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JEDC Research Note
Juneau's Investment in K-12 Education
April 19, 2021

Research Question: *How much does CBJ invest in K-12 education? What is the trend over the last 10 to 20 years? How does the Juneau investment in education compare to other Alaska communities of similar demographics?*

Summary of Findings

Throughout Alaska, school district operating budgets have fallen since a high in 2015. In some communities, this is partially caused by a decreasing number of public-school students. The State of Alaska determines a Base Student Allocation (BSA), which is used to calculate the minimum and maximum school district budgets. The BSA has not been adjusted to keep up with the inflation rate of the US dollar and is another reason for declining operating budgets.

The City & Borough of Juneau pays for a larger portion of their school district's operating budget than most communities in Alaska. Despite the total district budget decreasing, CBJ's contribution has increased, driven by Juneau's rising property value and the city's decision to fund schools to the maximum allowable limit. Currently this limit is dependent on student enrollment, which has been declining. This cap may become dependent on city property value if current school enrollment, local property value, and BSA trends do not change in the next four years.

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 and existing bonds are now completely funded through city revenue, primarily property taxes.



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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 (ADM) based on several factors. This takes six main steps, which increases the funds available based on school size, district cost factors, and various programs the school district offers. Juneau's 2019 actual ADM was 4648 and the total Adjusted ADM was 8794.97.

The resulting Adjusted ADM is then multiplied by the Base Student Allocation (BSA) that is 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 2020, Juneau's revenue per ADM was \$13,945, while the state BSA was \$5,930. This means that Juneau's schools are receiving more than 2.3 times the BSA per student.

While this may sound like a large increase, it is slightly lower than the statewide revenue per ADM (\$16,694, or 2.8x BSA). Juneau, Fairbanks, and Anchorage all fall below the statewide average. This is because the calculation for adjusted ADM gives more weight to small schools in remote areas to account for the increased costs of operating such schools.

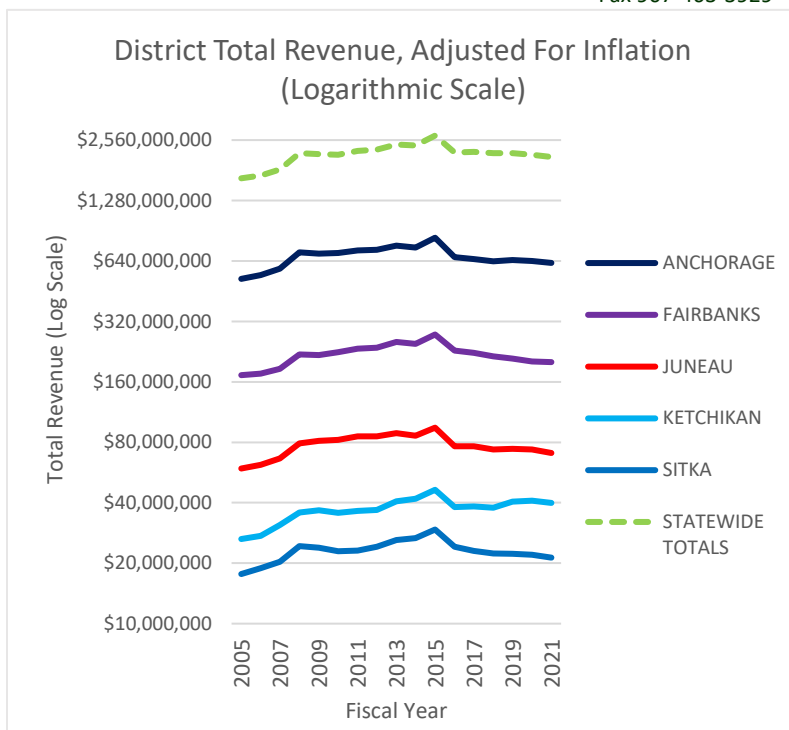
District Operating Budget Revenue

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

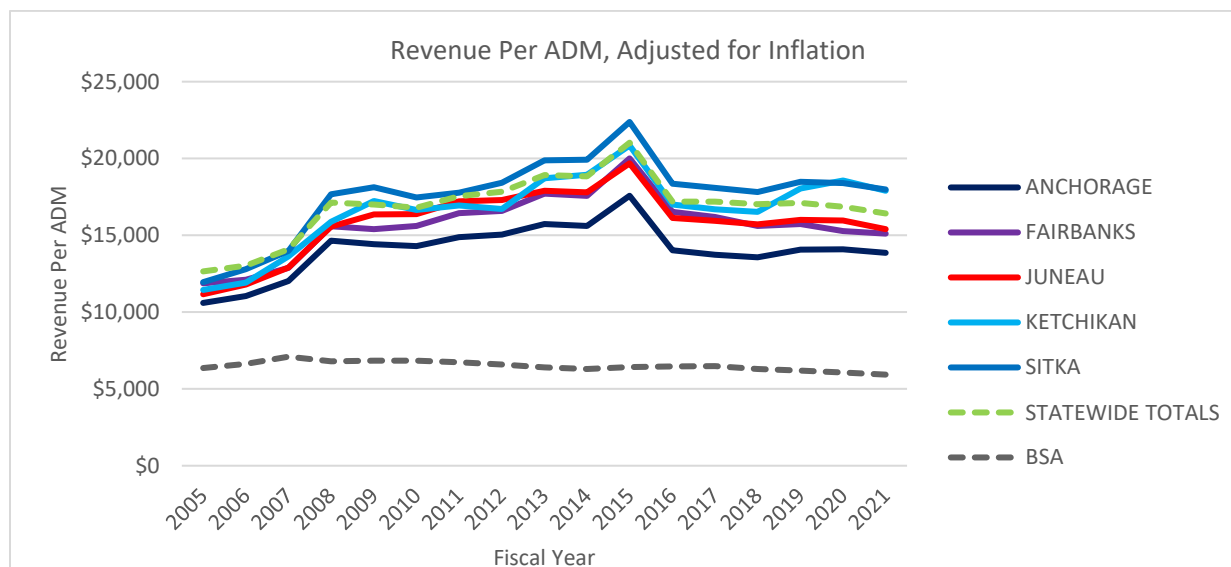
Throughout the state, most large districts have seen similar patterns of total revenue. Revenues grew steadily from 2005 to 2015, outpacing inflation. After budget cuts in 2016, revenues remained constant or decreased, when adjusting for inflation. Two major factors have caused the slow fall of funding from 2016-21. The Base Student Allocation (BSA), which the state uses 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. This is evidence that the recent reductions in total district revenue are a result of smaller student populations.

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



The BSA has not kept up with inflation for many years, and statewide revenue per ADM has dropped as a result. In the 2021 projections, the Juneau and Alaska statewide revenue per ADM is at its 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.

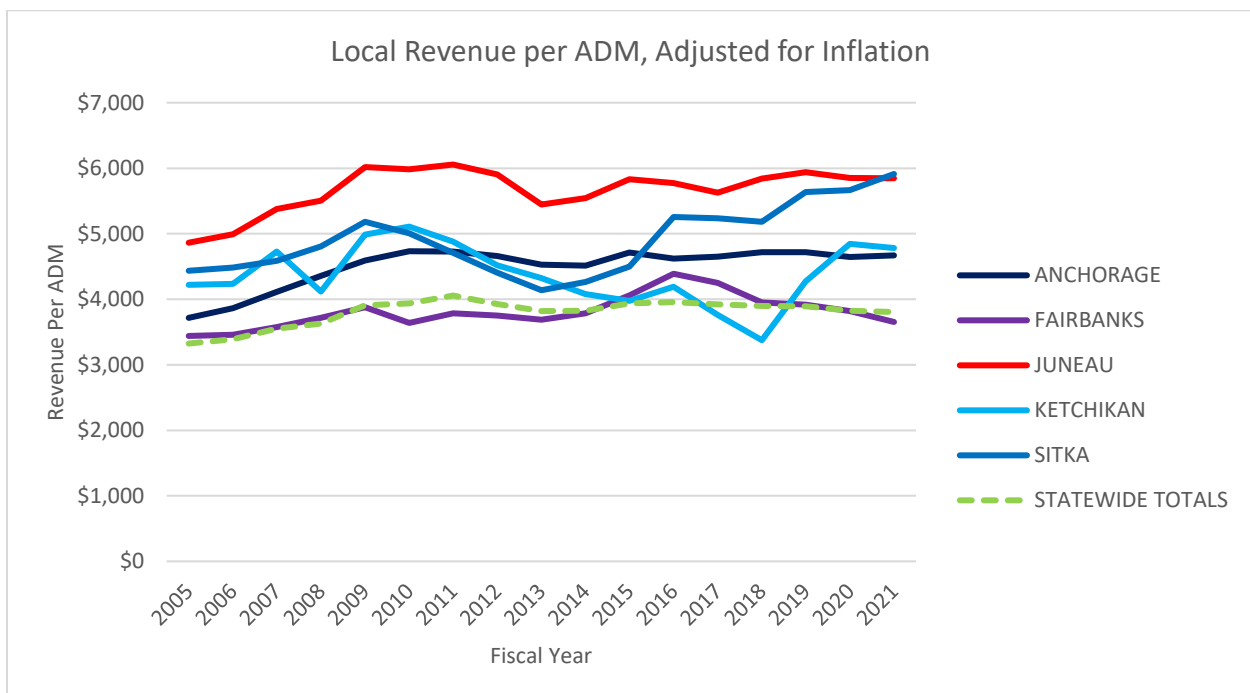
Sources of Revenue

Since 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 automatically account for inflation unless the BSA is manually adjusted.

Local Revenue Per ADM

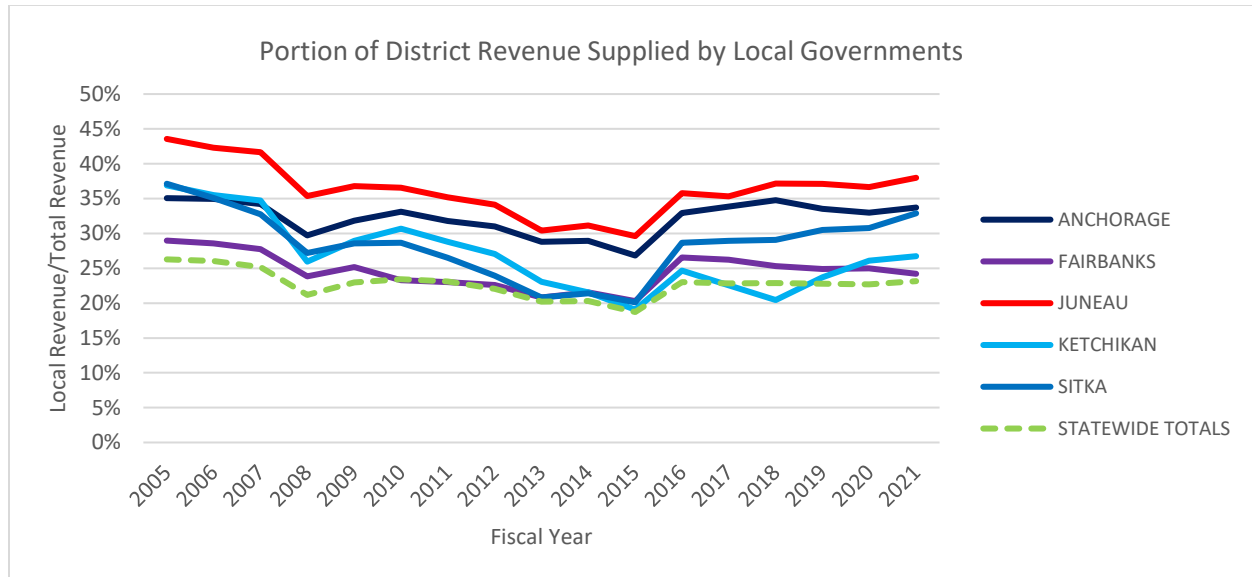
The statewide local revenue per ADM has remained relatively constant since 2009, remaining between \$3,800 and \$4,100 per student, adjusted for inflation.

Juneau Schools have the highest local revenue per ADM of the communities we compared, except for the 2021 projection of Sitka's budget. Juneau's local revenue has outpaced inflation since 2013 because of an increased required local contribution. Juneau's total taxable property value has grown from \$5.1 billion in 2013 to \$5.5 billion in 2020, an increase of 7.9% adjusting for inflation. The required local effort has matched this growth, increasing from \$13.5 million to \$14.6 million in the same period.



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 2020, Juneau schools received 36% of their operating budget from local sources, compared to 22% statewide.

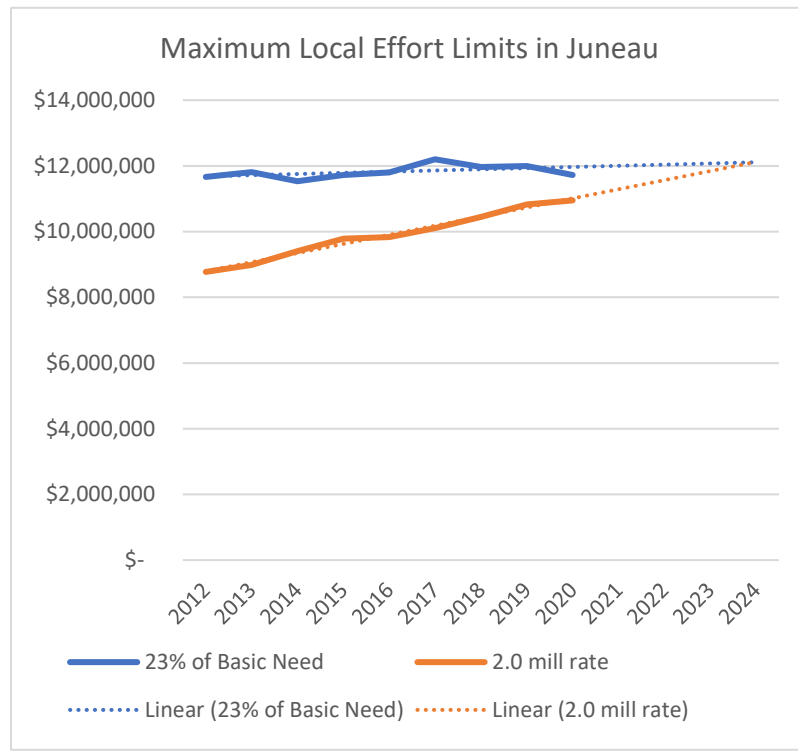


This high proportion and overall increase of Juneau’s local contribution is caused by two factors previously mentioned. Juneau has high taxable property value per student, so the required local contribution per student is higher than most districts. CBJ also contributes the maximum allowable local effort. Meanwhile, Juneau’s Basic Need is decreasing because of a smaller student population, meaning the State does not have to contribute as much to meet the Basic Need minimum.

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.



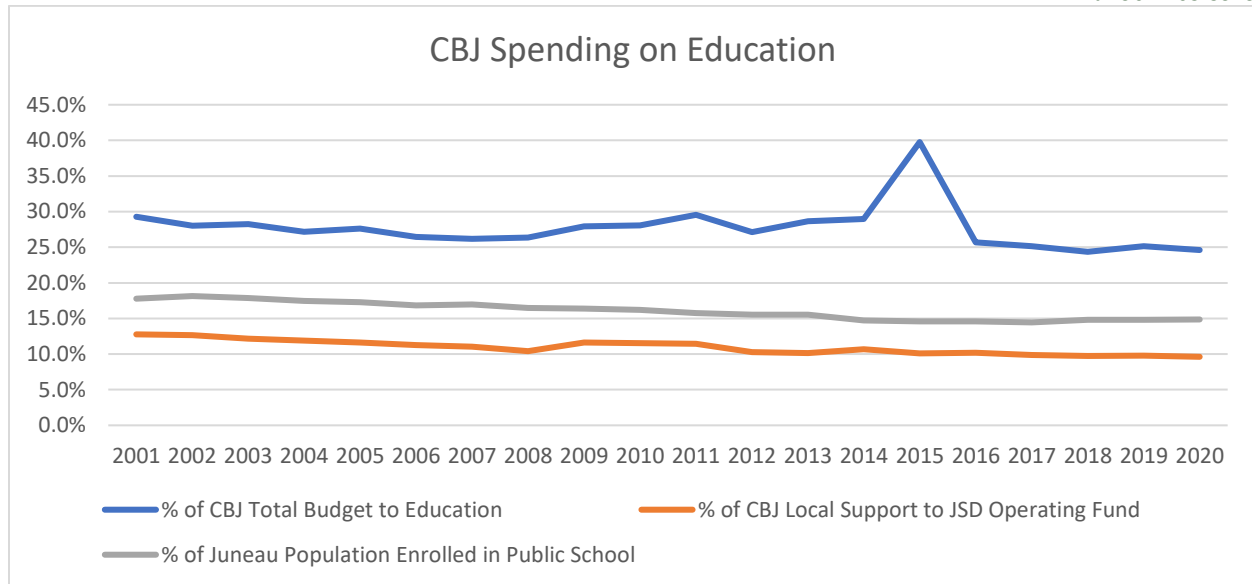
If neither the BSA nor population of students in Juneau increase soon, Juneau may come to this crossroads by 2024 or sooner. If CBJ decides to continue funding at the *current* rate (23% of Basic Need), the district total revenue will continue to fall behind inflation. If CBJ funds at the future *maximum* 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 most expensive items funded by CBJ. In 2018, 24.4% of all CBJ revenue, including support from State and Federal sources, was put into education funding. This included the operating budget of the schools, as well as programs such as RALLY, student activities, and others.

As mentioned above, the spike in the 2015 education budget was due to a one-time \$64 million increase in State contributions to the Juneau TRS and PERS.

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 2018, 9.8% of Juneau's local support was used for the school district operating budget.



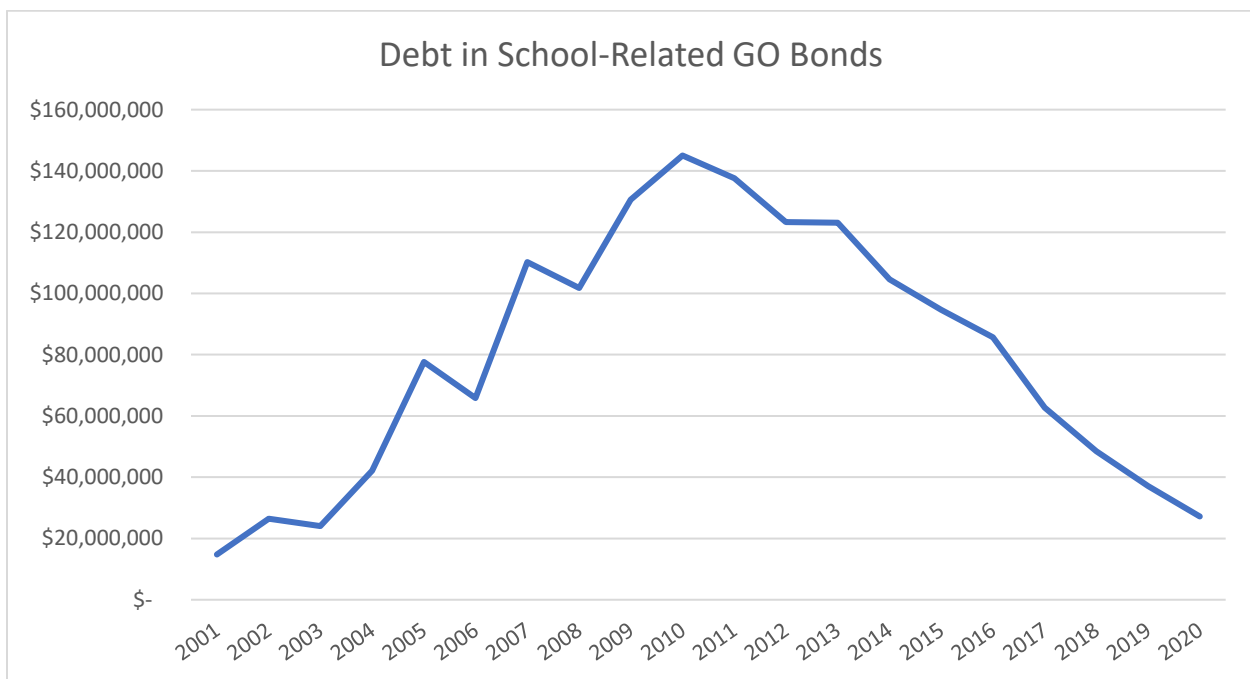
The portion of the total budget and local support to the school district has decreased from 2001 to 2020, falling 4.7 and 2.9 percentage points, respectively. This reduction in spending is not caused by any local policy changes, but rather the limitations set by the maximum local effort cap. Again, we can see the strength of the link between student enrollment and education funding, as both fall at similar rates.

Juneau's General Obligation Bonds

General Obligation (GO) bonds are commonly used to fund Capital Improvement Plans (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 have been some other projects in Juneau that have been funded by GO bonds, most of these bonds are related to the local schools. Debt from GO bonds are paid by city property taxes.

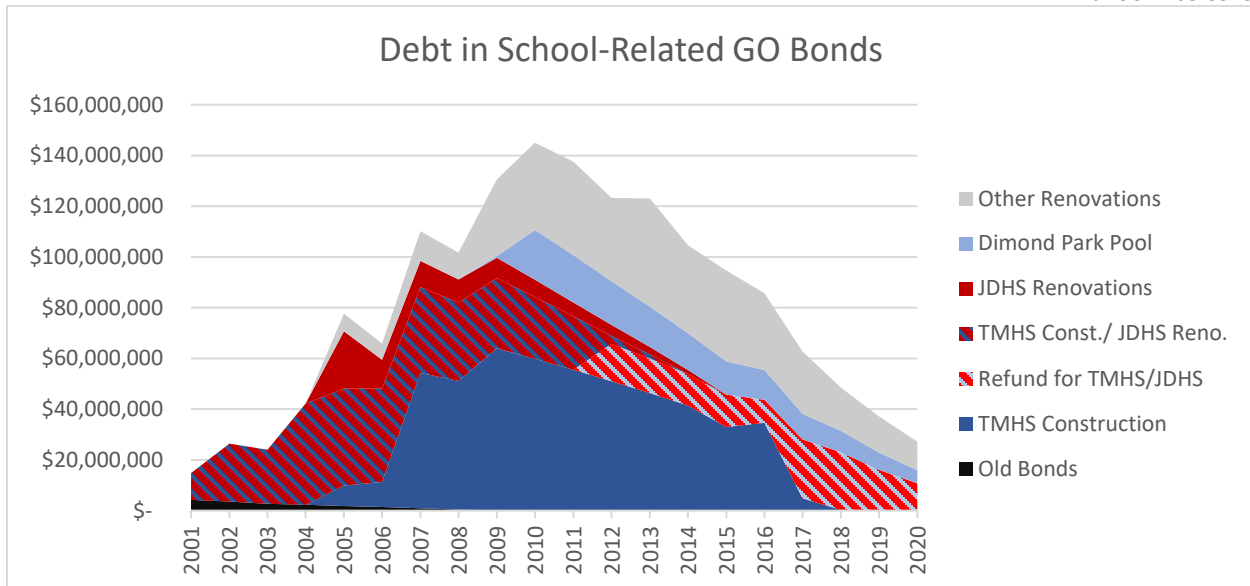
The State of Alaska has a program that refunds local governments for school-related GO bonds at a 60-70% rate, given that the bonds meet a set of criteria. All school-related bonds listed below qualified for this level of state reimbursement except for the Dimond Park Pool construction bonds, which qualified 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 2003 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.

On October 6, 2020 Juneau voters approved \$15M in GO bonds to fund a set of Capital Improvement Projects. This includes funds to repair the roof of Riverbend Elementary School.

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, and recently extended then moratorium until July 2025. Alaska Governor Dunleavy has also vetoed state appropriations to fund this program several times since 2015, preventing reimbursement for all participating projects, including those that were grandfathered in. This moves all responsibility for debt repayment to local governments and are typically funded through property taxes.



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