

# Alaska

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## FUNDING PRIORITIES IN EDUCATION

Alaska's priorities for funding education in 2022 are indiscernible as fiscal challenges continue to plague the state. The base student allocation, a number determined by the legislature and used as part of the funding formula to determine appropriations in each district, has remained unchanged since 2017 without adjustment for inflation. Prior to the pandemic, schools faced budget problems due to rising costs and lower enrollments. For example, the Anchorage School District anticipated a \$28 million shortfall for FY 21. A reprieve in the form of federal relief funds from the pandemic temporarily helped many districts, but the state has no plans for addressing these issues once the temporary funds expire.

If a budget represents a state's funding priorities, then P-12 education remains the top priority as it was the largest budget item for FY 21 at \$1.34 billion, while funding to the University of Alaska (UA) system remained in fourth place at \$608.9 million. State funding for FY 22 is anticipated to decrease by 2% for P-12, and 2.8% for UA, but their ranking should remain unchanged. Even though education could arguably be a budget priority based upon budget ranking, the focus of lawmakers seems to be elsewhere. The state cut spending by 43% over the last eight years, and years of deficit spending has drained its reserves to cover budget shortfalls, yet the governor remains focused on providing large Permanent Fund Dividend (PFD) payments to residents. He has called a fourth special session in October 2021 to increase the PFD payments and address other budget problems.

## PRESSING STATE ISSUES AFFECTING EDUCATION FUNDING

The university system has been decimated by a 30% decrease in state funding since 2018, and FY 22 is scheduled to be the last year of a three-year agreement between the governor and the UA system that cut \$70 million from the budget. So far this reduction has resulted in cuts to education programs and sports teams.<sup>1</sup> Three sports teams at the University of Alaska Anchorage have managed to remain for one year, so far, through private fundraising efforts.<sup>2</sup> Like many

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1. Dagley, A. (2021, Winter). Alaska. *Journal of Education Finance*, 46(3), 244-245.

2. Blinder, A. (2021, August 9). *A lifeline to let college teams play on*. The New York Times. <https://www.nytimes.com/2021/08/09/sports/alaska-anchorage-cut-sports.html>

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universities and colleges across the nation, enrollment numbers have declined at UA. However, the interim president of UA, Pat Pitney, reported the budget reductions had more impact on enrollment numbers in the UA system than COVID.<sup>3</sup> The universities in the state are not the only institutions impacted by declining enrollment.

Enrollment of P-12 students declined by 1.6% in 2020-21, but a closer look at enrollment reports indicate widespread shifts in student enrollment. Nearly 65% of school districts reported an enrollment loss in P-12 students. Of those districts, more than 60% reported an enrollment loss of 5% or more, triggering the state's hold harmless provision<sup>4</sup> designed to help school districts whose average daily membership (ADM) has been reduced. There is concern across the state this provision will not be enough to help districts as it was not written for a crisis like the pandemic. Of the 17 districts reporting enrollment gains, six school districts gained 96.7% of those students. These six districts had one thing in common, thriving statewide correspondence schools. Correspondence schools are operated by 30 school districts across the state and provide flexibility for student needs. For example, correspondence schools may have fulltime student enrollment, part-time enrollment of students who also attend brick and mortar-based schools, and homeschool students who voluntarily attend to access classes and benefits provided by the state.

The Yukon-Koyukuk School District, providing the second largest correspondence school in the state, increased district enrollment by more than 117%.<sup>5</sup> Galena City Schools, providing the largest correspondence school in the state, added 4,031 students which was an increase of more than 75% to the district. Both of these rural districts, prior to the pandemic, had most of their student population enrolled in correspondence.<sup>6</sup> At that time, the Yukon-Koyukuk served more than 84% of its students through correspondence, while Galena served more than 95%. The pandemic and the availability of statewide correspondence schools likely caused the biggest declines in enrollment in the three largest districts, by population, even though they all operated correspondence schools. It should be noted enrollment numbers are based on the 20-day count that ends in October each school year, and the enrollment numbers continued to change

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3. Aina, M. (2021, March 22). *Alaska educators breathe sigh of relief as hundreds of millions of federal dollars roll in*. Alaska Public Media. <https://www.ktoo.org/2021/03/22/alaska-educators-breathe-sigh-of-relief-as-hundreds-of-millions-of-federal-dollars-roll-in/>

4. See, AS 14.17.410(b)(1)(E)

5. Alaska Department of Education & Early Development. (2020). *School enrollment by grade as of October 1, 2020*. <http://education.alaska.gov/data-center>

6. Alaska Department of Education & Early Development. (2019). *School enrollment by grade as of October 1, 2019*. <http://education.alaska.gov/data-center>

dramatically<sup>7</sup> over the school year as correspondence schools are required to have open enrollment. Shifts in funding from one district to another are not the only considerations here, as correspondence schools provide only 90% of ADM funding, and are not considered in the funding formula calculations that adjust the ADM by a number of factors (e.g., school size, district cost, special needs, vocational and technical, and intensive services).<sup>8</sup>

In June 2021, the US Department of Education notified the Alaska Department of Education and Early Development (DEED) that it did not pass the disparity test and was not eligible for a portion of Impact Aid payments for FY 22.<sup>9</sup> The state typically uses Impact Aid payments as local resources in determining state funding. The DEED has responded with a request for a hearing.

#### P-12 PER PUPIL EXPENDITURES

The formula for funding creates a wide range of per pupil expenditures for each district. In 2021, per pupil expenditures range from \$88,677 for Aleutian Region Schools to \$6,464 for Galena City Schools. The state average is \$16,430.<sup>10</sup>

#### ALLOCATION OF STATE DOLLARS AND PERCENT OF THE STATE BUDGET FOR P-12 AND HE

The FY 21 general fund spending on all education agencies, including payments on behalf of teacher retirement and debt reimbursement totaled \$2.12 billion. This represents 35.5% of all state spending including PFD.

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7. Maguire, S. (2020, November 18) Preliminary Alaska school enrollment numbers show some districts face big challenges. *Alaska News Source*. <https://www.alaskasnewssource.com/2020/11/19/preliminary-alaska-school-enrollment-numbers-show-some-districts-face-big-funding-challenges/>

8. Alaska Department of Education & Early Development. (2021). *Public school funding program overview*. [https://education.alaska.gov/SchoolFinance/docs/ADA%20Funding%20Program%20Overview%202022\\_eff1-2021.pdf](https://education.alaska.gov/SchoolFinance/docs/ADA%20Funding%20Program%20Overview%202022_eff1-2021.pdf)

9. See, Section 7009(b) of Elementary and Secondary Education Act of 1965, and see 34 CFR 222.162.

10. Alaska Department of Education & Early Development. (2021). *General fund (school operating fund) revenues – FY 2021 budgets*. <https://education.alaska.gov/schoolfinance/budgetsactual>