

Municipal Clerk's Office

Approved

Date: **January 7, 2025**

Submitted by: Assembly Members

Bronga and Rivera

Prepared by: Legislative Services Office

Reviewed by: Assembly Counsel's Office

For reading: January 7, 2025

**ANCHORAGE, ALASKA
AR No. 2025-16**

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY AUTHORIZING THE ASSEMBLY CHAIR TO SIGN A JOINT RESOLUTION OF THE ANCHORAGE ASSEMBLY AND ANCHORAGE SCHOOL BOARD IN SUPPORT OF THE FAIR, INFLATION-ADJUSTED STATE FUNDING REQUIRED TO MAINTAIN A QUALITY PUBLIC SCHOOL SYSTEM AND INCREASE STUDENT PERFORMANCE.

WHEREAS, the Anchorage Assembly and the Anchorage School Board gather in joint conferences on a quarterly basis per Charter § 6.04 to discuss issues of mutual concern including financial planning, educational funding, school bond debt, and capital improvement needs, and the comprehensive plan; and

WHEREAS, the Anchorage Assembly and the Anchorage School District have a mutual interest in protecting taxpayer funds and in meeting the needs of the public school students in the municipality; and

WHEREAS, a working group of Anchorage Assembly and School Board members collaborated throughout the fall of 2023 to produce a "Joint Resolution...in Support of the Fair, Inflation-Adjusted State Funding Required to Maintain a Quality Public School System and Increase Student Performance," attached to AR 2024-18. Each body separately voted to support the same final Joint Resolution document during their respective, regularly scheduled meetings of December 19, 2023 and January 9, 2024; and

WHEREAS, Anchorage schools are faced with school closures and increased class sizes which have significant and detrimental impacts to the performance of our students; and

WHEREAS, when the District's finances were discussed during the September 28, 2024, joint meeting, the deficit's magnitude prompted the Board and Assembly to agree to collaborate on and pass an updated joint resolution prior to the start of the 34th Legislature; and

WHEREAS, the updated joint resolution is similar in both form and content to the December 2023 document and AR 2024-18 but incorporates two new pieces of information: 1) an analysis by the State of Alaska's Legislative Finance Division regarding education funding between FY 11 and FY 25, adjusted for inflation; and 2) an analysis by the ASD Administration regarding the base student allocation (BSA) adjusted for inflation for FY 26; and

WHEREAS, the Anchorage School Board passed the updated Joint Resolution at their December 17, 2024, school board meeting.

NOW, THEREFORE, THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. The Anchorage Assembly Chair is authorized to sign the attached Joint Resolution of the Anchorage School Board and the Anchorage Assembly urging the Alaska State Legislature and Governor to address the State of Alaska’s Constitutional responsibility to maintain its system of public schools by passing immediate legislation to raise the Base Student Allocation and increase transportation funding; and to adjust the BSA to account for inflation on an annual basis.

Section 2. The Municipal Clerk’s office is directed to attach the final signed Joint Resolution to this resolution.

PASSED AND APPROVED by the Anchorage Assembly this 7th day of January 2025.



Chair

ATTEST:



Municipal Clerk

Attachments:

1. A joint resolution of the Anchorage Municipal Assembly and the Anchorage School Board in support of the fair, inflation-adjusted State funding required to maintain a quality public school system and increase student performance.
2. “Memorandum: Impact of Inflation on K-12 Funding,” Alaska State Legislature, Legislative Budget and Audit Committee, Legislative Finance Division to Senator Tobin, September 30, 2024.
3. “Adding FY26 to Legislative Finance BSA since 2011,” BoardConnect agenda item 5F, Anchorage School Board, November 8, 2024.

ANCHORAGE MUNICIPAL ASSEMBLY & ANCHORAGE SCHOOL BOARD

A joint resolution of the Anchorage Municipal Assembly and the Anchorage School Board in support of the fair, inflation-adjusted State funding required to maintain a quality public school system and increase student performance.

WHEREAS, strong educational systems are a vital part of healthy communities; and

WHEREAS, Article VII Section 1 of the Alaska State Constitution mandates that “The legislature shall by general law establish and maintain a system of public schools open to all children of the State;” and

WHEREAS, the State of Alaska’s Foundation Formula is the statutory mechanism for funding Alaska’s system of public schools; and

WHEREAS, the Formula is based on multiplying Alaska’s actual student count by a series of factors to adjust for differences between districts (including a school size factor and district cost factors, as well as block grants for special education and career and technical education) to arrive at an adjusted student count, which is then multiplied by the Base Student Allocation (BSA) to arrive at Basic Need, which is then paid through a combination of required local funding, deductible federal impact aid, and State funds; and

WHEREAS, the State of Alaska last meaningfully adjusted the BSA for inflation by \$100 per year for each of the 2008-2009 (FY 09), 2009-2010 (FY 10), and 2010-2011 (FY 11) years; and

WHEREAS, the State of Alaska increased the BSA by a total of \$280 between July 1, 2011 (FY 12) and July 1, 2024 (FY 25), from \$5,680 to \$5,960; and

WHEREAS, in addition to funding schools through the Formula, the State of Alaska appropriated one-time funding for schools and distributed those resources in the same way as the Formula in FYs 2012-2015, 2019, 2020, and 2023-2025; and

WHEREAS, after accounting for legislative appropriations for education made within and outside the formula over the past fifteen years, adjusting those inputs for rates of inflation identified by the Bureau of Labor Statistics data for all urban Alaska consumers between FY 2011-2024 and assumed by the Alaska Permanent Fund for FY 2025, the State of Alaska’s Legislative Finance Division recently determined that the peak year of education funding over the past fifteen years was FY 2011 and that the FY 25 BSA would need to increase by \$1,808, from \$5,960 to \$7,768, to match the buying power of the FY 11 BSA; and

WHEREAS, the Anchorage School District (ASD) has calculated that a projected 2% rate of inflation between FY 25 and FY 26 would further require that a BSA adjusted for inflation from

FY 11 for FY 25 be increased by an additional \$155 per student for the forthcoming year, for a net adjustment to the BSA of \$1,963 for inflation between FY 11 and FY 26; and

WHEREAS, the data informing the current District Cost Factor (DCF), one of the multipliers within the Foundation Formula and which serves to compensate each district for differing costs of delivering education, have not been updated since the release of a 2004 study by the Institute of Social and Economic Research (ISER); and

WHEREAS, the State of Alaska's statute governing pupil transportation—despite the allocation of one-time funding for FY 25 equivalent to \$50 per pupil—has not been adjusted from the level of \$481 per pupil in ASD since July 1, 2015 (FY 16), despite historic inflationary drivers in fuel and labor costs; and

WHEREAS, Table YY in ASD's recent, FY 24 Annual Comprehensive Financial Report (ACFR) details that the District has implemented significant efficiencies in its transportation by eliminating and consolidating 9.2% of its regular District-supplied and Contracted routes since the 2014-2015 school year (FY 15); and

WHEREAS, State transportation funding, if it remains at the FY 16 level of \$481 per pupil, is projected to generate \$19.12 million in transportation revenue for ASD in FY 26 while ASD's FY 26 transportation expenditures, which inflation has increased over the past decade and which will be further affected by passage of Ballot Measure 1 as well as an increase to the fees charged by the Port of Alaska in FY 26, are projected to total \$31.998 million and will require at least \$9.06 million in local revenue and another \$3.818 million from one or more undetermined source(s) for the District to be able to maintain its transportation services throughout the 2025-2026 school year; and

WHEREAS, the State of Alaska, in June 2015, halted its historic model for reimbursing municipal governments for 60-70% of their debt service for new school construction and major maintenance, made the law retroactive to January 2015 so as to exclude the recently passed Anchorage school bond, and subsequently asserted that it will reimburse only up to 50% of that debt service when funding resumes in FY 25; and

WHEREAS, despite periodic but unpredictable allocations of one-time funds, the State of Alaska's outdated metrics for the DCF, BSA, and pupil Transportation funding, together with its deviation from prior practices of reimbursing school construction and maintenance, have produced marked cost shifts to Anchorage taxpayers; and

WHEREAS, in response to these challenges, the Anchorage School Board and administration have decreased the ASD's administrative overhead, minimized growth in labor costs, pursued school consolidation, promoted additional efficiencies, and identified new revenue opportunities; and

WHEREAS, the Anchorage School District's attempt to minimize growth in wages across all of its bargaining units has become a primary cause of the unprecedented staffing shortfalls that have challenged and/or currently exist in all areas, including and especially in busing, food and custodial services, classroom instruction, paraprofessional support, and special education; and

WHEREAS, despite the decline of the ASD's overall purchasing power since FY 11, the Board and Administration have consistently sought to align available resources with instruction and in support of the will of local parents and educators, as well as Board goals, by maintaining class sizes to the extent possible, supporting student academic achievement, encouraging teacher retention, retaining its nationally acclaimed language immersion programs, providing extracurricular and Career and Technical Education opportunities, and ensuring that all students access gifted education, English Language Learner, and/or Special Education services, as appropriate; and

WHEREAS, the ASD sought to maintain student learning conditions between FY 21 and FY 24 by allocating more than \$102 million of its \$184.6 million in Federal student relief funds to maintain pupil-to-teacher ratios; and

WHEREAS, the ASD used its remaining Federal relief funds to respond to the COVID-19 pandemic, support fully reopening its schools, facilitate continuity of learning, measure and address student learning loss, and address students' social, emotional, mental health, and academic needs resulting from the pandemic; and

WHEREAS, the ASD's \$68 million structural deficit for the 2023-24 school year (FY 24), despite its receipt of one-time funding from the State and its use of Fund Balance and remaining Federal relief funds to balance the budget, meant that it was unable to maintain its 2022-2023 pupil-to-teacher ratios for the 2023-2024 school year without eliminating valued programs; and

WHEREAS, the ASD's \$98 million structural deficit for the 2024-2025 school year (FY 25), despite its receipt of one-time funding from the State and its use of Fund Balance, attrition estimates, and administrative reductions to balance the current budget, neither allowed for the reduction in the pupil-to-teacher ratio increases which incurred during adoption of the FY 24 budget nor of the reduction in the District's pupil-to-teacher ratio growth which dates back to FY 16; and

WHEREAS, the ASD's structural deficit for the 2025-2026 school year (FY 26), encompassing the General Fund and Transportation Fund deficits, is projected to be \$111.2 million; and

WHEREAS, the ASD's ability to offset the projected FY 26 deficit with Fund Balance, the bulk of which is comprised of one-time funds saved from the State during FY 25, is estimated at \$27-\$47 million and depends on how conservatively or aggressively the Board utilizes funds currently held in its Unreserved Fund Balance and how closely it adheres to Board Policy 3470,

which establishes that retention of an unreserved fund balance of 8% best positions the District to respond to emergencies; and

WHEREAS, the Anchorage School Board expects to identify between \$64 and \$84 million in programmatic, service, and/or personnel reductions upon passage of the FY 26 Budget, based on its aggressive or conservative use of Fund Balance; and

WHEREAS, ASD's commitment to providing all students an equal and adequate opportunity to achieve to the State's curriculum and performance standards is now at unprecedented risk; and

WHEREAS, the Anchorage School Board may be forced to eliminate or reduce student access to myriad activities, programs, and electives, increase Pupil to Teacher Ratios and class sizes across the K-12 system, and eliminate approximately 558 positions in May 2025 unless Legislative action is taken in advance of the ASD Board's obligation to pass a balanced budget for the 2025-2026 school year at its February 18, 2025 meeting;

NOW, THEREFORE, BE IT RESOLVED that the Anchorage Assembly and Anchorage School Board hereby urge the Alaska State Legislature and Governor to address the State of Alaska's Constitutional responsibility to maintain its system of public schools by passing immediate legislation to 1) raise the Base Student Allocation by no less than \$1,963 so as to account for inflation that has accrued since July 1, 2010 (FY 11) and has been projected to increase through June 30, 2026 (FY 26), and 2) increase its transportation funding by at least \$324 per pupil to \$805 per pupil for FY 26; and

BE IT FURTHER RESOLVED that the Anchorage Assembly and Anchorage School Board hereby urge the Alaska State Legislature and Governor to establish a means for the State of Alaska to be able to maintain its system of public schools by 1) passing additional legislation that will adjust the Base Student Allocation to account for inflation on an annual basis, 2) directing and appropriating necessary funds to pay for a State-funded ISER study of the District Cost Factor; 3) passing additional legislation that would update the DCF on a triennial basis; and 4) return to historic models of cost sharing for capital projects.

PASSED AND APPROVED by the Anchorage School Board this 17th day of December 2024



Andy Holleman, School Board President

Carl Jacobs
Kelly Lessens
Dave Donley

Margo Bellamy
Dora Wilson
Pat Higgins

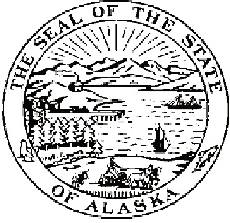
PASSED AND APPROVED by the Anchorage Assembly 7th day of January 2025



Christopher Constant, Assembly Chair

Meg Zaletel
Karen Bronga
Mark Littlefield
Scott Myers
Felix Rivera
Daniel Volland

Anna Brawley
Zac Johnson
George Martinez
Kameron Perez-Verdia
Randy Sulte



ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Legislative Finance Division

430 Main St.
Juneau, Alaska
(907) 465-3795

MEMORANDUM

DATE: September 30, 2024

TO: Senator Löki Tobin
Attn: Michael Mason

FROM: Conor Bell
Fiscal Analyst

SUBJECT: Impact of Inflation on K-12 Funding

You asked for a comparison of Alaska's K-12 foundation formula funding to inflation from FY11 to FY25.

Background on Foundation Formula

Alaska's K-12 foundation formula (AS 14.17) is the largest source of funding for Alaska's school districts. The formula is based on multiplying the actual student count on Alaska's schools (known as the Average Daily Membership, or ADM) by a series of factors to adjust for differences between districts, including a school size factor and district cost factors, as well as block grants for special education and career and technical education, to arrive at an adjusted student count (Adjusted Average Daily Membership, or AADM). The AADM is then multiplied by the Base Student Allocation (BSA) to arrive at Basic Need, the total amount of funding provided by the formula. Basic Need is then paid by a combination of required local funding for municipal school districts, deductible federal impact aid, and State funds.

In addition to funding inside this formula, the legislature has frequently included one-time funding outside the foundation formula but distributed in the same way as the formula. This outside the formula funding makes comparisons across years that only use the BSA somewhat incomplete. This analysis will provide both comparisons to provide a fuller picture.

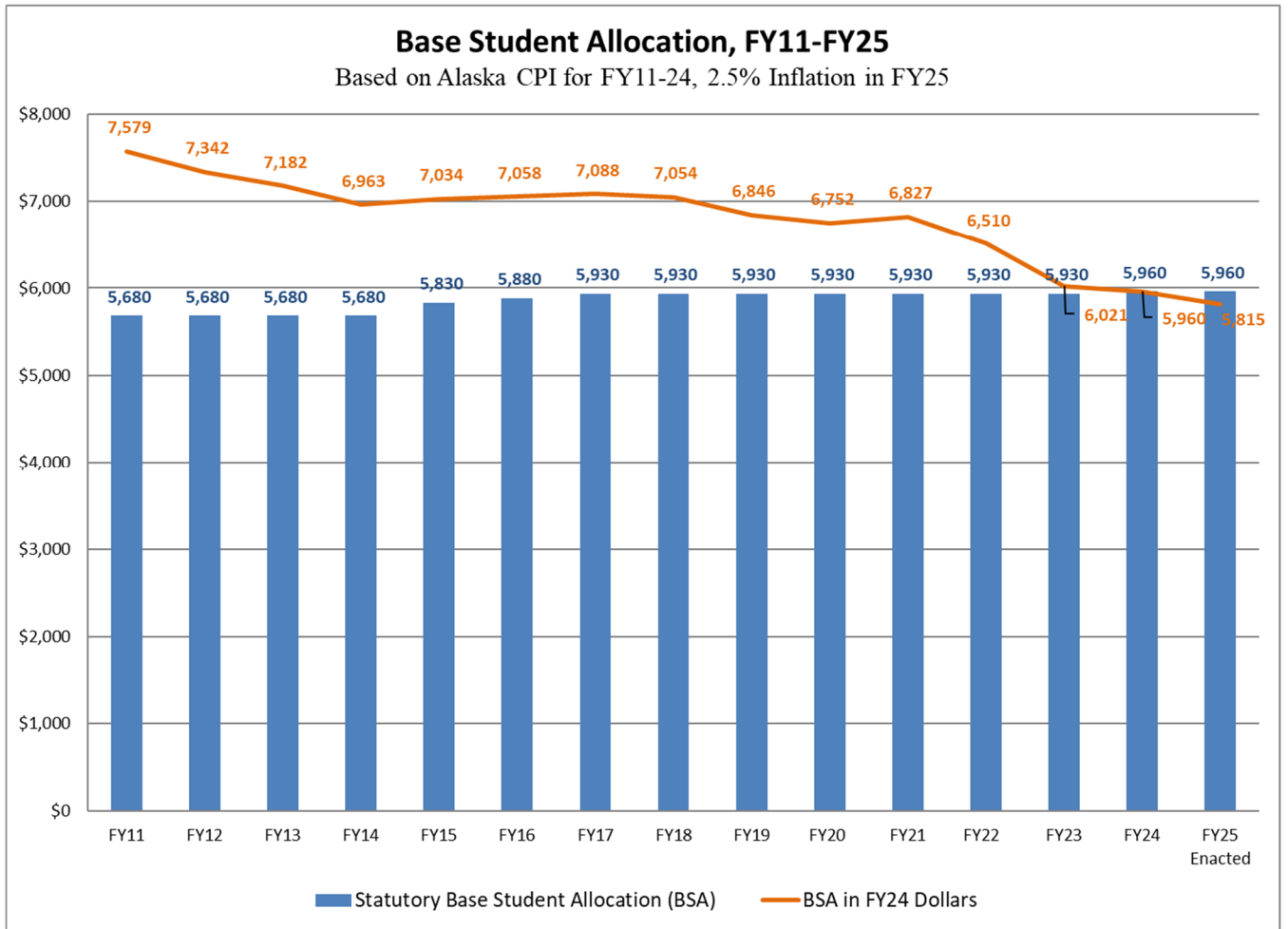
Impact of Inflation from FY11 through FY25

This analysis equalizes funding to the level in calendar year 2023, the most recently completed year, and applies that to FY24. It then assumes 2.5% inflation in FY25 (based on Callan and Associates' assumptions that are used by the Alaska Permanent Fund). The inflation data is the federal Bureau of Labor Statistics data for all urban Alaska consumers.

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Previous CY Inflation Rate	1.8%	3.2%	2.2%	3.1%	1.6%	0.5%	0.4%	0.5%	3.0%	1.4%	-1.1%	4.9%	8.1%	1.5%	2.5%
Inflation Factor to FY24	1.33	1.29	1.26	1.23	1.21	1.20	1.20	1.19	1.15	1.14	1.15	1.10	1.02	1.00	0.98

This table can be read to say that one dollar appropriated in FY11 would have the same buying power as \$1.33 appropriated in FY24.

Base Student Allocation Adjusted for Inflation

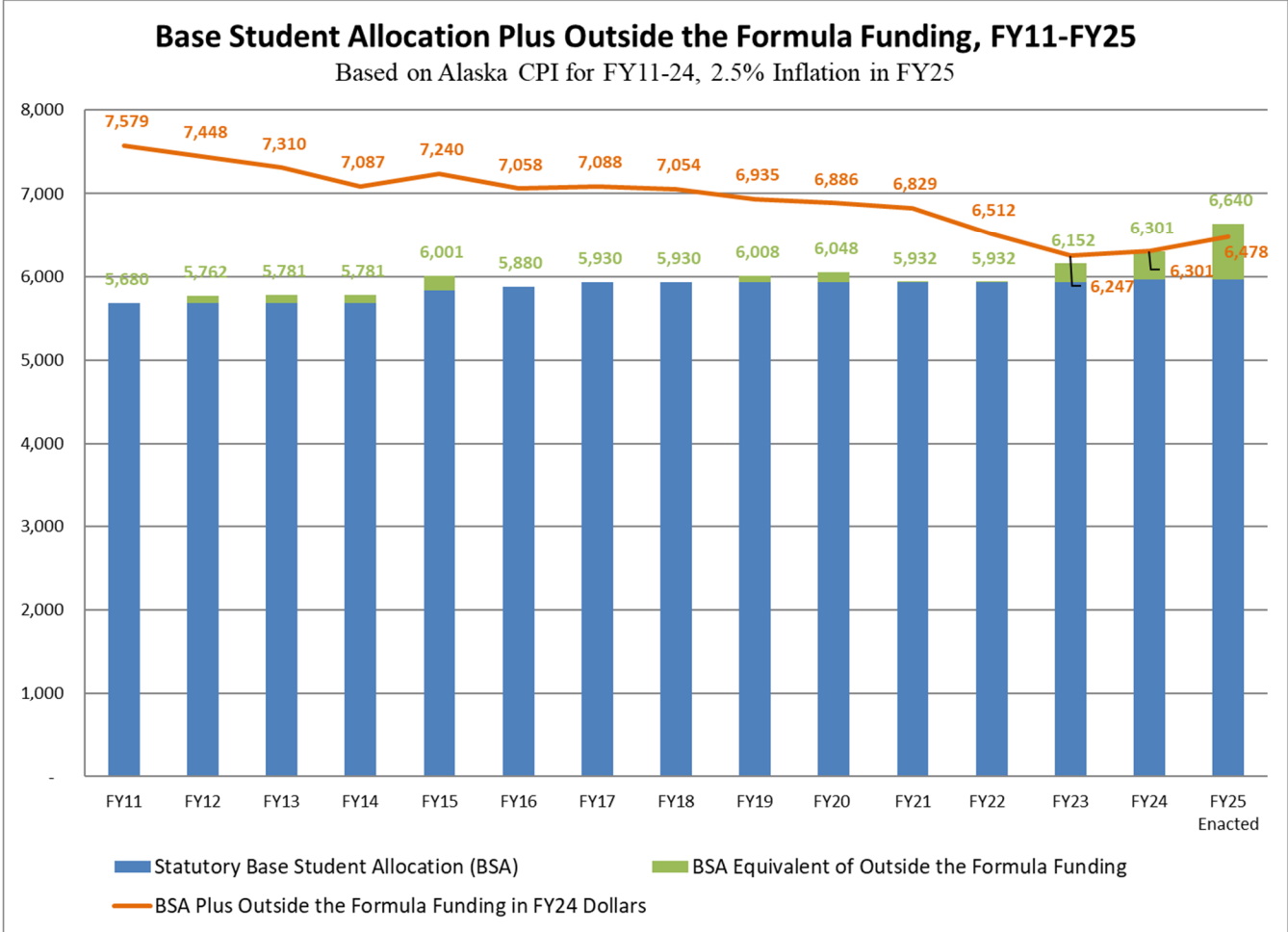


The BSA was \$5,930 from FY17-23 and is \$5,960 in FY24-FY25. The peak year over the past fifteen years, adjusted for inflation, is FY11, which would be \$7,579 in FY24 dollars, while the FY25 figure is \$5,815 in FY24 dollars. Adjusting that FY11 figure to projected FY25 dollars would total \$7,768. To match the buying power of the FY11 BSA in FY25, the BSA would therefore need to increase by \$1,808, from \$5,960 to \$7,768.

Depending on which year is selected as the base, “inflation-proofing” the BSA would require different amounts. Therefore, which year is selected as the “base” for inflation-proofing makes a substantial difference in how much the formula would need to be adjusted.

Incorporating Outside-the Formula Funding

In Fiscal Years 2012-2015, 2019, 2020, and 2023-2025, the legislature appropriated additional funding outside the formula ranging from \$20 million to \$175 million. This funding is distributed according to the formula, and so the following graph converts it into a BSA equivalent.



Current FY25 BSA	\$ 5,960
Adjustment needed to tie FY25 to FY11 spending power*	1,808
Inflation adjusted FY25 BSA since 2011	<u>7,768</u>
2% inflation estimate for FY26	155
Inflation adjusted FY26 BSA since 2011	7,923
Total BSA increase needed for FY26 to tie to FY11 spending power	<u><u>\$ 1,963</u></u>

*Calculated by Legislative Finance