

An assessment of the financial impacts of the proposed Pearl Creek STEAM Charter School on the FNSB School District

Introduction

School consolidation is a common path to reduce non-instruction costs in public school systems with declining enrollment and ensure funds are efficiently used to provide instruction and other impactful support for students. The Alaska state budget formulas for school funding are complicated, and state law includes two “hold harmless” provisions that may make school closure look more financially responsible in the short term than it may be in the long term.

An oft-cited rationale for avoiding the opening of new charter schools is that they “cost the district money” and effectively come at the expense of non-charter students via increases in PTR and other impacts at neighborhood schools. Significant impacts, such as a cost of \$4.1M to open a ~500 student charter, have been indicated by the FNSBSD. We believe these claims need to be substantiated in detail to enable the school board members and charter school proponents and opponents to accurately weigh budget options in these critical times.

By analyzing impacts of the proposed Pearl Creek STEAM Charter (PCSC) on district Adjusted Average Daily Membership (AADM) and on the allocation of various sources of District Operating Revenues, *we believe the opening of the PCSC in 2026 may be significantly less financially detrimental, or even financially beneficial to the District.* We acknowledge that this analysis is limited by our access to details of the district’s budgeting methods and are eager to have a discussion regarding our findings.

This document provides analysis of what we believe to be four plausible scenarios for Fairbanks West Elementary Schools (Anne Wien, Pearl Creek, University Park, and Woodriver) on the basis of (1) Impacts on FNSBSD revenues over the next 5 fiscal years, (2) Impact on FNSBSD expenditures at neighborhood schools in FY26.

Assumptions

All data are drawn from FNSBSD FY25 and FY26 budget documents and references to Alaska statute where applicable. We follow the current FNSBSD assumptions of \$5960 BSA, and \$680 in BSA-equivalent one-time funding of which 50% is passed thru to charter schools.

We do not currently capture the impacts of any additional state funding that may accompany local funding above the minimum.

The four scenarios that are compared in this analysis are:

- (1) FY26 proposed budget enrollment at consolidated west side elementary schools
- (2) FY26 proposed budget with 30 student attrition per consolidated west side elementary school (based on survey results of Pearl Creek families)

- (3) FY26 proposed budget with the opening of a 526-student Pearl Creek STEAM Charter (PCSC) that draws 100% from west side neighborhood elementary schools.
- (4) FY26 proposed budget with the opening of a 526-student Pearl Creek STEAM Charter that draws 100 currently out-of-district students and 426 from west side neighborhood schools.

Impact of Adding Proposed Charter on State Foundational Formula

The Alaska Public School Funding statute (AS 14.17.410) provides both a district-wide “hold harmless” for decreases in enrollment larger than 5% [(b)(1)(E)] and for the impacts of school consolidation on the school size adjustment [(b)(1)(H)]. To assess the impact of the four scenarios, the total adjusted average daily membership (AADM) for west side elementary schools is calculated for each of the four scenarios above for FY26 to FY30, accounting for the school consolidation “hold harmless” provision. These AADM values are multiplied by the currently anticipated \$5,960 BSA and the \$680 per student one-time funding to arrive at the total per-student revenue resulting from each scenario. This does not account for or affect additional state and local revenues above the Basic Needs Entitlement other than the one-time funding. A spreadsheet showing these calculations is available upon request.

In the tables below, the ADM is the average daily membership in west side elementary schools (including charter) and the AADM is the adjusted average daily membership of west side elementary schools accounting for the consolidation hold-harmless and the PCSC enrollment. In Scenario 1, it can be seen that the AADM remains steady in FY26 and FY27 but then decreases as the “hold harmless” adjustment phases out by FY30.

Scenario 1 - FY26 Proposed Budget					
	WSE ADM	WSE AADM	BNE + one-time funding	Charter Allocations	Net Revenue per Neighborhood ADM
FY 25	1,415	2,225	\$14,771,342	\$0	\$10,439
FY 26	1,264	1,987	\$13,195,036	\$0	\$10,439
FY 27	1,264	1,987	\$13,195,036	\$0	\$10,439
FY 28	1,264	1,965	\$13,044,497	\$0	\$10,320
FY 29	1,264	1,943	\$12,898,385	\$0	\$10,204
FY 30	1,264	1,921	\$12,752,273	\$0	\$10,089

In Scenario 2, we see that the effect of the school consolidation “hold harmless” is not the same as the district-wide decrease in enrollment provision. The consolidation “hold harmless” does not maintain AADM at the same level as before consolidation, but compensates for effects of the change in school size factor on funding per actual student (per ADM). Thus, AADM decreases, but revenue per-ADM is maintained (whereas with 5% enrollment decline “hold harmless”, the AADM is maintained, as can be seen between the district-wide AADM for FY25

and FY26). Over the next 5 years this lower-enrollment scenario would decrease FNSBSD BNE revenues by \$4.3M.

Scenario 2 - FY26 with 90 student attrition							
	WSE ADM	WSE AADM	BNE + one-time funding	Change from Scenario 1	Cumulative Change from Scenario 1	Charter Allocations	Net Revenue per Neighborhood ADM
FY 25	1,415	2,225	\$14,771,342			\$0	\$10,439
FY 26	1,174	1,846	\$12,255,516	-\$939,520	-\$939,520	\$0	\$10,439
FY 27	1,174	1,846	\$12,255,516	-\$939,520	-\$1,879,040	\$0	\$10,439
FY 28	1,174	1,834	\$12,176,383	-\$868,114	-\$2,747,154	\$0	\$10,372
FY 29	1,174	1,822	\$12,099,577	-\$798,808	-\$3,545,962	\$0	\$10,306
FY 30	1,174	1,811	\$12,022,771	-\$729,502	-\$4,275,465	\$0	\$10,241

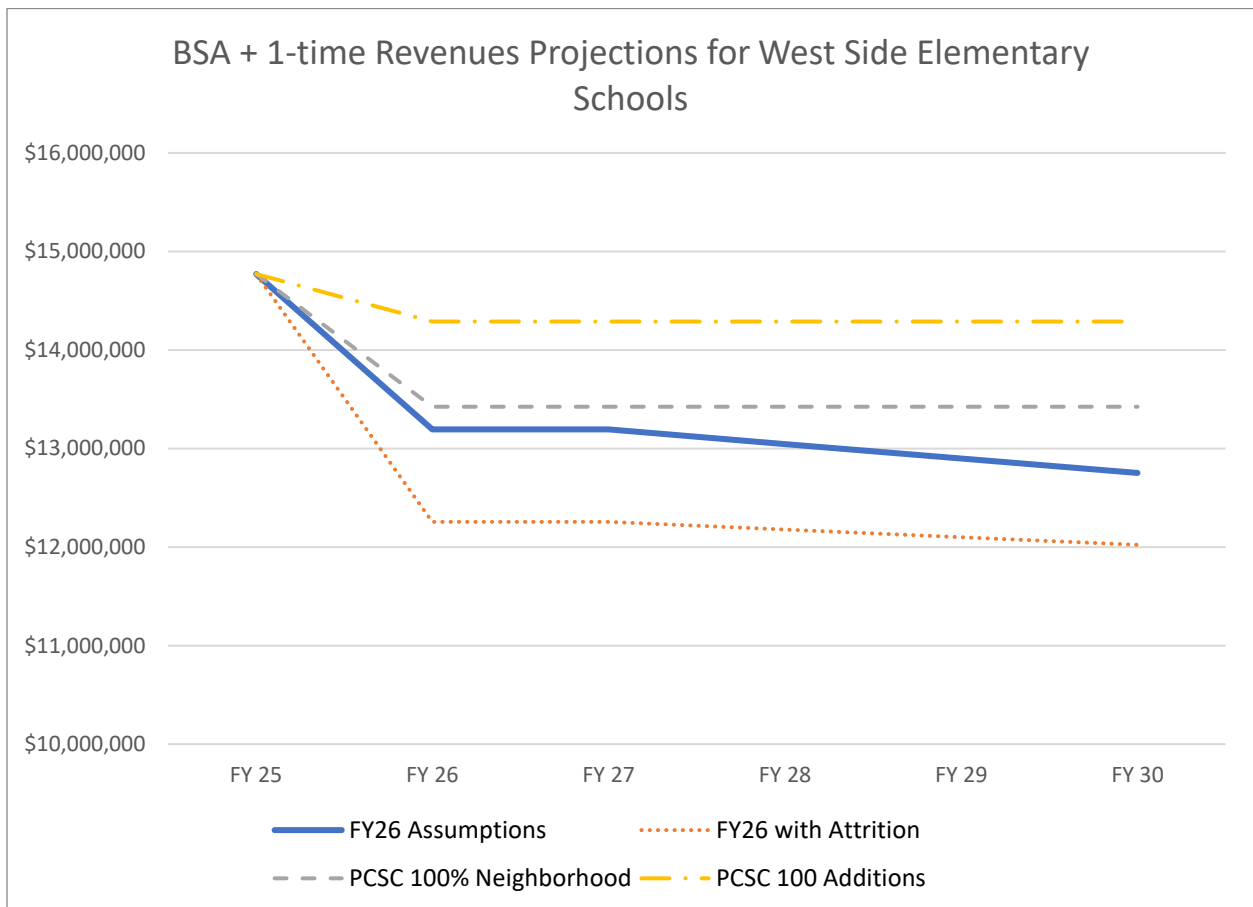
In Scenario 3, we repeat these calculations assuming a 526 student PCSC is opened and that enrollment at the 3 neighborhood elementary schools each decrease by 175 students. We see that AADM increases to 2,022 from 1,987 in Scenario 1, thus eliminating the application of the consolidation “hold harmless” provision. Accounting for a charter school allocation of \$6,300 per AADM (BSA + 50% of one-time), this actually increases revenue per west side neighborhood elementary student from \$10,439 in the non-charter scenarios to \$11,654 in this scenario. Over the next 5 years this scenario would increase FNSBSD BNE and one-time revenues by \$2.0M versus Scenario 1.

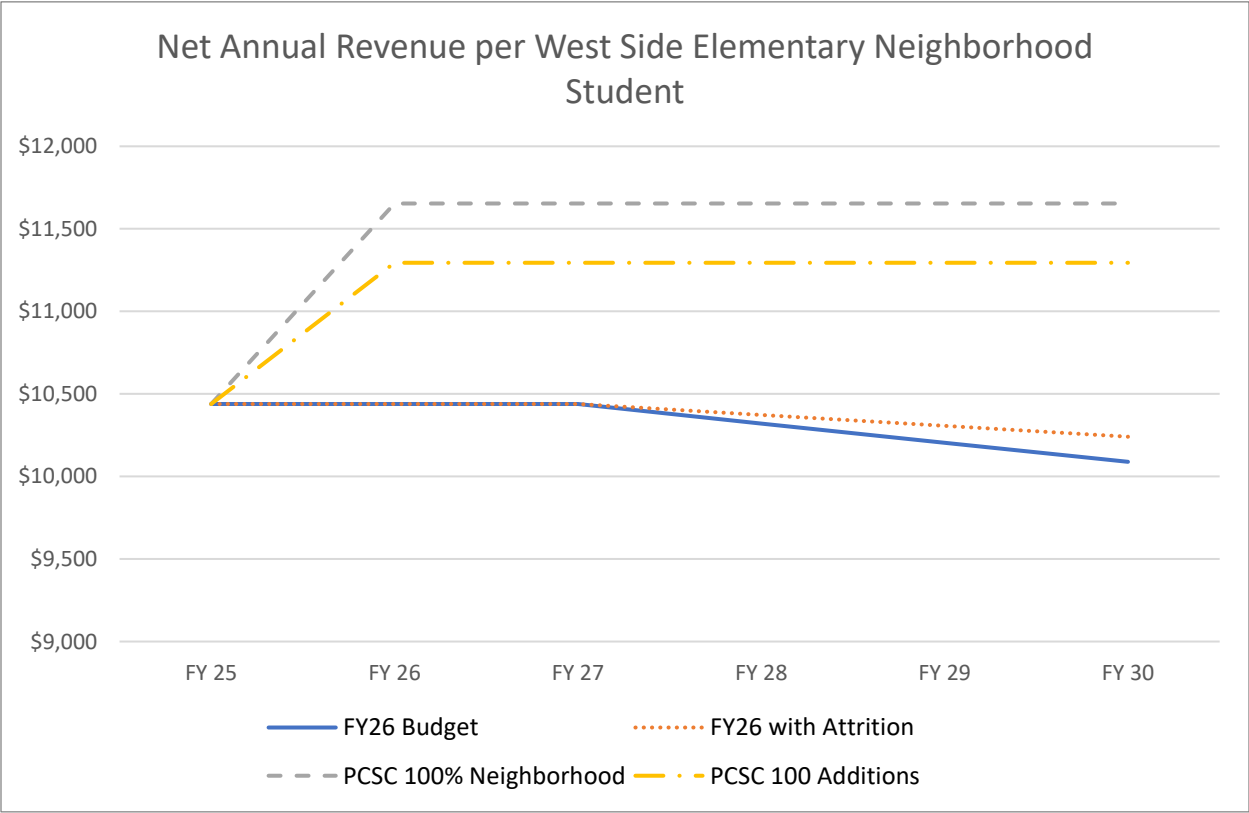
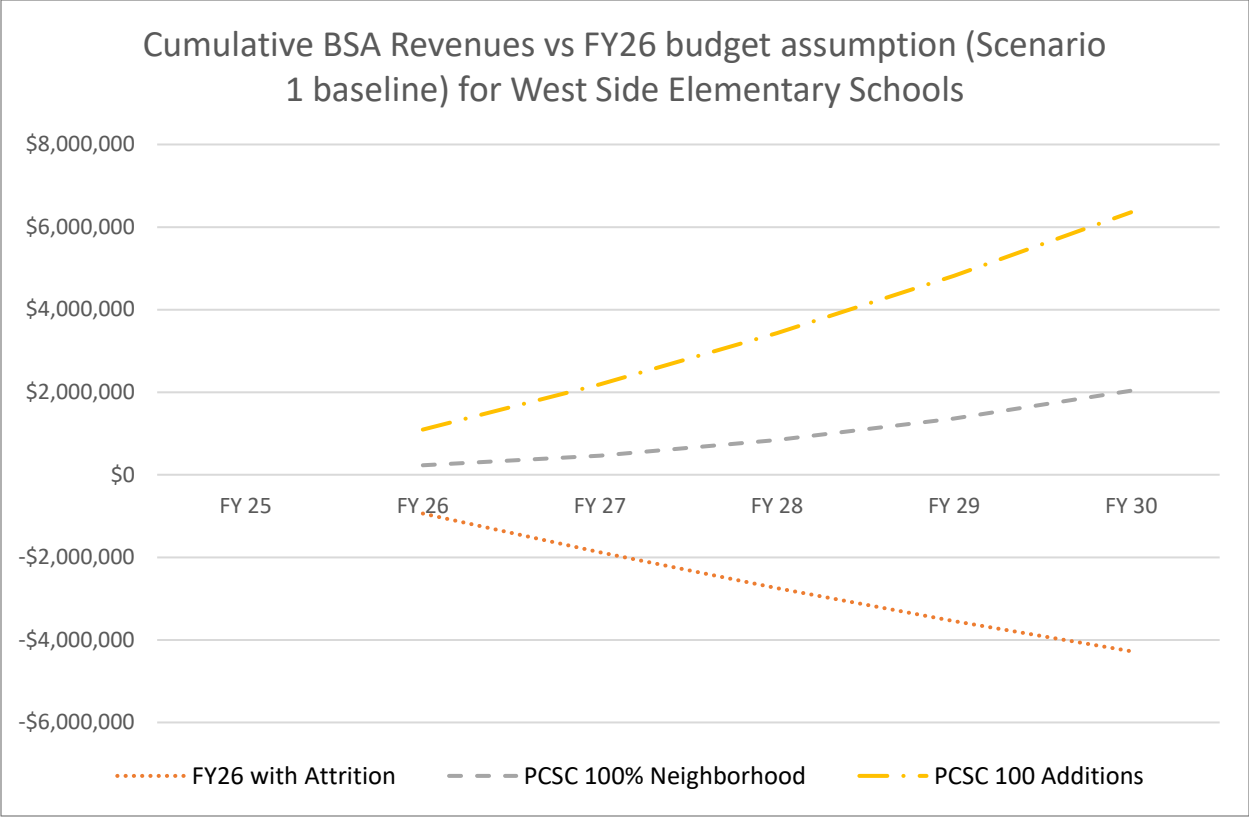
Scenario 3 - FY26 with PCSC drawing 100% from west side neighborhood schools							
	WSE ADM	WSE AADM	BNE + one-time funding	Change from Scenario 1	Cumulative Change from Scenario 1	Charter Allocations	Net Revenue per Neighborhood ADM
FY 25	1,415	2,225	\$14,771,342			\$0	\$10,439
FY 26	1,264	2,022	\$13,424,257	\$229,221	\$229,221	\$4,823,855	\$11,654
FY 27	1,264	2,022	\$13,424,257	\$229,221	\$458,443	\$4,823,855	\$11,654
FY 28	1,264	2,022	\$13,424,257	\$379,761	\$838,204	\$4,823,855	\$11,654
FY 29	1,264	2,022	\$13,424,257	\$525,873	\$1,364,076	\$4,823,855	\$11,654
FY 30	1,264	2,022	\$13,424,257	\$671,984	\$2,036,061	\$4,823,855	\$11,654

Finally, in Scenario 4, we repeat these calculations for an enrollment of 100 out-of-district students and corresponding reduction in students moving to the charter from west side neighborhood schools. This scenario further increases AADM but slightly decreases revenue per neighborhood student from Scenario 3. Over the next 5 years this scenario would increase FNSBSD BNE revenues by \$6.3M.

Scenario 4 - FY26 with PCSC increasing enrollment by 100							
	WSE ADM	WSE AADM	BNE + one-time funding	Change from Scenario 1	Cumulative Change from Scenario 1	Charter Allocations	Net Revenue per Neighborhood ADM
FY 25	1,415	2,225	\$14,771,342			\$0	\$10,439
FY 26	1,364	2,152	\$14,288,728	\$1,093,692	\$1,093,692	\$4,823,855	\$11,295
FY 27	1,364	2,152	\$14,288,728	\$1,093,692	\$2,187,384	\$4,823,855	\$11,295
FY 28	1,364	2,152	\$14,288,728	\$1,244,231	\$3,431,615	\$4,823,855	\$11,295
FY 29	1,364	2,152	\$14,288,728	\$1,390,343	\$4,821,958	\$4,823,855	\$11,295
FY 30	1,364	2,152	\$14,288,728	\$1,536,455	\$6,358,413	\$4,823,855	\$11,295

The plots below show how these calculations evolve over the next 5 years assuming flat enrollment, but the phase out of the “hold harmless” adjustments.





Estimation of Expenses Associated with a New Charter

Because the district budget documents do not capture the costs associated with each individual neighborhood school, we have applied overall cost factors to the west side elementary schools as an initial assessment of the costs associated with charter and neighborhood schools.

If we take the FY26 overall operating fund expenditures, 41.5% is reported as instruction, 19.5% as special education, and 10.8% as student services. It is expected that these “costs,” which total 72% of expenditures, would move with students to a new school and would be covered by the charter school using the funds allocated by the district. The remaining 28% of costs (district administration, neighborhood school administration, district wide operations and maintenance) would no longer be covered by the revenues generated by the charter students but would still be borne by the district.

From the FY26 budget, the total operating fund expenditures per AADM are \$8,506, which equates to \$6,107 in instructional “direct” costs per AADM and \$2,399 in overhead “indirect” costs per AADM.

With an enrollment of 526 ADM, PCSC would have a AADM of 766. At an allocation of \$6,300 per student (\$5960 BSA plus 50% of \$680 one-time funding), the district allocation to PCSC would be expected to be \$4.8M.

The \$2,399 calculated above multiplied by the 766 AADM of PCSC equates to \$1.8M in unrecoverable “costs” to the district.

Under scenario 3, the addition of PCSC would increase BSA revenue by \$230k, the district would recover \$193k via the statutory 4% overhead on the charter allocation, and the district would retain 50% of one-time funding equal to \$260k. In Scenario 4, the BSA revenue increase is \$1.1M. *These 3 sources of “revenue” to the district equate to 14% of the charter school allocation in Scenario 3 and 32% of the charter school allocation in Scenario 4.*

This reduces the “cost” to approximately \$1.1M in Scenario 3 and to \$290k in Scenario 4. This is far from the “\$4.1M” figure that has been publicly referenced.

Finally, we propose that when students move from a neighborhood school to a charter school, they enable the district to spend the revenues that are not generated on a per-student basis (additional local contributions, building rental fees, on-base contracts, impact aid above what factors into BNE) across fewer neighborhood students. *For FY26, the Basic Needs Entitlement is \$134M and one-time funding is projected at \$15M but the total operating revenues are \$227M, indicating \$78M that is outside of the BSA and one-time funding formulas that affect the charter school allocations.*

In total, the district spends \$8,506 per AADM, but only allocates \$6,300 per charter school AADM. This \$2,200 delta is equal to \$1.7M for the PCSC. This is \$1.7M in funds that might

have been spent on PCSC students were they in neighborhood schools, but now may be used to cover costs associated with administering the charter or may be used to serve remaining neighborhood students. A summary of these numbers for Scenarios 3 and 4 is presented below.

Estimation of Costs to District of PCSC		
	Scenario 3 – PCSC 100% neighborhood	Scenario 4 – PCSC 100 Additions
PCSC ADM	526	526
PCSC AADM	766	766
Allocation per AADM	\$6,300	\$6,300
PCSC Allocation	\$4,823,855	\$4,823,855
District Overhead Costs for PCSC Students (28 %)	\$1,836,559	\$1,836,559
Increases in BSA over Scenario 1	-\$229,221	-\$1,093,692
4% Overhead on Charter Allocations	\$192,954	-\$192,954
Retention of 50% one-time funding per Charter	\$260,335	-\$260,335
Remaining "Cost" to district	\$1,154,048	\$289,578
Funds not allocated on a per-student basis	-\$1,688,764	-\$1,688,764
Net Cost (negative is benefit to district)	-\$534,716	-\$1,399,187

Topics for Discussion

- Is consolidation hold-harmless being applied correctly in the district budget tools?
- What are we missing in our estimates of costs to the district associated with operating a charter?
- What are we missing regarding the approximately \$78M in operating revenue that does not appear to factor in to charter school allocations?

We are genuinely excited to offer a new and exciting educational opportunity to district students through the proposed PCSC, and we are eager to arrive at a common understanding of the financial impacts to the district.

Prepared by
Ben Loeffler
Pearl Creek STEAM Charter APC Vice-Chair
20 March 2025