



ALASKA · STATE · CAPITOL

Education Funding Overview

Alaska Municipal League

Legislative Finance Division

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Outline

- Brief Overview of Formula and Terms
- FY24 State K-12 Funding
 - Formula Programs
 - Capital Funding
 - Other Significant Items
- FY24 in Context – Historical Funding Graphs

K-12 Formula in Brief

- Largest source of K-12 funding is the Foundation Formula, calculated by multiplying student count (**Average Daily Membership** or **ADM**) by adjustment factors to account for differences between districts to arrive at the **Adjusted Average Daily Membership (AADM)**.
- Multiplying that by the **Base Student Allocation (BSA)**, a number set in statute, arrives at **Basic Need**.
- Basic Need is met by **deductible federal impact aid** (\$73 million in FY24), **required local contributions** (\$301 million in FY24), and the remainder by **State Aid** (\$1.2 billion in FY24).

FY24 Formula Funding

- 2022's Alaska Reads Act (HB 114) included a \$30 BSA increase in FY24, from \$5,930 to \$5,960 (about \$7.7 million). The Pupil Transportation Formula is unchanged from prior years.
- The Senate passed legislation (SB 52) to increase the BSA by \$680 (about \$174.9 million) and Pupil Transportation by \$7.5 million, for a total of \$182.4 million. This legislation did not pass the House this year.
- The legislature added one-time funding outside the formula equal to the proposed BSA increase in the Senate bill (\$174.9 million). The Governor vetoed half of the funding, leaving \$87.4 million of outside the formula funding.

FY24 Formula Funding (Cont.)

FY23 to FY24 Foundation Comparison, All Funds							
	FY23 Budget	FY24 Legislature	FY24 Enacted	FY23 Budget to FY24 Legislature		FY23 Budget to FY24 Enacted	
Foundation Formula	1,195,351.7	1,193,823.3	1,193,823.3	(1,528.4)	-0.1%	(1,528.4)	-0.1%
Additional Formula Funding	57,426.1	175,336.0	87,893.0	117,909.9	205.3%	30,466.9	53.1%
Total Foundation Formula	1,252,777.8	1,369,159.3	1,281,716.3	116,381.5	9.3%	28,938.5	2.3%

Note: Additional Formula Funding also includes about \$0.4 million of funding from the Education Raffle program.

FY24 Capital Funding

- FY24 budget fully funds School Debt Reimbursement (\$67.2 million) and REAA Fund deposit (\$27.9 million).
 - In the FY22 supplemental budget, the legislature appropriated \$220.8 million to pay back past vetoed School Debt Reimbursement and \$84.0 million to make up past vetoed REAA Fund deposits.
- The legislature's FY24 budget included \$30 million for the Major Maintenance Grant Fund (enough to fund the top 11 projects on the list). The Governor vetoed that amount down to \$19.6 million, enough for the top 5 projects.
- The legislature also included \$1.1 million for Mt. Edgecumbe deferred maintenance that was vetoed.

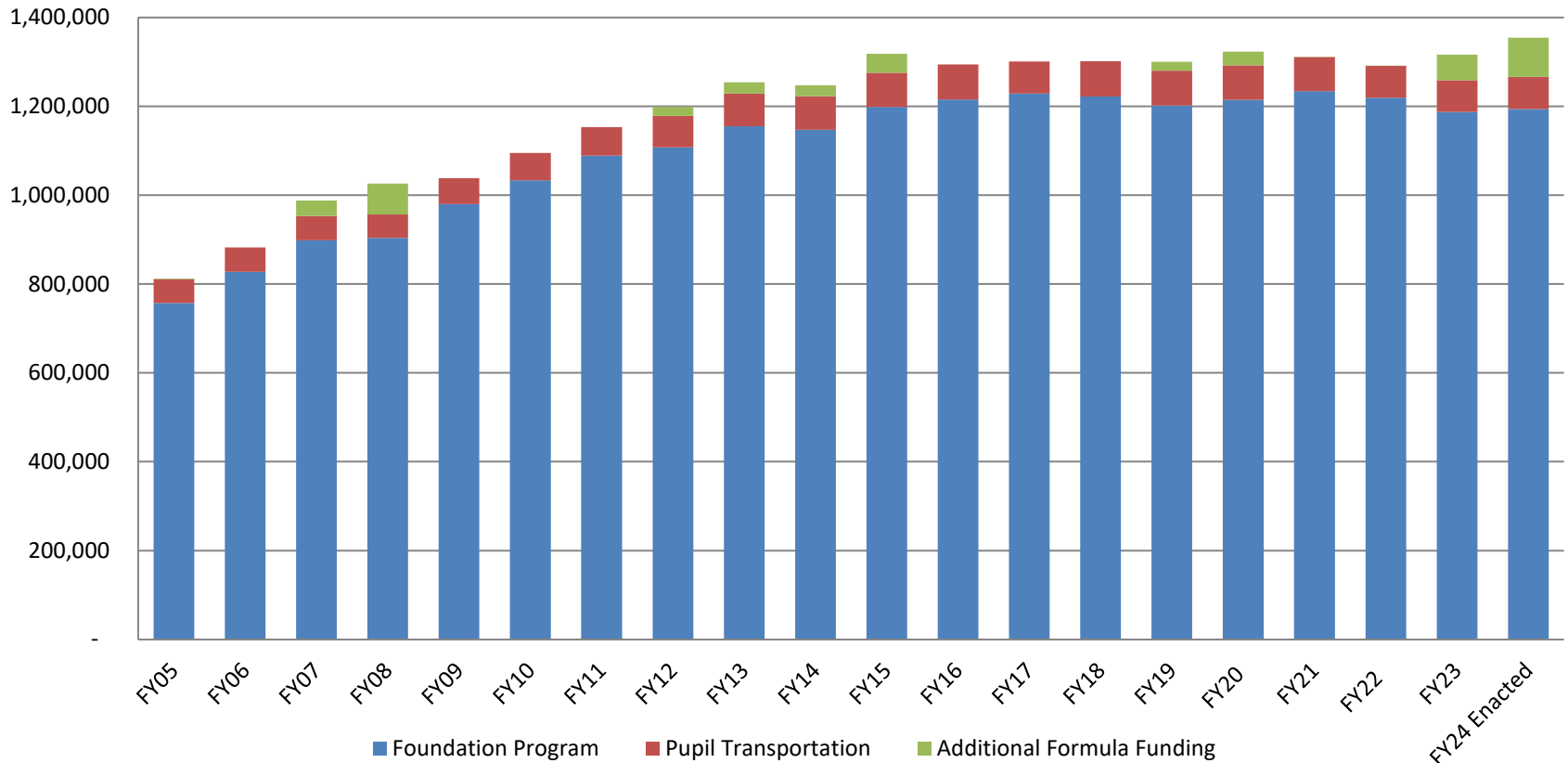
Other K-12 Items of Note

- \$3.0 million of additional Alaska Reads Act funding to DEED for reading specialists and material, and another \$3.0 million for pre-K grants. These were expected costs from the bill's fiscal note.
- The legislature funded a Governor's request for the Alyeska Reading Academy and Institute as a one-time item for \$5.0 million.
- The legislature accepted the Governor's request to increase ANSEP funding by \$5.0 million. The legislature added an additional \$5.0 million but it was vetoed by the Governor.
- The legislature funded \$1.5 million of the Governor's \$3.0 million request for Career and Technical Education incentive grants as a one-time item.
- The legislature funded \$1.5 million of the Governor's \$3.0 million request for teacher recruitment, retention, and certification support as a one-time item.
- The legislature provided \$5.0 million of one-time funds for additional Head Start match, but the Governor vetoed that to \$1.5 million.

FY24 in Context – Historical Graphs

K-12 Formula Funding, FY05-FY24 Projected
(State Funds, nominal dollars)

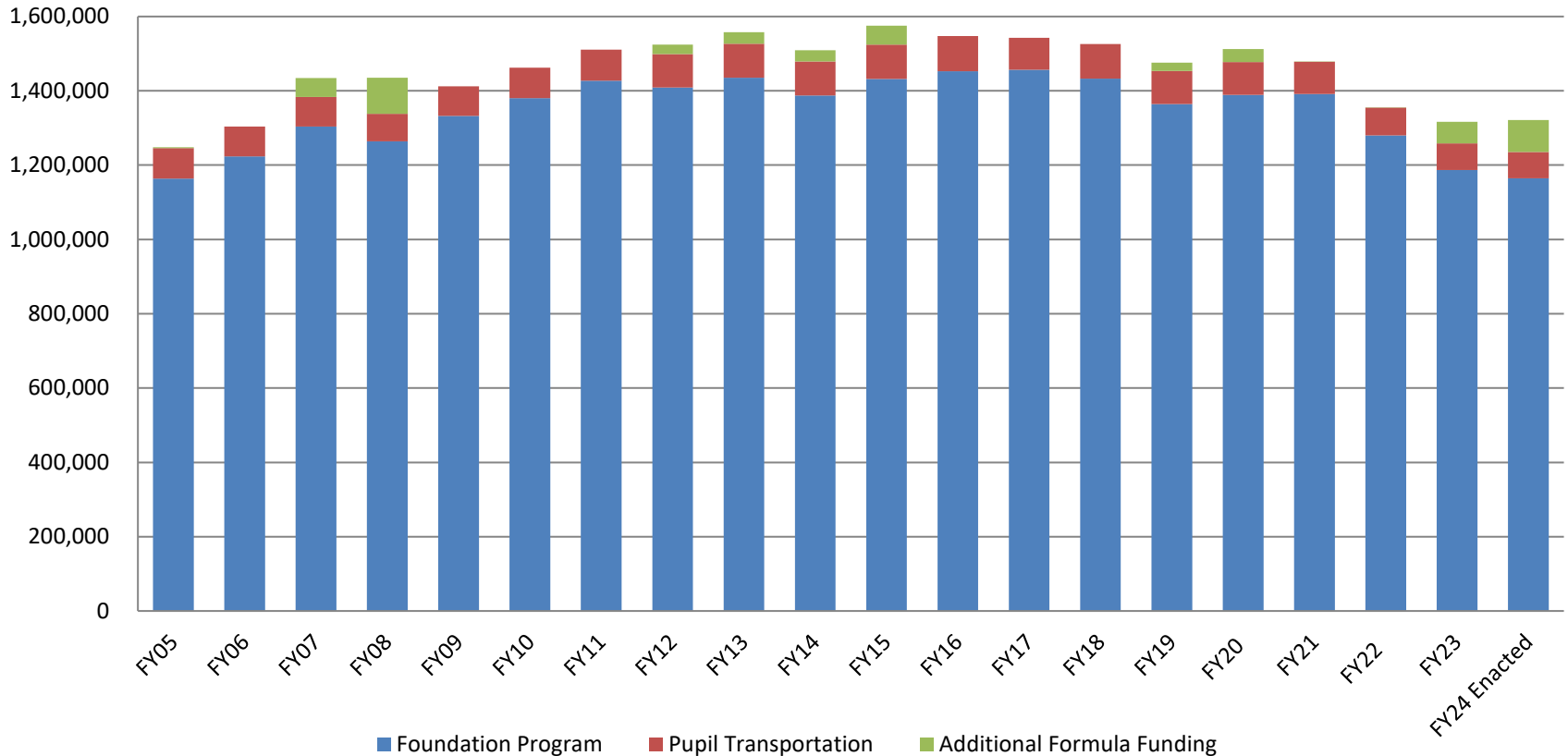
FY24 is the peak year
in nominal terms



FY24 in Context – Historical Graphs (Cont.)

K-12 Formula Funding, FY05-24 Projected
(State funds, FY23 Dollars)

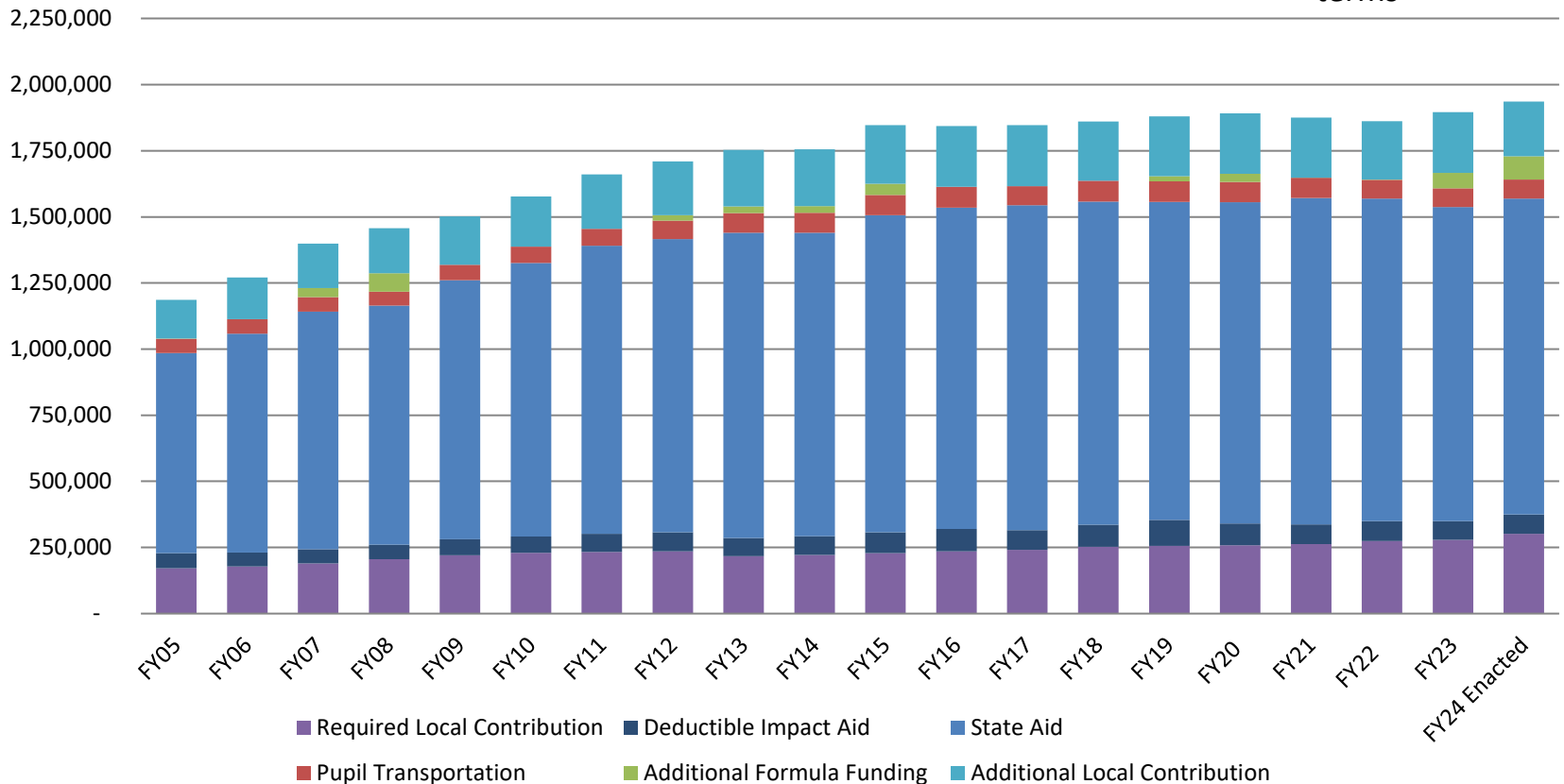
FY24 is \$254.0 million
(16.1%) below real
peak in FY15



FY24 in Context – Historical Graphs (Cont.)

State and Local Education Funding, FY05-FY24 Projected
(Nominal Dollars)

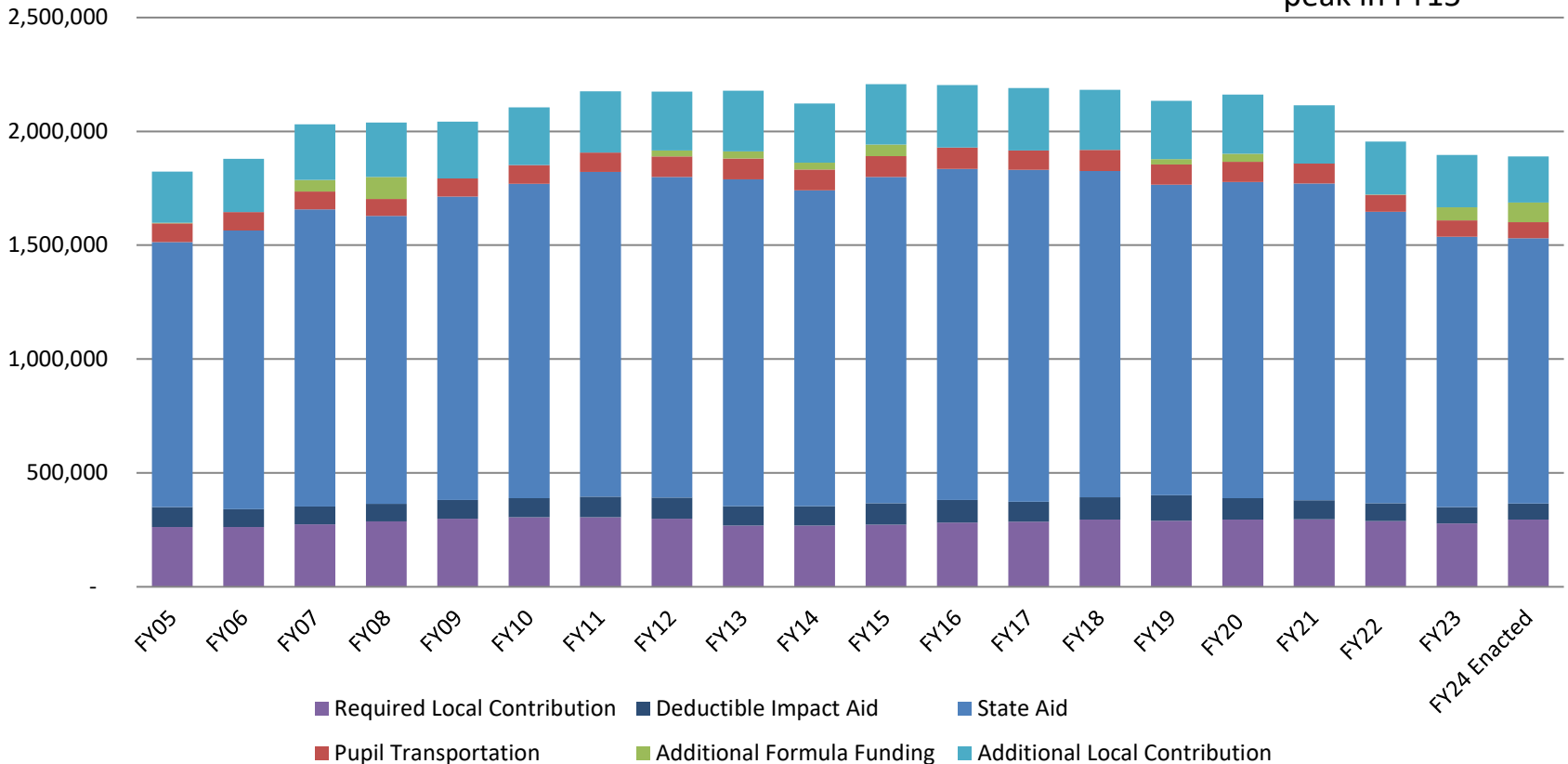
FY24 is the peak year in nominal terms



FY24 in Context – Historical Graphs (Cont.)

State and Local Education Funding, FY99-FY24 Projected
(FY23 Dollars)

FY24 is \$301.1 million
(13.7%) below real
peak in FY15



Questions?

Contact Information

Alexei Painter

Legislative Fiscal Analyst

(907) 465-5413

Alexei.Painter@akleg.gov

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Appendix: Federal Impact Aid and Local Contributions

- State can deduct 90% of eligible federal impact aid from state contributions because our formula is considered “equalized” by the Federal government. This reduces State costs by about \$73 million in FY24.
- To be equalized, the difference in funding on an AADM basis between the highest-funded districts and lowest-funded districts must be less than 25%. This is why optional local contributions are capped at 23% of Basic Need (for most districts) – this ensures we can pass the disparity test.
- If Alaska did not have an equalized formula, State costs would go up by \$73 million and districts would retain all their impact aid. The amount ranges from \$0 in 13 districts to \$16 million in the Lower Kuskokwim district.
- In 2021, the federal government determined that pupil transportation (which had previously been excluded from the test) must be included. As a result, the State initially failed the test. The State then argued that the Pupil Transportation Formula should be considered an adjustment factor between districts, so Pupil Transportation revenue is added in and then adjusted back out *only up to the amount of the State formula*.
- This means that local contributions to Pupil Transportation are *not* deducted and could cause the State to fail the disparity test. The State Department of Education’s position is that these contributions are not allowable if they bring local contributions above the 23% cap.
- As a policy matter, the State could choose to allow these contributions (or completely remove the cap on local contributions through a statutory change) and fail the disparity test at the cost of \$73 million per year. Or the State could disallow these contributions and pass the disparity test, but some districts would face funding shortfalls.