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JEDC Research Note
Juneau's Investment in K-12 Education
February 2022

Research Question: *How much does CBJ invest in K-12 education? What is the trend over the last ten to twenty years? How does the Juneau investment in education compare to other Alaska communities of similar demographics?*

Summary of Findings

The State of Alaska's Base Student Allocation is a central factor in determining funding to school districts across the State, affecting contributions from State and City governments. Within the past decade, education funding in Alaska has fallen behind rising costs of goods. Small adjustments have been made to increase nominal funding, but these have not compensated for inflation at the national level.

Despite the Juneau School District's (JSD) total budget decreasing, the City & Borough of Juneau's (CBJ) contribution has increased, driven by Juneau's rising property value and CBJ's policy to fund local schools to the maximum allowable limit. Currently this limit is highly dependent on student enrollment, which is declining. This cap may become dependent on city property value if the BSA is not increased, and enrollment and property values continue their current trends.

Juneau has also invested in local education through large-scale construction and renovations, funded through General Obligation (GO) bonds. Many of these were taken out to fund the construction of Thunder Mountain High School and renovations to Juneau-Douglas High School. The State of Alaska assisted in paying off a large amount of this debt, but the program that provided reimbursement has not accepted new projects since 2015. New bonds are now primarily funded through city taxes.

Note on Inflation

Many values in this document have been adjusted for inflation. Inflation has been calculated using the US Bureau of Labor Statistics CPI-U, which measures inflation across the United States. Comparisons are made using the annual average of the CPI through the state of Alaska's Fiscal year (July 1 to June 30).

For example, when comparing FY2012 to FY2021 we calculate the buying power of one dollar from July 2011 to June 2012 against the buying power of one dollar from July 2020 to June 2021 (\$0.87).

Inflation for FY2022 is measured using the CPI for from July 2021 to January 2022.



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Alaska K-12 Operating Budgets

State Policies on School Funding

The State uses several steps to determine how much they will contribute to the operating budget of school districts across Alaska. The State also determines the amount local governments are required to contribute to their school budgets while placing a cap on how much they are allowed to contribute.

Calculating District Basic Need

To determine a school district's Basic Need, the State uses a formula to calculate an Adjusted Average Daily Membership (AADM) based on several factors. This takes six main steps, which increase the funds available based on school size, district cost factors, and various programs the school district offers. Juneau's 2022 projected ADM is 4592, and the total Adjusted ADM was 8720.46.

The resulting Adjusted ADM is then multiplied by the Base Student Allocation (BSA) set by the State each year. This results in the Basic Need for the school district.

Local Contributions

The Required Local Contribution is calculated at a 2.65 mill rate on the local taxable property. Some funding also comes from the Federal Title VII Impact Aid. The State covers the remaining amount needed to reach the calculated Basic Need after subtracting the Required Local Contribution and 90% of the eligible Federal Impact Aid.

Local governments may contribute more than required, but there is a limit. The Maximum Local Contribution is 23% of the calculated Basic Need, or the value of a 2.0 mill property tax rate, whichever is greater.

Base Student Allocation vs. Revenue per ADM

Because of these adjustments, the actual revenue per student is much higher than the Base Student Allocation implies. In FY 2021, Juneau's revenue per ADM was \$15,389, while the state BSA was \$5,930. This means that Juneau's schools are receiving about 2.6 times the BSA per student.

While this may sound like a large increase, it is slightly lower than the statewide revenue per ADM (\$16,430, or 2.8x BSA) in 2021. Juneau, Fairbanks, and Anchorage all fall below the statewide average per student. This is primarily because the foundation formula for adjusted ADM gives increased weight to smaller schools in remote areas to account for the increased costs of operating such schools.

District Operating Budget Revenue

Values from the AK Dept. of Education and Early Development Operating Fund Reports, FY05 - FY22.

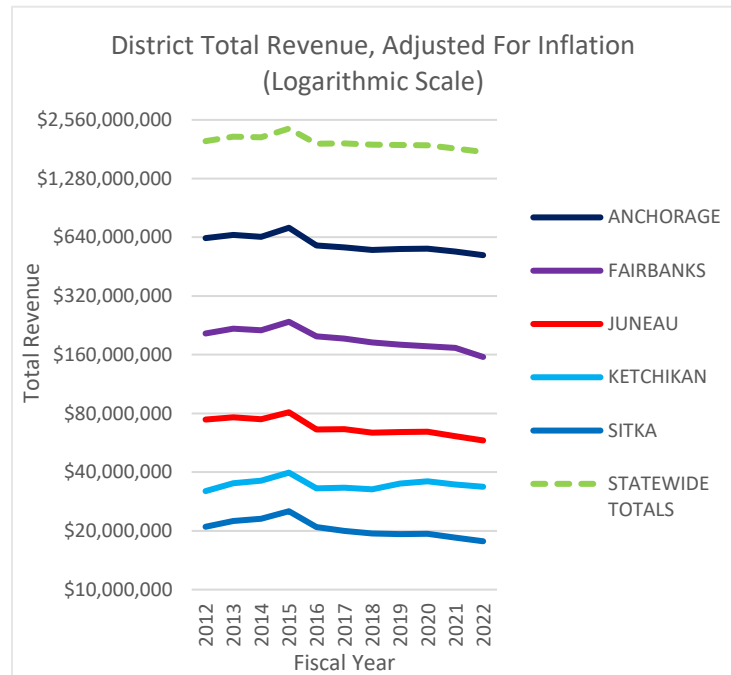
Revenues adjusted for inflation are valued in FY12 dollars.

To compare the education funding across communities in Alaska, we used Yearly Budgets and Actual Reporting data from the Alaska Department of Education and Early Development. These datasets only include funding and expenses relating to school *operating* budgets.

In 2015, the State contributed a large, one-time payment to the Teacher Retirement Fund (TRS) and Public Employee's Retirement System (PERS). This shows up as a spike in the operating budgets of districts across the State. The State usually contributes to the fund, but this was several times more than usual.

District Total Revenue

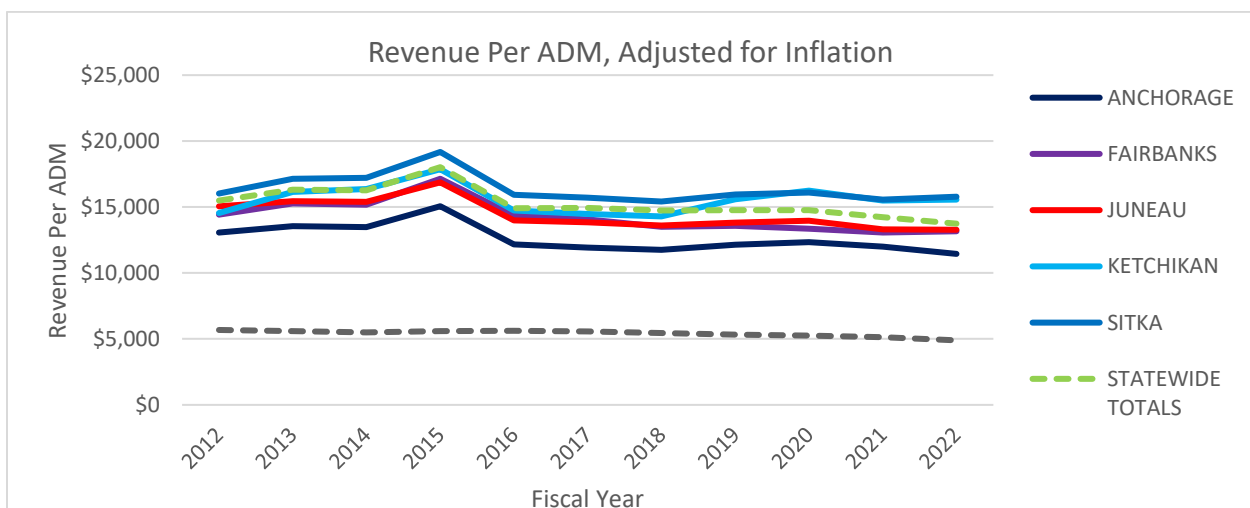
Throughout the State, most large districts have seen similar patterns of total revenue. Revenues grew steadily from 2006 to 2015, outpacing inflation. After 2016, revenues remained constant or decreased when adjusting for inflation. Two major factors have caused the slow fall of funding from 2016 to 2022. The Base Student Allocation (BSA) used to determine the Basic Need of a school district, has remained the same since 2016 and has not increased to compensate for inflation. Student body populations have also fallen in many large districts, and Basic Need is largely based on student population.



Revenue Per ADM

To account for the changes in student populations, we use the Revenue per Average Daily Membership (ADM), or dollars spent per enrolled student. In the communities we compared, the revenue per ADM has remained relatively constant since 2016.

Ketchikan does not follow this trend because of a significant increase in special education and intensive needs students, which increased their Basic Need.



The BSA has not kept up with inflation, and statewide revenue per ADM has dropped as a result. In the 2022 projections, both the Juneau and statewide revenue per ADM is lowest since 2008 after adjusting for inflation.

Juneau has a below-average revenue per ADM compared to the other districts in the State. As Juneau has large schools and a low district cost factor, the Adjusted ADM per student is lower than many smaller Alaskan communities. Anchorage's revenue per ADM is lower than Juneau's for the same reasons.

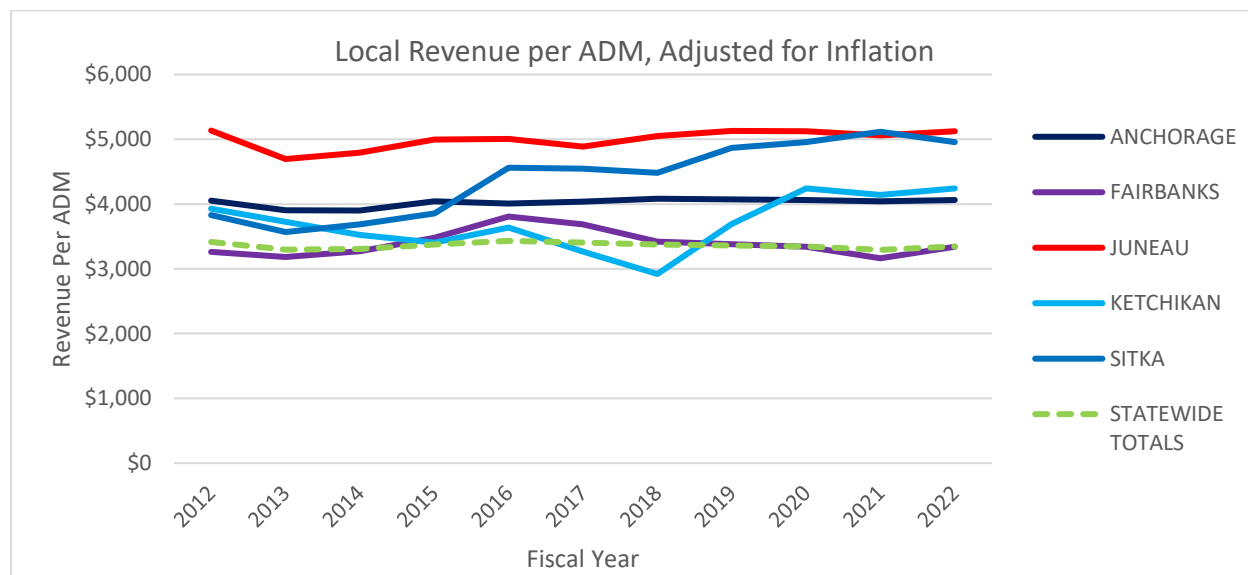
Sources of Revenue

As the required local contribution is a function of city property value, it is dependent on inflation and grows to account for this. Meanwhile, since the Basic Need of a district is dependent on ADM and BSA, it does not account for inflation unless the BSA is manually adjusted.

Local Revenue Per ADM

The statewide local revenue per ADM has remained relatively constant since 2009, remaining between \$3,290 and \$3,510 per student, adjusted for inflation.

Juneau Schools have the highest local revenue per ADM of the communities we compared, except for Sitka's budget in 2021. Juneau's local revenue has outpaced inflation since 2013, due to increased required local contributions. Juneau's total taxable property value has grown from \$4.5 billion in 2013 to \$5.6 billion in 2021, an increase of 21.8% (unadjusted). The required local effort has matched this growth, increasing from \$11.9 million to \$14.9 million in the same period, also increasing 21.8%.



Proportion of Local Support

Juneau Schools receive a larger portion of their operating budget from the city government than any of the districts we compared. In 2021, Juneau schools received 36.7% of their operating budget from local sources, compared to 22.7% statewide, 33.0% in Anchorage, and 30.8% in Sitka.

This high proportion and the overall increase of Juneau's local contribution is caused by two factors previously mentioned. Juneau has high taxable property value per student, so the required local contribution per student is higher than most districts. CBJ also contributes the maximum allowable local effort. Meanwhile, Juneau's Basic Need has decreased with student enrollment.

Education Spending in Juneau

Values from the Juneau School District Budgets, FY14 - FY21, and the City & Borough of Juneau Adopted Budgets, FY03 - FY22.

Values adjusted for inflation are proportional to 2012 Dollars.

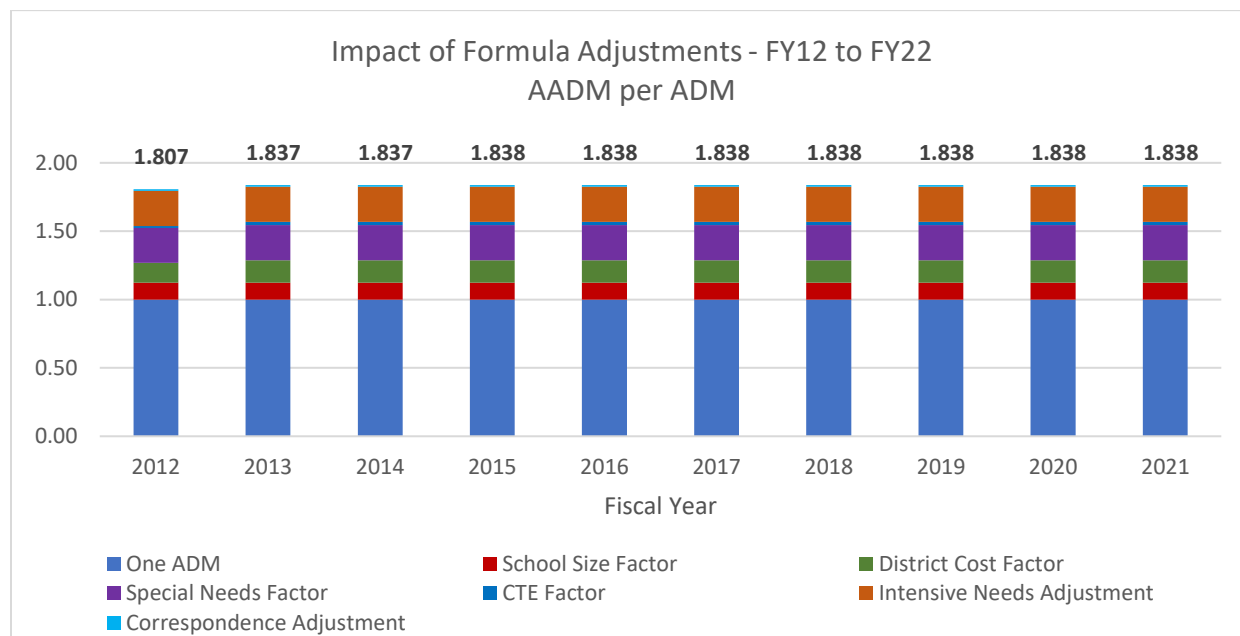
Adjustments to the Foundation Formula in Juneau

Formula-based adjustments have made small changes to the Adjusted ADM (AADM) per student over the last 10 years. Three main factors factors have changed.

District Cost Factor is a set by State statute, and was gradually adjusted across Alaska in from 2009 to 2013. Juneau's cost factor was increased from 1.129 in FY12 to 1.145 in FY13.

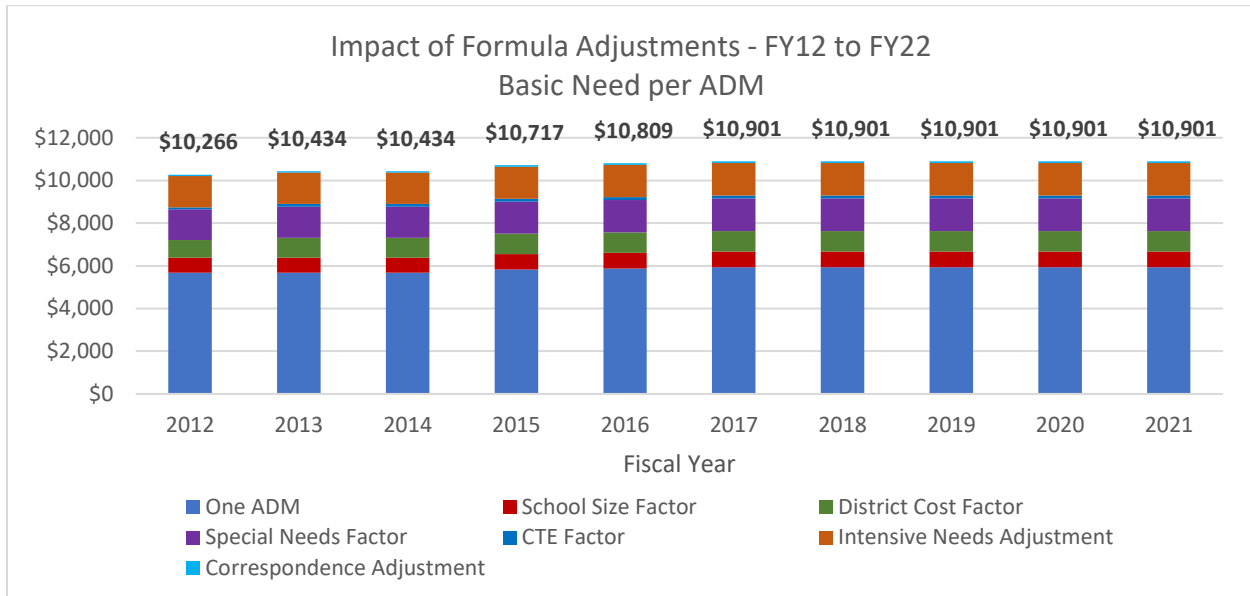
The Career Technical Education (CTE) Factor was increased across Alaska from 1.010 to 1.015 in FY13.

The Correspondence Factor provides funding per correspondence student across the district. This was increased from 0.8 to 0.9 in FY15, across Alaska.



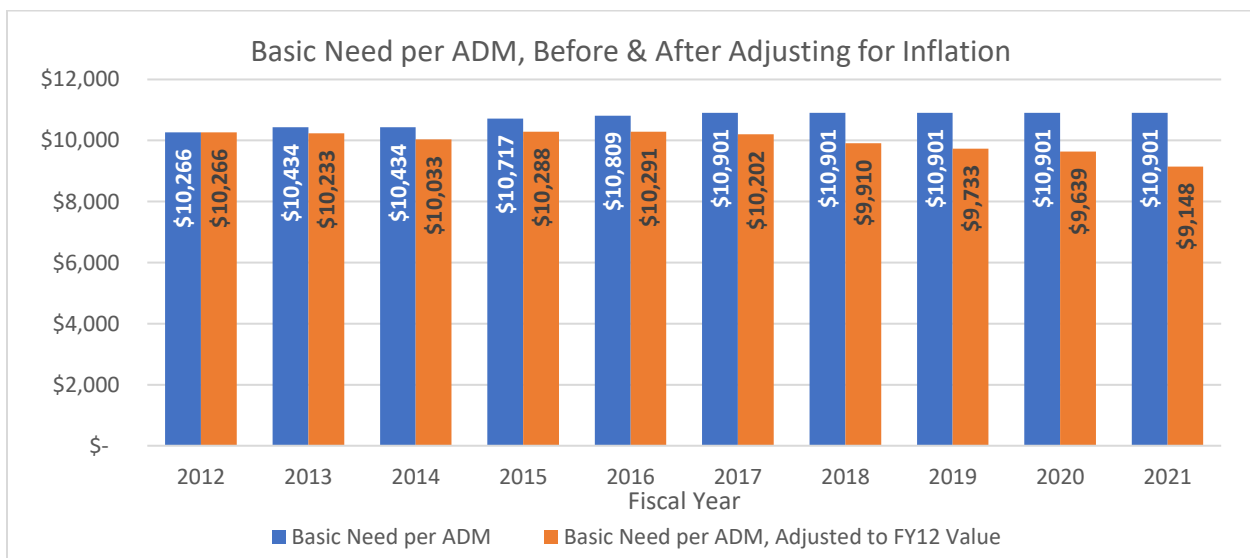
By modeling these changes on a consistent cohort, we can see the impact of these changes on a single student body. The figure above applies formula changes to Juneau School District's cohort of students from FY12.

Through this model, we estimate that changes to the foundation formula are responsible for a 1.7% rise in Adjusted ADM (AADM) per student, increasing revenue per student by the same amount independent of changes to the BSA.



By applying the BSA to the formula adjustments, we calculate the nominal change in Basic Need per student.

In this model, Basic Need per student increased by \$635 per student since 2012, or 6.1%. Over this period the BSA increased from \$5,680 to \$5,930, or 4.4%.



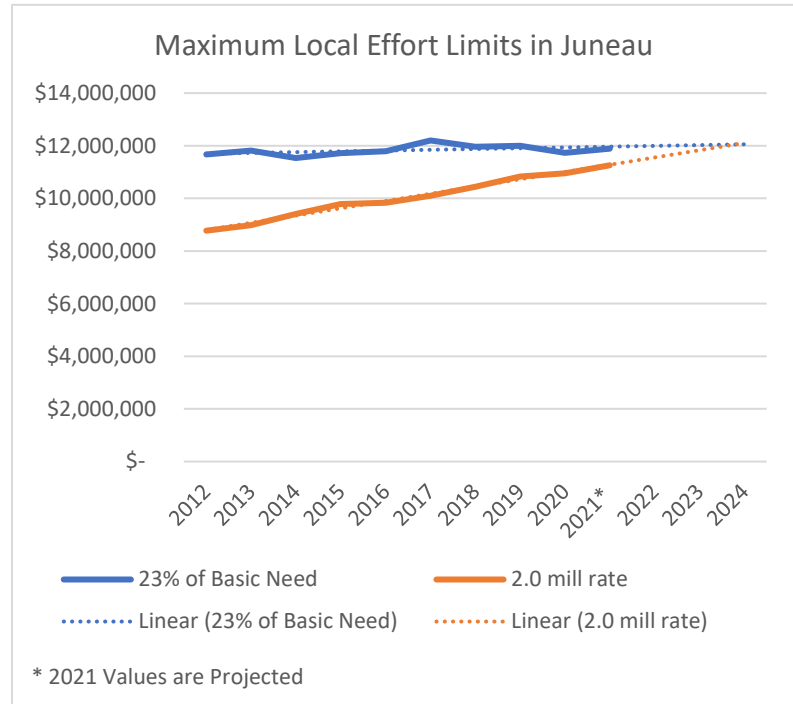
While the BSA increased 4.4% over this period, national inflation rose 15.6% between FY12 and FY21. During the first half of FY22, national inflation has grown 21.2% compared to FY12.

After adjusting for inflation, it is apparent that the Basic Need per student has decreased in value since FY12 – approximately \$839 per student, or 8.17%.

Juneau's Maximum Local Effort

In addition to the Required Local Effort, local governments may contribute extra funds to their school districts up to a State-determined cap. This Maximum Local Effort is 23% of the Basic Need of the district, or a 2.0 mill rate of the city property value, whichever is higher.

CBJ has historically met this cap, funding Juneau Schools as much as is allowed. The limiting factor has always been the Basic Need percentage, as this has been the higher value. However, with a decreasing student body and an increasing total property value, the other cap may become the limiting factor.



If neither the BSA nor the population of students in Juneau increase soon, Juneau may come to this crossroads by 2024 or sooner. If CBJ decides to continue funding at the *current* rate (23% of Basic Need), the district's total revenue will continue to fall behind inflation. If CBJ funds at the future *maximum* rate (2.0 mill rate), funding would keep up with inflation, as property value is directly affected by inflation.

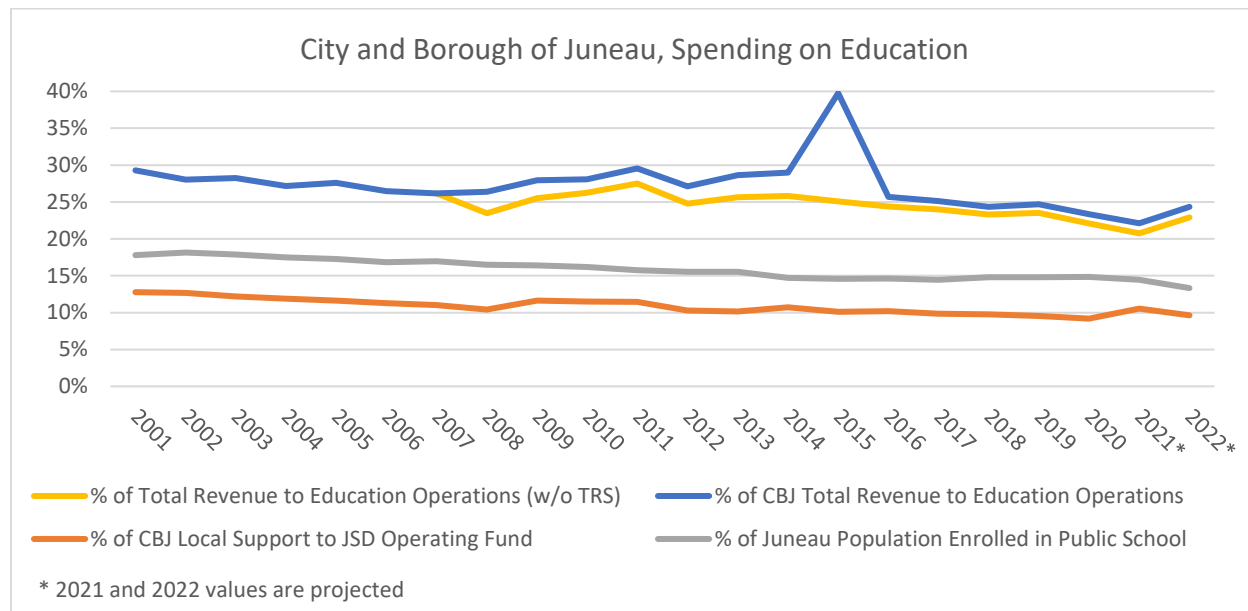
Juneau School's Impact on the CBJ Budget

The Juneau School District is one of the largest budget items funded by CBJ. In 2020, 23.4% of all CBJ revenue, including support from State and Federal sources, was put into education funding. This included the schools' operating budget and programs outside the local effort cap, such as RALLY, student activities, food, and transportation.

As mentioned above, the spike in the FY15 education budget was due to a one-time \$64 million increase in State contributions to the Juneau TRS and PERS. This was part of a \$3 billion State contribution to the Public Employee and Teacher Retirement Systems (PERS and TRS) to address a statewide pension shortfall.

We also compared the city general fund contribution of the school district operating budget to the total local support the city receives. The general fund contribution does not include funding from the State or federal government, and the local support is funded through Juneau's property taxes, charges for

service, and other internal revenue streams. In 2020, 9.2% of Juneau's local support was used for the school district operating budget.



The portion of the total revenue and local support to the school district has decreased from 2002 to 2022, falling 3.7 and 3.1 percentage points, respectively. This reduction in spending is not caused by any local policy changes, but rather the limitations set by the maximum local effort cap. Again, the impact of student enrollment on education funding is evident, as both fall at similar rates.

Juneau's General Obligation Bonds

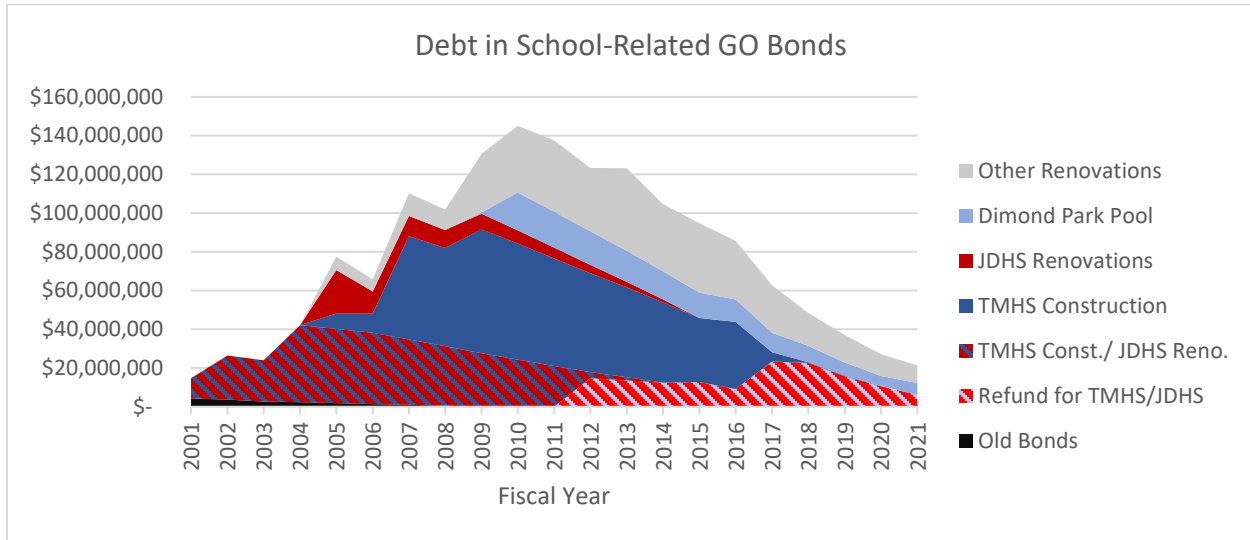
Values from the CBJ Adopted Budgets, FY03 - FY22, and the CBJ Annual Comprehensive Financial Report, FY01 to FY21.

General Obligation (GO) bonds are commonly used to fund Capital Improvement Program (CIP), which are large construction or maintenance projects for public facilities. This is the primary method Juneau has used to fund CIP projects for the school district. While there are other projects in Juneau funded by GO bonds, most of these bonds are related to the local schools. Debt from GO bonds is primarily paid through city property taxes.

The State of Alaska has a program that refunds local governments for school-related GO bonds at a 60-70% rate, given that the bonds meet a set of criteria. All school-related bonds listed below qualified for this level of state reimbursement except for the Dimond Park Pool construction bonds, which qualified for a 26% refund.

With the approval of Juneau voters, CBJ took out an increasing number of school-related GO bonds from 2000 to 2010, primarily to fund the construction of Thunder Mountain High School and renovate Juneau-Douglas High School. At the peak in 2010, the balance of these bonds was over \$145M in total

debt. The debt balance has been decreasing since then, reaching the lowest point since 2001 without adjusting for inflation.



JDHS Renovations and TMHS Construction

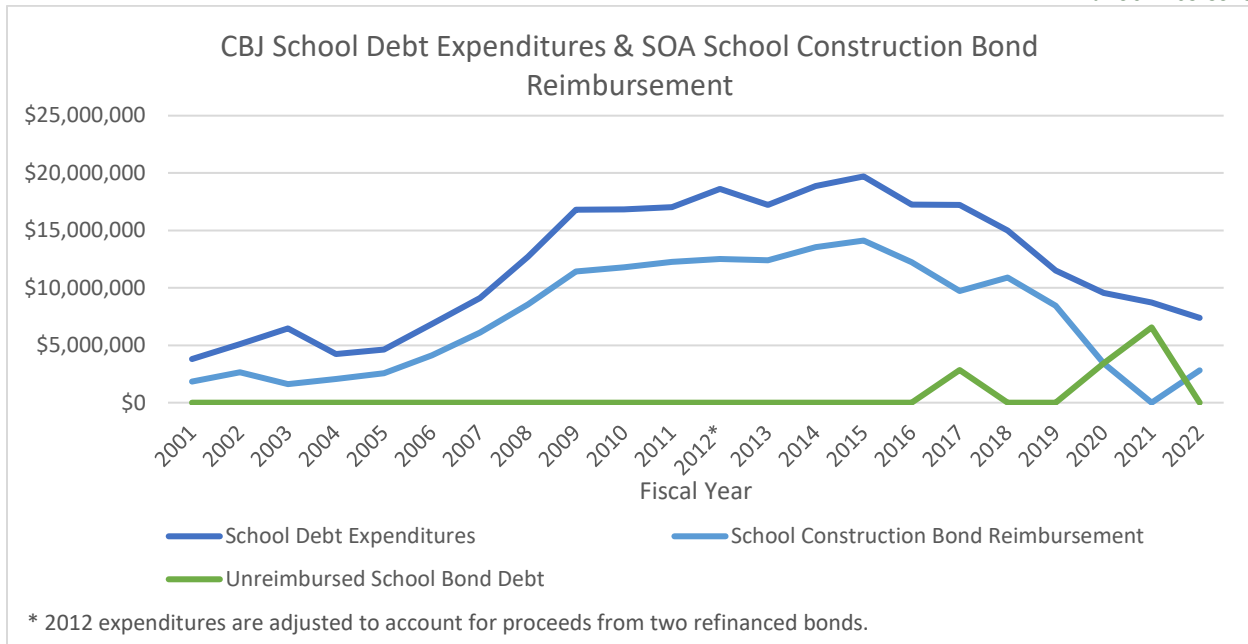
Talks about Juneau's need for a new high school had been serious since the late 1990s, and the first of a set of grants to fund planning and construction of the school was approved in 1999. Funds from the same grant were set aside to fund renovations for JDHS. While plans changed and evolved over the next decade, the large increase of bonds was mostly to fund these projects.

Funds for the JDHS renovations and TMHS construction were often approved as part of the same budget, as they were both addressing the problem of overcrowding at JDHS. Starting in 2012, the city took out several bonds which were used to pay off the existing bonds related to the JDHS and TMHS bonds. The new bonds had a lower interest rate than the original ones, ultimately saving the city money.

State Reimbursement of GO Bonds

The Alaska State School Construction Bond Debt Reimbursement Program is a policy that refunds 60-70% of city GO bonds for school-related CIP. Most school-related bonds CBJ took out between 2001 and 2015 were fully eligible for this program. The Dimond Park Pool was partially eligible for this, receiving 26% reimbursement.

The program has not been completely discontinued, but the Alaska Legislature placed a moratorium on new projects participating in the program in 2015. In 2020, the legislature extended the moratorium until July 2025. Alaska Governors have also vetoed state appropriations to fund this program, fully or partially, several times since 2015, preventing reimbursement for all participating projects, including those that were grandfathered in. This moves responsibility for debt repayment to local governments.



Because of these policy changes, CBJ has had fewer opportunities for school-related renovations and maintenance. Without support from the State, new CIPs require CBJ to take on significantly larger debt burdens to fund these projects.

In 2017, 2020, and 2021 CBJ was not reimbursed for some or all of the allotted school bond expenses, totaling \$12.8 million in funding.

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