source: US Census Bureau, Annual Survey of School System Finances



How much does Alaska pay? Current Spending

Raw dollars: per-pupil K-12 spending, 2022-2023

Source: US Census Bureau, *Annual Survey of Public School System Finances*

US average

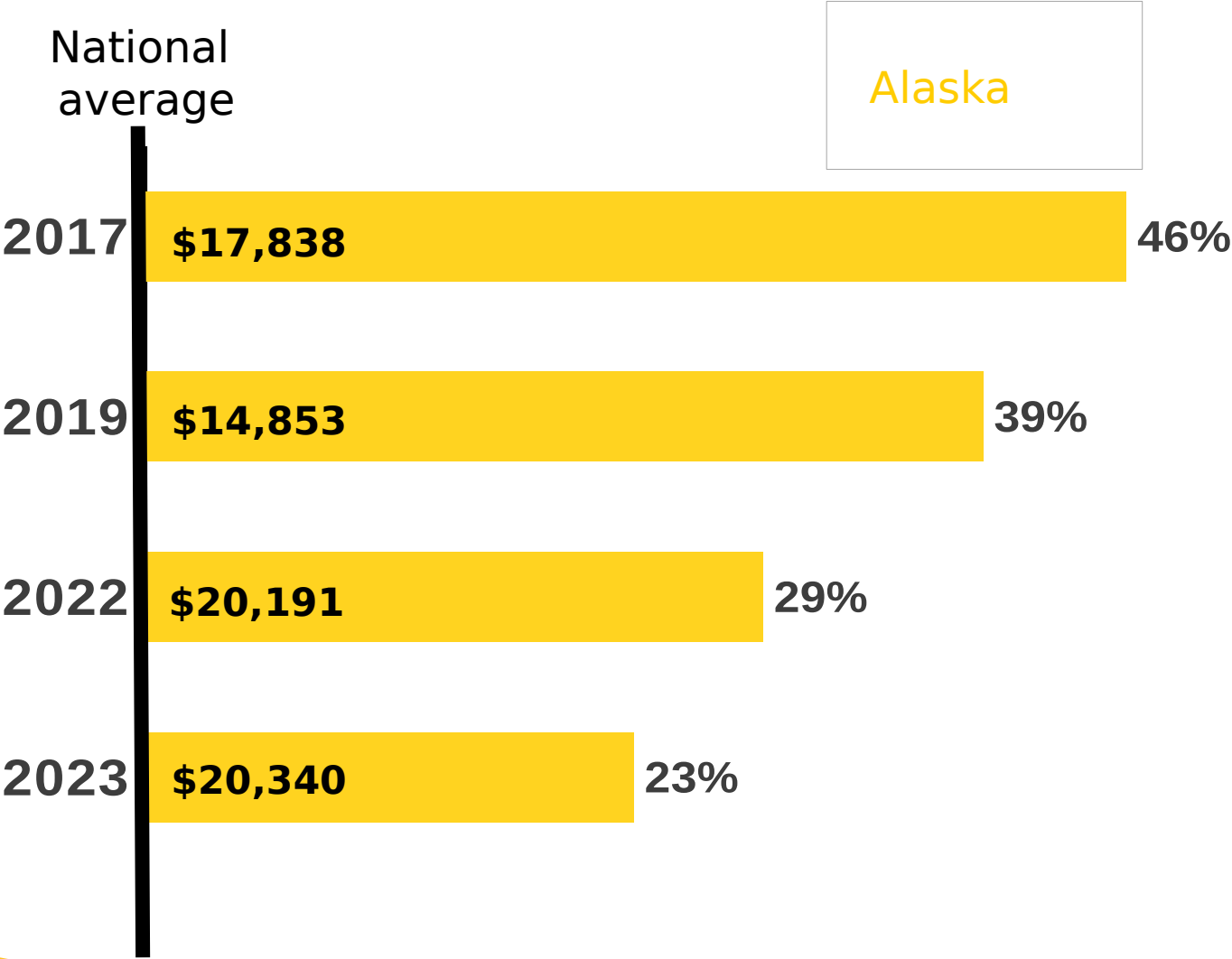
\$16,526

Alaska

\$20,340

- ▶ 10th highest in nation
- ▶ 23% more than national average
- ▶ 2 states moved ahead of Alaska in 2023
 - New Hampshire
 - Pennsylvania

Alaska per-pupil current spending, 2017-2023



Step 1: Statewide adjustment

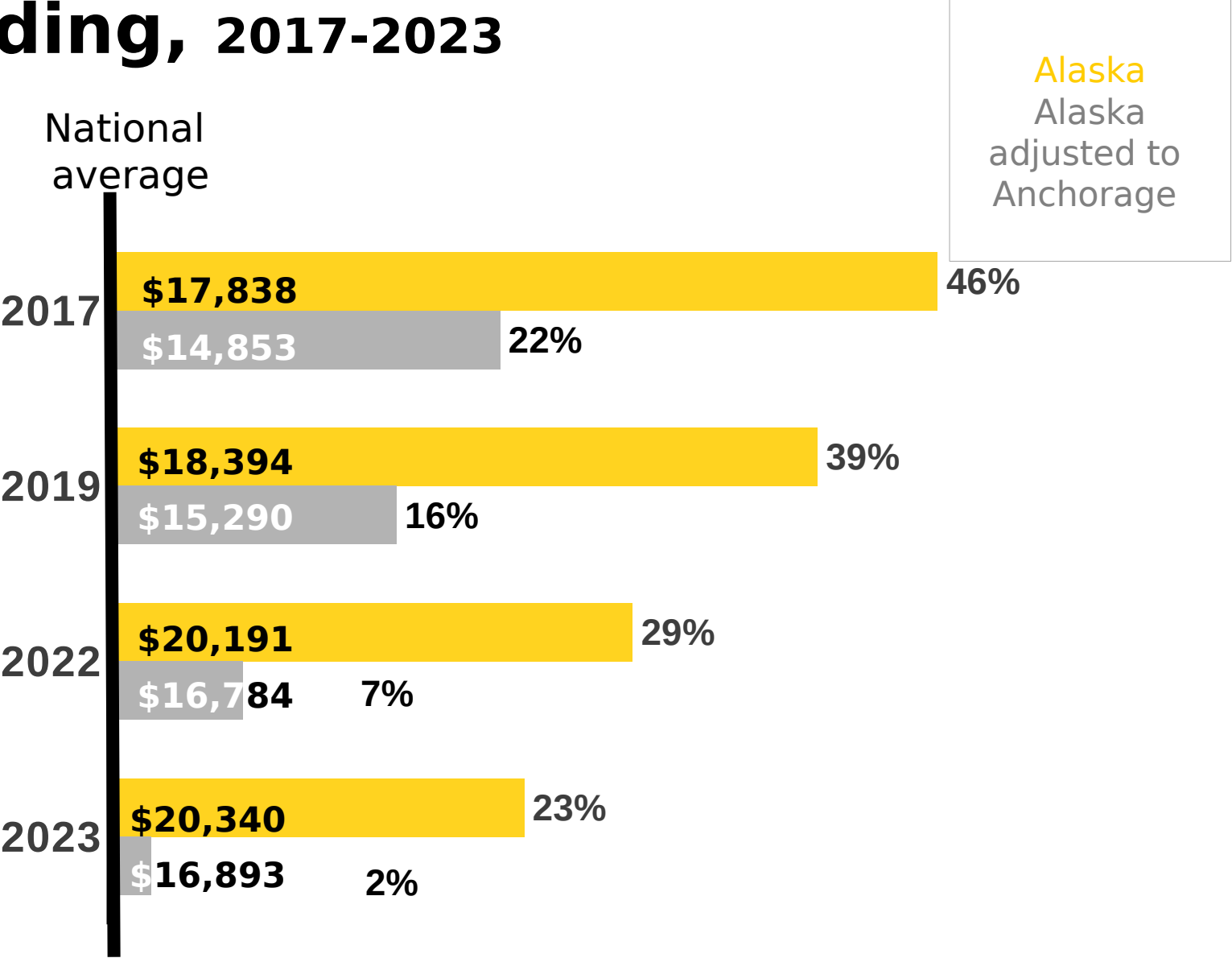
- ▶ \$20,340 is an average
 - Includes costs for different places & programs
- ▶ Statewide adjustment
 - Cost of goods varies by place
 - Adjust costs with differentials relative to Anchorage

Raw
dollars: **\$20,340**

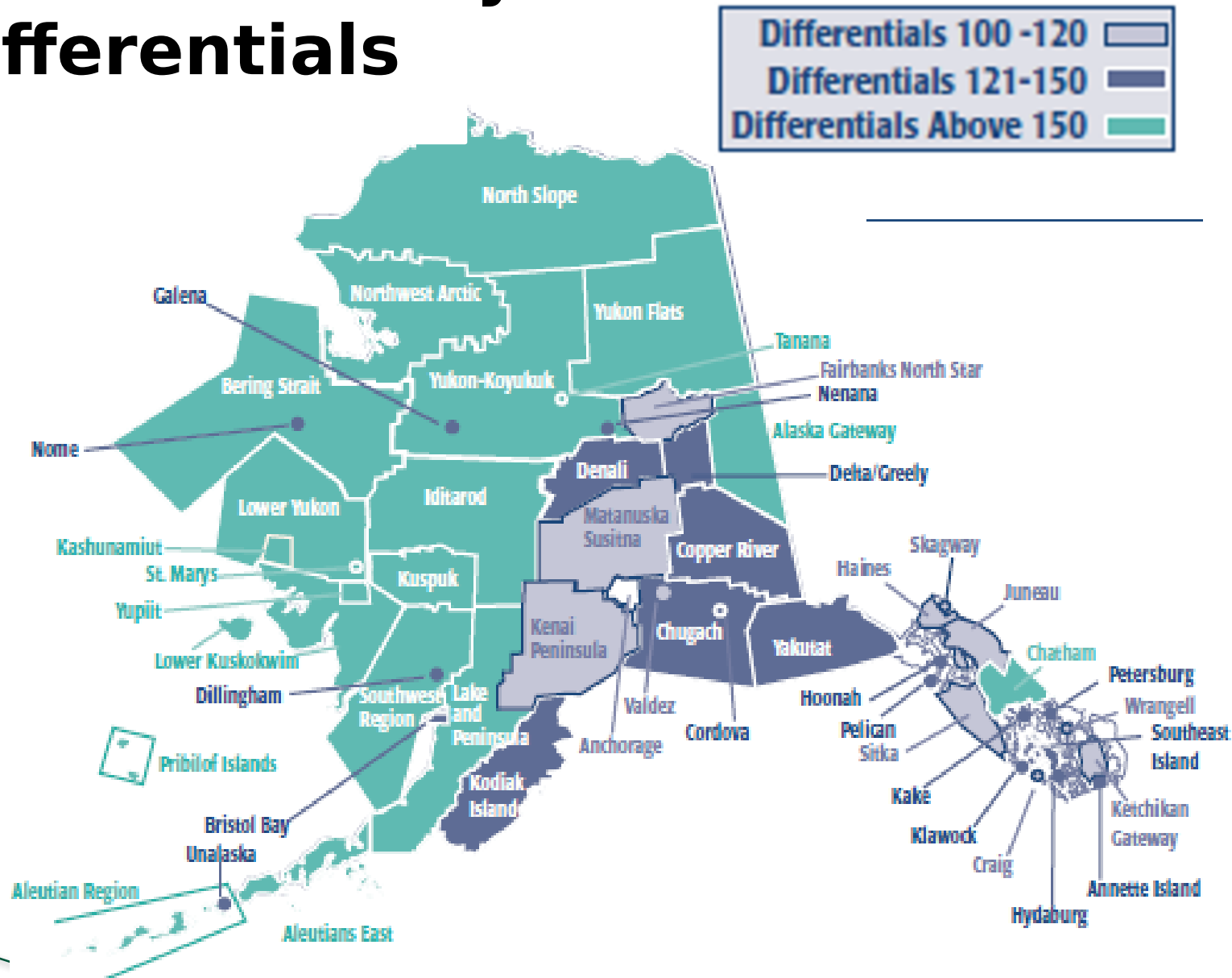


Adjust
Alaska to
Anchorage: **\$16,893**

Alaska's adjusted per-pupil current spending, 2017-2023



Alaska's community cost differentials



Step 2: National adjustment

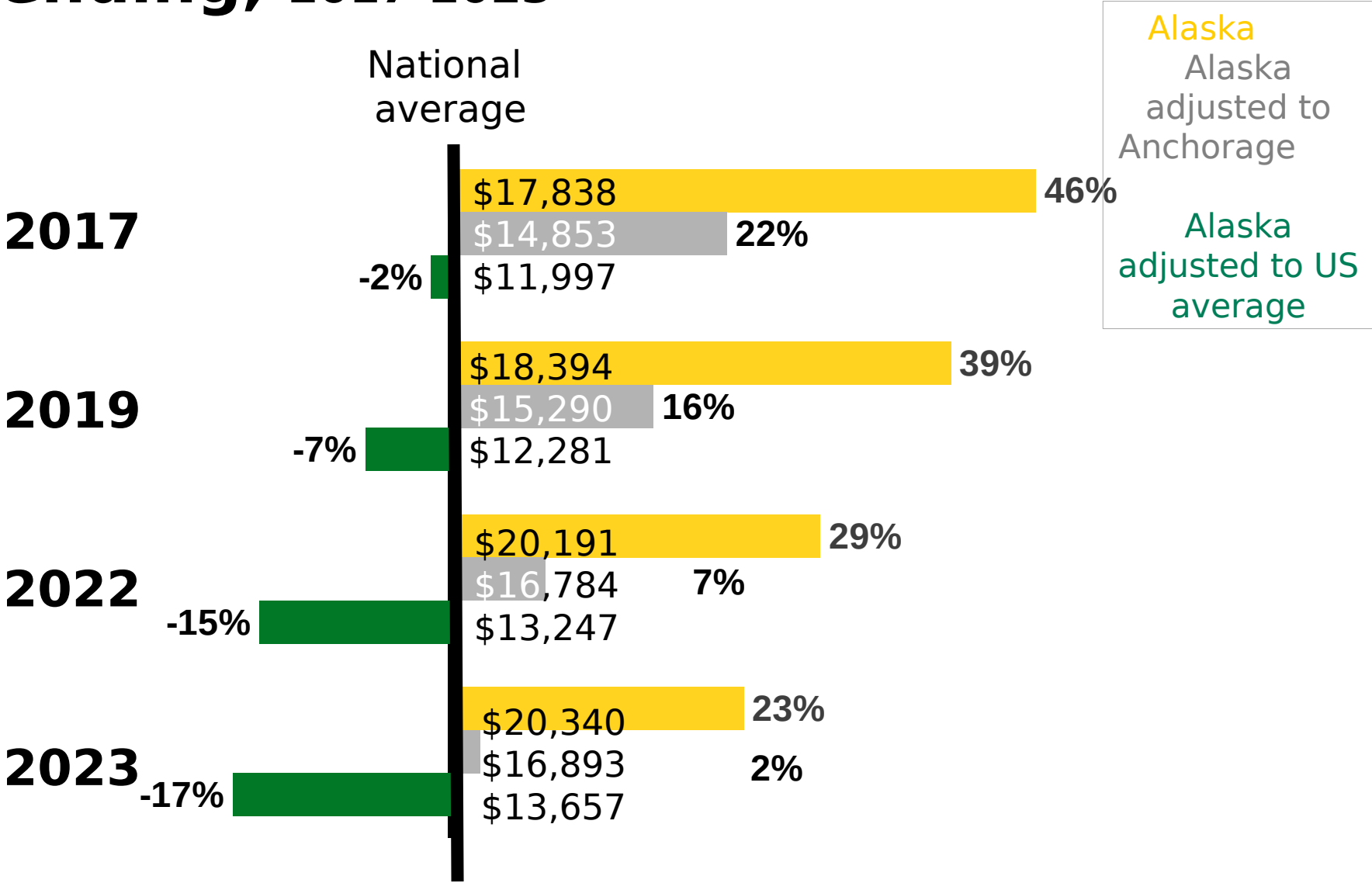
- ▶ **Alaska's average**
 - Includes costs for different places & programs
- ▶ **Statewide adjustment**
 - Cost of goods varies by place
 - Adjust costs with differentials relative to Anchorage
- ▶ **National adjustment**
 - Cost of living in Anchorage is higher than other places in the US

Raw dollars: **\$20,340**

Adjust Alaska to Anchorage: **\$16,893**

Adjust Anchorage to national average: **\$13,657**

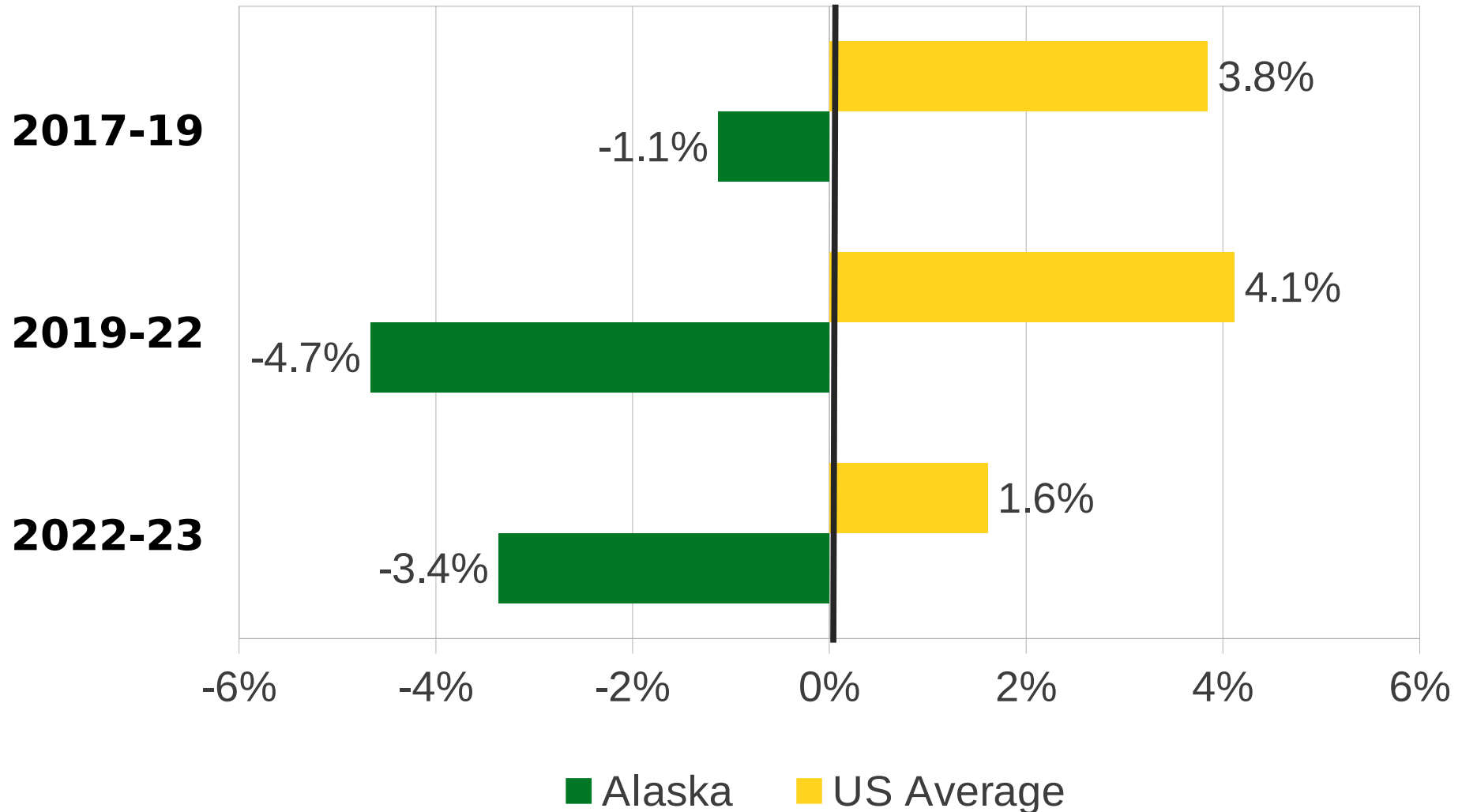
Alaska's adjusted per-pupil current spending, 2017-2023



How does inflation factor in?

Question 2

Changes in per-pupil spending relative to inflation in the same time period



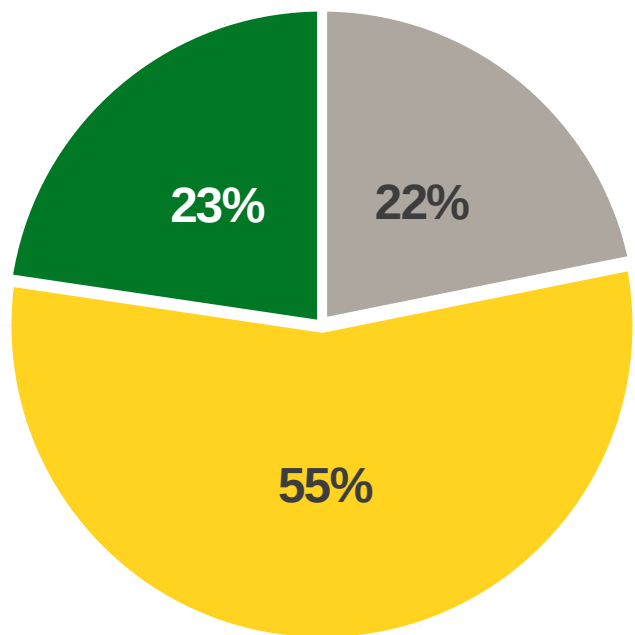
Where does the money come from?

Question 3

Alaska relies more on state revenue sources and less on local funding than schools nationwide.

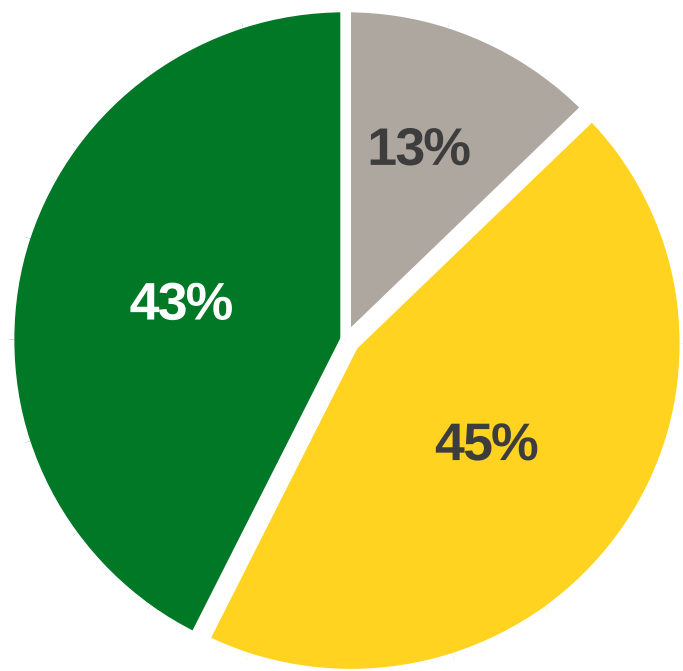
Source: US Census Bureau *Annual Survey of School System Finances*

Alaska, 2023



Federal

US Average, 2023

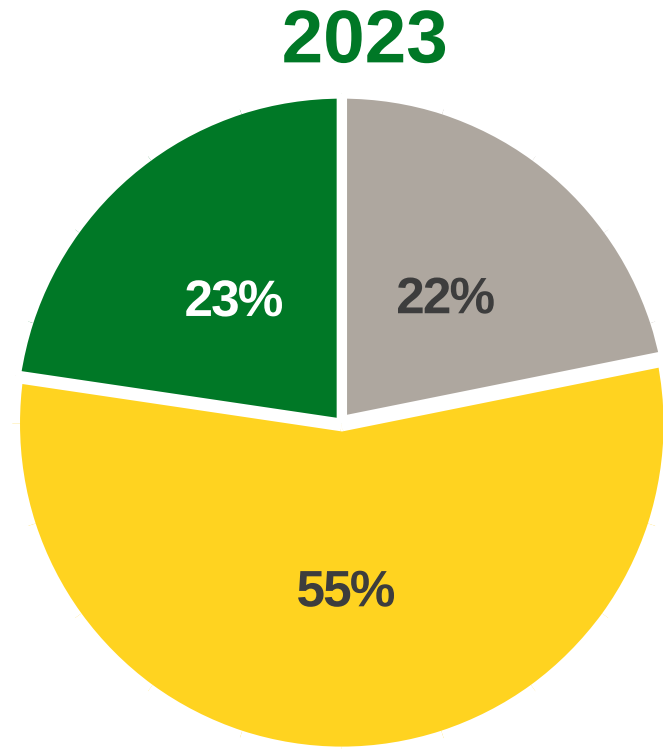
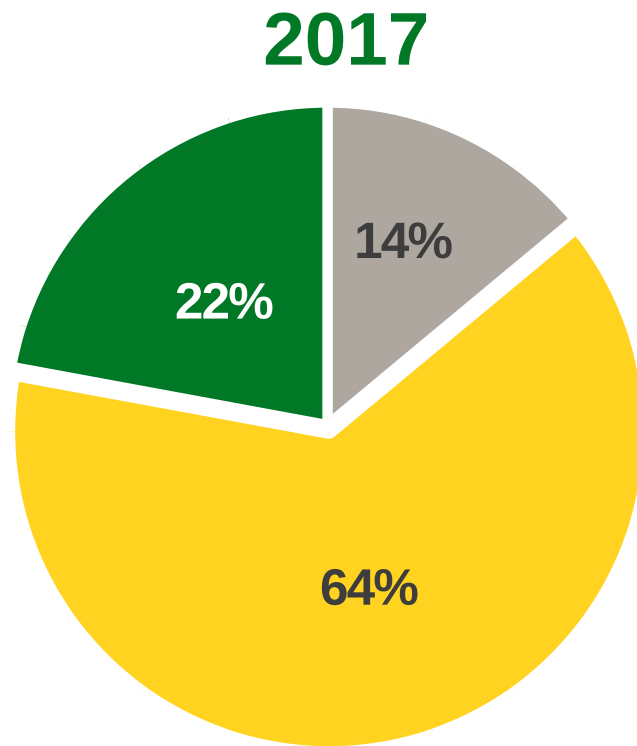


State

Local

The federal government has taken a larger role in funding Alaska schools since 2017, while reliance on state support has diminished.

Source: US Census Bureau *Annual Survey of School System Finances*



Federal

State

Local

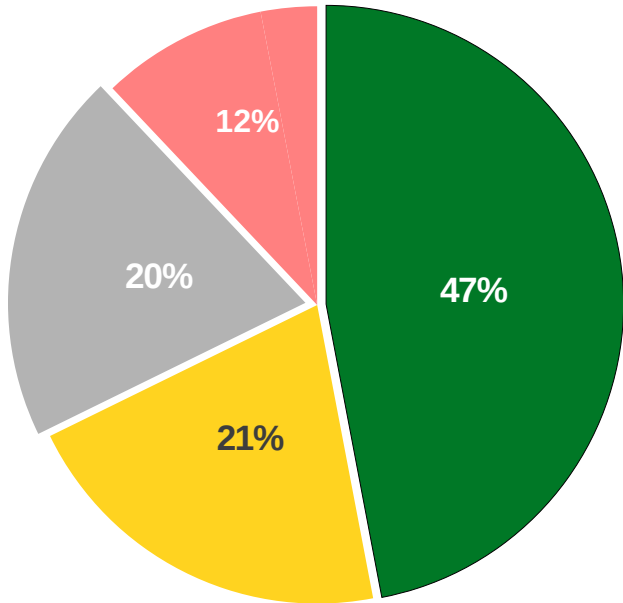
Where does the money go?

Question 4

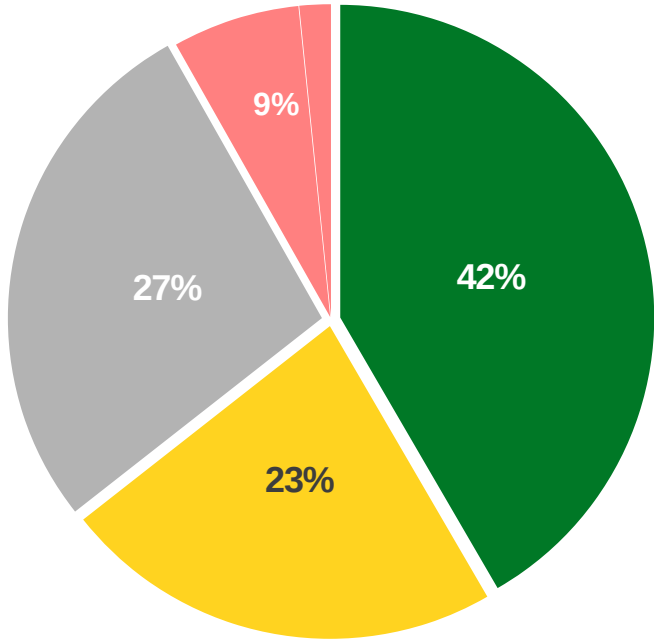
Alaska schools spend less on salaries and more on employee benefits and operations and maintenance than the national average. Alaska is also spending less on new facilities.

Source: US Census Bureau *Annual Survey of School System Finances*

US Average, 2023

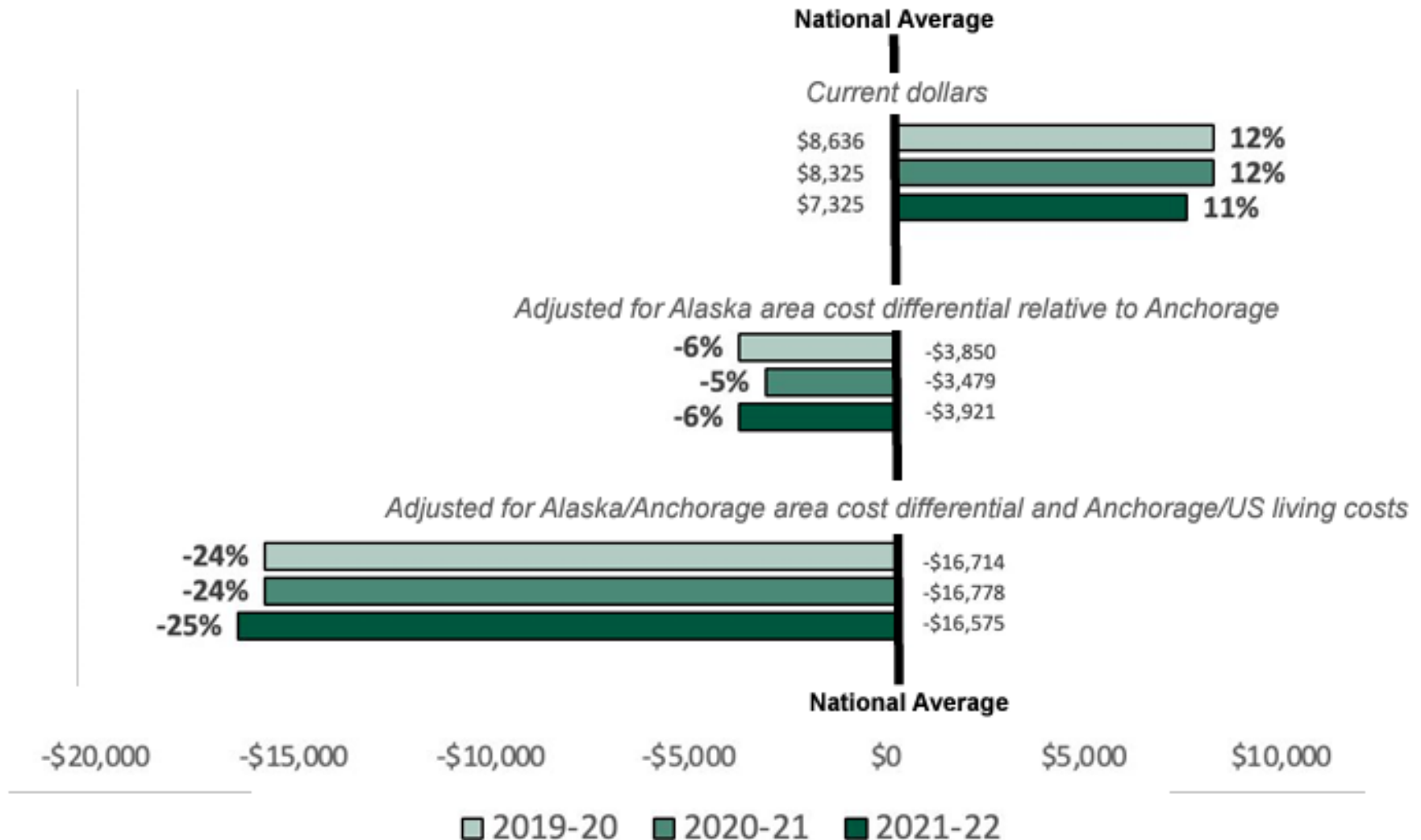


Alaska, 2023



Salaries & wages
Employee benefits
Operations & maintenance
Capital outlays and bond interest

Salaries & wages: Alaska's teacher salaries are not competitive.



Sources: National Center for Education Statistics, Alaska Department of Education and Early Development, and the Council for Community and Economic Research

Employee benefits:

Alaska's healthcare costs are highest in nation.

- ▶ Alaska offers similar benefits to other states
- ▶ Highest benefit cost is health care premiums
 - Packages and employee costs differ between Alaska districts
- ▶ Alaska has highest healthcare costs in US
 - Not unique to education
 - Negatively affects private & 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

Operations & maintenance: Energy is expensive and unpredictable.

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 fuel needed to heat schools in colder places
- ▶ School building must be heated and lit, regardless of the number of students in the building

Comparing more than dollars

Putting comparisons into perspective

Vermont

288 public schools

119 districts

84,000 students

\$27,680/student

Alaska

498 public schools

54 districts

131,000 students

\$22,266/student



North Dakota

484 public schools

179 districts

118,000 students

\$20,005/student

Alaska

498 public schools

54 districts

131,000 students

\$22,266/student



Florida

4,202 public schools
69 districts
\$2.37 million students
\$13,528/student

Alaska

498 public schools
54 districts
131,000 students
\$20,191/student



Areas of opportunity as we look ahead

Wrapping up

Concluding thoughts

- ▶ **Higher costs, particularly in remote, rural communities, are beyond the control of school districts.**
 - Fuel & electricity
 - Healthcare
 - General cost of living
- ▶ **As state support lags behind inflation, school districts are left with few options to cut besides instructional expenditures.**
 - Challenges with attracting and retaining qualified teachers
 - Adverse effects on education outcomes unavoidable
- ▶ **How education dollars are spent does matter**
 - Opportunity for research to build support for evidence-based policies.
 - Research to consider the relationship between inputs and outcomes in a variety of teaching, learning, and community contexts.

Thank you & questions

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