

MEMORANDUM



DATE: March 1, 2023

TO: Assembly Finance Committee

155 Municipal Way
Juneau, AK 99801

FROM: Jeff Rogers, Finance Director

Phone: (907) 586-5215
Fax: (907) 586-0358

SUBJECT: Calculation of State Funding Loss Due to School Consolidation

The Finance Department has received several requests for assistance in understanding the Alaska School Foundation Formula, specifically as it relates to the fiscal impact of school consolidation. No doubt, the foundation formula is complex. I have attached a 7-page document from the Alaska Department of Education and Early Development that thoroughly describes the application of the formula. While it is difficult to summarize such a complex formula, it generally goes like this:

- Step 1. Adjust: Average Daily Membership (ADM) for School Size
- Step 2. Apply: District Cost Factor
- Step 3. Apply: Special Needs Factor
- Step 4. Apply: Vocational & Technical Funding
- Step 5. Add: Intensive Services Count
- Step 6. Add: Correspondence Student Counts
 - equals* District Adjusted (ADM)
 - times* Base Student Allocation (\$5,930)
 - equals* Basic Need
 - minus* Required Local Contribution (Property Value x 2.65 mills)
 - equals* State Funding Amount

The adjustment for school size effectively provides more state funding for smaller schools. Hence, when schools are consolidated, total state funding decreases. The attached results of our modeling describe the loss of state funding that would result from consolidation:

High School Consolidation	(\$925,911)
Middle School Consolidation	(\$700,498)
Elementary School Consolidation	(\$519,918) <i>only one elementary school consolidated into the others</i>

Notably, the required local contribution and the maximum allowable local contribution are determined by CBJ's assessed value, not the foundation formula's calculation of basic need, so local funding would remain unaffected by school consolidation.

The foundation formula does provide a four-year step-down when state funding is lost due to school consolidation. For the first two years after consolidation, funding remains at 100% of pre-consolidation. In the third year, funding is 66% offset. In the fourth year, funding is 33% offset. In the fifth year after consolidation, the loss of state funding becomes fully realized.

This memo and the model results in no way recommends for or against school consolidation. It is merely responsive to the question of how much state funding would be lost in the event of school consolidation. Obviously, policy makers would need to review and evaluate the cost savings of school consolidation in comparison to the state funding lost.

I remain eager to work with school district staff to refine and improve the calculation model as an analytical and strategic planning tool.