



# LEGISLATIVE RESEARCH SERVICES

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## Memorandum

TO: Representative Les Gara  
FROM: Roger Withington, Legislative Analyst  
DATE: January 23, 2013  
RE: Base Student Allocation Compared to the Rate of Inflation, FY2011 through FY2014  
*LRS Report 13.151*

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***You asked for information on recent K-12 education funding in Alaska. Specifically, you asked us to examine the Base Student Allocation (BSA) for three state fiscal years (FY) as well as the BSA proposed by Governor Parnell in his FY2014 budget request.***

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As you may know, Alaska's public K-12 school funding is determined using a statutorily defined formula to calculate the amount of state aid to individual school districts each year. Adopted in 1998, the formula is intended to equitably distribute aid for education throughout the state.<sup>1</sup>

Incorporated into the formula are factors intended to account for variations in school size, geographic cost differences, special and intensive needs student populations, correspondence programs, federal aid, and the ability of communities to provide local contributions.<sup>2</sup>

The public school funding formula consists of state aid, a local contribution if required, and eligible federal impact aid. State aid to each school district is calculated annually based on student enrollment, or the "average daily membership" (ADM). A District's ADM is first adjusted for school size to recognize that larger schools benefit from economies of scale (AS 14.17.450). With the exception of the Anchorage School district, the ADM adjusted for school size is then increased by district cost factors (AS 14.17.460) and special needs and intensive services funding (AS 14.17.420). Then, any correspondence program membership is added to the adjusted membership to achieve a final adjusted ADM (AS 14.17.430). This final adjusted ADM is then multiplied by the Base Student Allocation (BSA) to determine each district's level of funding.

Since its creation in 1998 the BSA has been increased eight times, through six statutory amendments. The BSA currently stands at \$5,680.<sup>3</sup> Based on our review of Governor Parnell's FY2014 proposed operating budget, released December 14, 2012, it appears that the Governor does not anticipate an increase to the BSA. Table 1 provides a calculation of the BSA, adjusted for inflation, for each state fiscal year since FY2011, the last fiscal year in which the BSA was increased.

As you can see from Table 1, the FY2013 actual BSA (\$5,680) is approximately \$286 less than if the BSA had been adjusted for inflation annually since FY2011.

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<sup>1</sup> Senate Bill 36, enacted as Chapter 83 SLA 1998.

<sup>2</sup> The Alaska Department of Education and Early Development provides an overview of the public school funding formula at [http://eed.alaska.gov/news/Funding\\_Program\\_Overview\\_2012.pdf](http://eed.alaska.gov/news/Funding_Program_Overview_2012.pdf).

<sup>3</sup> AS 14.17.470.

**Table 1: Inflation Adjustments to the Base Student Allocation, FY2011 - FY2014**

State Fiscal Year	Actual Base Student Allocation <sup>(a)</sup>	Prior Fiscal Year's Rate of Inflation <sup>(b)</sup>	Current Year's BSA Adjusted for the Prior Fiscal Year's Inflation Rate <sup>(c)</sup>	FY2011 BSA Cumulatively Adjusted for Annual Inflation Rate <sup>(d)</sup>	Difference Between the Actual and Adjusted Base Student Allocation
FY2011	\$ 5,680	Not Applicable	Not Applicable	Not Applicable	Not Applicable
FY2012	\$ 5,680	1.92 %	\$ 5,789.06	\$ 5,789.06	\$ (109.06)
FY2013	\$ 5,680	3.05 %	\$ 5,883.24	\$ 5,965.62	\$ (285.62)
FY2014	\$ 5,680	1.99 %	\$ 5,793.03	\$ 6,084.34	\$ (404.34)

**Notes:**

(a) The base student allocation set forth in AS 14.17.470 applies to fiscal years 2011 through 2013. For FY2014, we assume that the BSA will remain unchanged per Governor Parnell's FY2014 operating budget proposal, which can be reviewed at <http://omb.alaska.gov/html/budget-report/fy-2014-budget/proposed.html>.

(b) To adjust the base student allocation (BSA) for inflation we used the annual consumer price index (CPI) figures for Anchorage, provided by the Alaska Department of Labor and Workforce Development, Research and Analysis Section. The CPI represents changes in the prices of a representative sample of goods and services purchased for consumption by urban households. The Anchorage CPI figures are available in six month increments which we used to produce inflation rates by state fiscal year. We estimate the rate of inflation for FY2014 using the rate of inflation for Anchorage for the last six months of calendar year 2012 (the first six months of FY2013). Generally, inflation is the process of continuously rising prices (or the continuously falling value of money) in a particular economy. We calculated the rate of inflation as the percent difference of the CPI of one year to the CPI of the previous year.

(c) To adjust the BSA for a given fiscal year, we applied the rate of inflation experienced the previous fiscal year to the current year's BSA. In other words, the inflation adjusted BSA for FY2013 (\$ 5,883.24) is the actual BSA for FY2013 (\$5,680), adjusted by the FY2012 rate of inflation (3.05 percent).

(d) To adjust the BSA cumulatively for each fiscal year, we applied the rate of inflation experienced the previous fiscal year to the prior year's adjusted BSA. In other words, the inflation adjust rate for FY2013 (\$ 5,965.62) is the adjusted BSA for FY2012 (\$5,789.06), adjusted by the FY2012 rate of inflation (3.05 percent).

**Sources:** Alaska Department of Labor and Workforce Development, Research and Analysis Section, <http://labor.alaska.gov/research/cpi/cpi.htm>.

We hope this is helpful. If you have questions or need additional information, please let us know.