Hold Harmless Provision & State-Aid for School

Alaska Department of Education & Early Development

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OUR MISSION

An excellent education for every student every day.

OUR VISION

All students will succeed in their education and work, shape worthwhile and satisfying lives for themselves, exemplify the best values of society, and be effective in improving the character and quality of the world about them.

Alaska Statute 14.03.015

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Purpose
DEED exists to provide information, resources, and leadership to support an excellent education for every student every day.
Public School Funding Formula and the Hold Harmless Provision

*AS 14.17.410 (b)(1)(E)*
Hold Harmless Eligibility

AS 14.17.410 (b)(1)(E) if a school district's ADM adjusted for school size under (A) of this paragraph decreases by five percent or more from one fiscal year to the next fiscal year, the school district may use the last fiscal year before the decrease as a base fiscal year to offset the decrease, according to the following method:

(i) for the first fiscal year after the base fiscal year determined under this subparagraph, the school district's ADM adjusted for school size determined under (A) of this paragraph is calculated as the district's ADM adjusted for school size, plus 75 percent of the difference in the district's ADM adjusted for school size between the base fiscal year and the first fiscal year after the base fiscal year;
Activating Hold Harmless

The sum total of the district’s adjusted for school size ADM is compared against the prior fiscal year’s total adjusted for school size ADM to determine if a decrease of 5% or greater has occurred. If the answer is “yes”, then the prior fiscal year is locked in as the “base year” for the next three years.

EXAMPLE:
Step 1. The ADM’s submitted, School Size adjustment applied and totaled in yellow.
Hold Harmless in action

**Step 2.** School Size Adjusted ADM moves to Hold Harmless comparison and calculation.

<table>
<thead>
<tr>
<th>School District</th>
<th>Base Year PRIOR YEAR School Size ADM Total</th>
<th>CURRENT YEAR School Size ADM Total</th>
<th>chg in Prior Fiscal Year (base)</th>
<th>School Size TOTAL-ADM difference</th>
<th>School Size ADM difference at 75%</th>
<th>New CURRENT YEAR School Size ADM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chatham</td>
<td>268.76</td>
<td>252.23</td>
<td>6.15%</td>
<td>16.53</td>
<td>12.40</td>
<td>264.63</td>
</tr>
</tbody>
</table>

**Adjusted ADM of 593.63 x base student allocation (BSA) $5,930 =**
Basic Need $3,520,226
Recovers Approximately 75% of PY Basic Need

The Chatham School District example entering the first phase of the Hold Harmless (HH) provision, the Basic Need recovers approximately 75% of the difference in ADM.

Basic Need funding with no HH provision: $3,379,033
Basic Need funding with 75% HH provision: $3,520,226
Increase in Basic Need w/75% HH provision: $141,193
3-Year Hold Harmless Provision

The HH provision is available to school districts over a three-year step-down of 75% in the first year, 50% in the second year and 25% in the final year, provided the adjusted for school size ADM total stays below the established “base year”. For example, if the HH provision is activated this school year, FY2021, then the percentage step down is as follows.

- **FY21 HH = FY21 + 75% of the adjusted for school size difference between FY21 and the base year of FY20.**
- **FY22 HH = FY22 + 50% of the adjusted for school size difference between FY22 and the base year of FY20.**
- **FY23 HH = FY23 + 25% of the adjusted for school size difference between FY23 and the base year of FY20.**
AS 14.17.600 (a) Within two weeks after the end of the 20-school-day period ending the fourth Friday in October, each district shall transmit a report to the department that, under regulations adopted by the department, reports its ADM for that count period and other student count information that will aid the department in making a determination of its state aid under the public school funding program.
Distribution of State Aid

FOUNDATION PAYMENTS
AS 14.17.610 (a) On or before the 15th day of each of the first nine months of each fiscal year, one-twelfth of each district's state aid shall be distributed on the basis of the data reported for the preceding fiscal year (FY20). On or before the 15th day of each of the last three months of each fiscal year, one-third of the balance of each district's state aid shall be distributed, after the balance has been recomputed on the basis of student count and other data reported for the current fiscal year (FY21).

In other words, the payments for the first nine months of FY2021 are calculated based on the prior fiscal year’s “actual” Foundation (FY 2020). The remaining three months, April, May, and June 2021 are re-calculated and trued up based on the Finalized FY2021 “actual” Foundation counts. This ensures that when the fiscal year ends, the districts will have been paid what is due based on their current year (FY 2021), “actual” reconciled average daily membership (ADM) counts.
Contact Information

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