



Representative Andi Story

Alaska State Legislature

HB 236

Sponsor Statement

“An Act relating to education; increasing the base student allocation”

HB 236 amends the Base Student Allocation (BSA), a component of the school funding formula which sets the distribution of state funds for school operations. The FY21 BSA increase of \$115 incorporates the FY20 appropriation of \$30 million into the formula, while the FY22 adjustment reflects inflationary growth of 2.25% at a cost of approximately \$28.6 million. Overall, this reflects flat funding between FY21 and FY20, and inflation adjusted funding in FY22.

HB 236 recognizes the economic realities of inflation, expenses which schools confront in the form of rising costs associated with health care, fuel oil, school supplies, or simply keeping the lights on.

It offers predictability and stability, allowing everyone in the school system – school boards, administrators, teachers, para-educators, classified staff, students and their families – to focus on the important work of educating and learning.

Alaska’s investment in schools is substantial, yet reasonable. On a per student basis in inflation adjusted dollars, the state now spends roughly the same as in 1988.

U.S. Census data places Alaska 6th in the nation for education spending (state, federal, local). However, when adjusted for federal cost of living allowance (COLA), Alaska is 20th. Looking more closely, Alaska has unique attributes that impact costs. 13% of Alaska’s schools are under 25 students, with many of these located off the road system. In addition, the state has the highest health care costs in the nation, a fact that significantly impacts personnel costs.

Despite Alaska’s commitment to education, tremendous challenges remain and student instructional needs are going unmet. A continuous culture of learning, innovation and inspiration is needed; not a steady undercutting of resources and capacity. Unless state support meets rising costs, the capacity of schools slowly diminishes.

A high-quality educational system is a wise investment in the State’s people and its future.

HB 236 offers a solid funding base for Alaska’s schools that recognizes the importance of the state’s investment in its future workforce, quality of life for its residents, and prosperous future for its children.

Thank you for your consideration of this important legislation.

Contact

Alaska State Capitol
120 4th St Juneau, AK 99801

907-465-3744
rep.andi.story@akleg.gov

HOUSE BILL NO. 236

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES STORY, Drummond, Fields, Spohnholz

Introduced: 2/5/20

Referred: Education, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to education; increasing the base student allocation; and providing for**
2 **an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 14.17.470 is amended to read:

5 **Sec. 14.17.470. Base student allocation.** The base student allocation is **\$6,045**
6 [\$5,930].

7 * **Sec. 2.** AS 14.17.470, as amended by sec. 1 of this Act, is amended to read:

8 **Sec. 14.17.470. Base student allocation.** The base student allocation is **\$6,155**
9 [\$6,045].

10 * **Sec. 3.** Section 1 of this Act takes effect July 1, 2020.

11 * **Sec. 4.** Section 2 of this Act takes effect July 1, 2021.



Representative Andi Story

Alaska State Legislature

Sectional Analysis

House Bill 236

“An Act relating to education; increasing the base student allocation; and providing for an effective date”

Section 1: Amends AS 14.17.470, Base Student Allocation (BSA), increasing it from \$5,930 to \$6,045, an increase of \$115.

Section 2: Amends AS 14.17.470, Base Student Allocation (BSA), increasing it from \$6,045 to \$6,155, an addition of \$110.

Section 3: Section 1 takes effect July 1, 2020.

Section 4: Section 1 takes effect July 1, 2021.

Contact

Alaska State Capitol
120 4th St Juneau, AK 99801

907-465-3744
rep.andi.story@akleg.gov

Foundation Funding			
		AS 14.17.470 BSA	Funding Outside Formula (DEED)
Legislation	Fiscal Year	BSA Amt	(in thousands)
	FY02	\$4,010	\$12,400.0
	FY03		\$23,300.0
2003	FY04	\$4,169	
2004	FY05	\$4,576	
2005	FY06	\$4,919	
2006	FY07	\$5,380	\$35,000.0
	FY08		\$89,801.0
2008	FY09	\$5,480	
2008	FY10	\$5,580	
2008	FY11	\$5,680	
	FY12		\$20,000.0
	FY13		\$25,000.0
	FY14		\$46,000.0
2014	FY15	\$5,830	\$42,953.5
2014	FY16	\$5,880	
2014	FY17	\$5,930	
	FY18		
	FY19		\$20,000.0
	FY20		\$30,000.0
HB 236	FY21	\$6,045	
HB 236	FY22	\$6,155	
Prepared by office of Rep. Andi Story 2/25/20			
Note: Since FY02 every year except one (FY18) schools received a BSA increase, significant funding outside the formula or both			
Estimated cost of FY 21 BSA increase is \$30,000.0; the estimated cost of FY22 BSA increase is an additional \$29,581.7			

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version: HB 236
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB236-EED-FP-2-20-20
Title: INCREASE BASE STUDENT ALLOCATION
Sponsor: STORY
Requester: House Education

Department: Department of Education and Early Development
Appropriation: K-12 Aid to School Districts
Allocation: Foundation Program
OMB Component Number: 141

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By:	Heidi Teshner, Director	Phone:	(907)465-2875
Division:	Finance and Support Services	Date:	02/10/2020
Approved By:	Lacey Sanders, Administrative Services Director	Date:	02/20/20
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

BILL NO. HB 236

Analysis

This bill provides an increase to the base student allocation (BSA) over two fiscal years by amending AS 14.17.470, which is currently set at \$5,930.

Effective July 1, 2020 (FY2021), the BSA would increase by \$115 from \$5,930 to \$6,045. The increase to projected state aid entitlement is \$29,880,878.

Effective July 1, 2021 (FY2022), the BSA would increase by \$110 from \$6,045 to \$6,155. The increase to projected state aid entitlement is \$28,581,713.

The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2021 through FY2026 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF and not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version: HB 236
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB236-EED-PEF-2-20-20
Title: INCREASE BASE STUDENT ALLOCATION
Sponsor: STORY
Requester: House Education

Department: Fund Capitalization
Appropriation: No Further Appropriation Required
Allocation: Public Education Fund
OMB Component Number: 2804

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	29,880.9		58,462.6	58,462.6	58,462.6	58,462.6	58,462.6
Miscellaneous							
Total Operating	29,880.9	0.0	58,462.6	58,462.6	58,462.6	58,462.6	58,462.6

Fund Source (Operating Only)

1004 Gen Fund (UGF)	29,880.9		58,462.6	58,462.6	58,462.6	58,462.6	58,462.6
Total	29,880.9	0.0	58,462.6	58,462.6	58,462.6	58,462.6	58,462.6

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2021) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable; initial version.

Prepared By:	Heidi Teshner, Director	Phone:	(907)465-2875
Division:	Finance and Support Services	Date:	02/10/2020
Approved By:	Lacey Sanders, Administrative Services Director	Date:	02/20/20
Agency:	Office of Management and Budget		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

BILL NO. HB 236

Analysis

This bill provides an increase to the base student allocation (BSA) over two fiscal years by amending AS 14.17.470, which is currently set at \$5,930.

Effective July 1, 2020 (FY2021), the BSA would increase by \$115 from \$5,930 to \$6,045. The increase to projected state aid entitlement is \$29,880,878.

Effective July 1, 2021 (FY2022), the BSA would increase by \$110 from \$6,045 to \$6,155. The increase to projected state aid entitlement is \$28,581,713.

Department of Education & Early Development

Prepared by School Finance

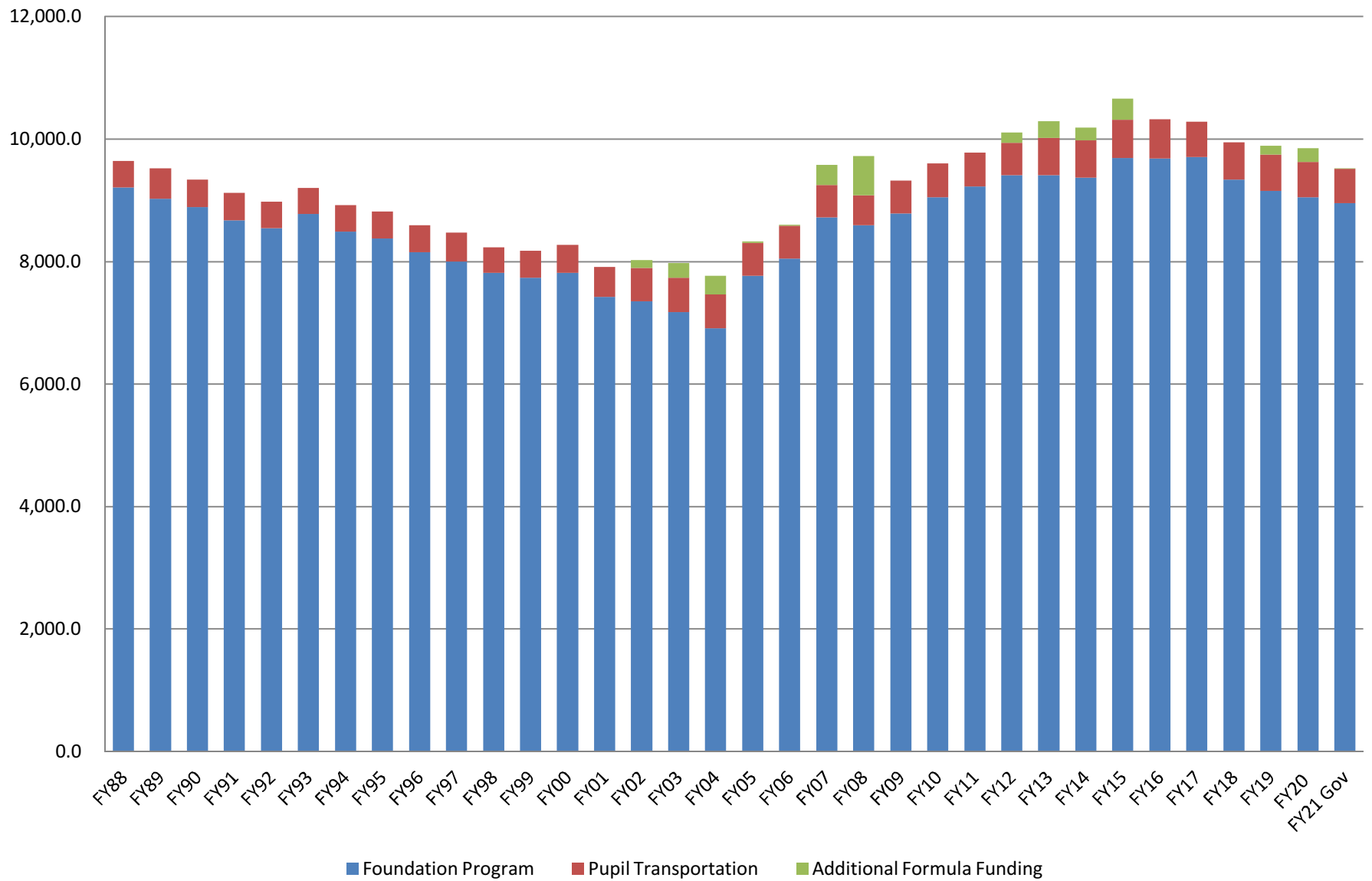
Prepared 2/10/2020

BSA increases for FY2021 and FY2022

	Currently	FY2021		FY2022	
School District	FY2021 Proj. TOTAL STATE ENTITLEMENT	HB236 State Entitlement BSA \$5930 to \$6045	FY2021 Difference	HB236 State Entitlement BSA \$6045 to \$6155	FY2022 Difference
Alaska Gateway	\$ 8,892,232	\$ 9,068,704	\$ 176,472	\$ 9,237,504	\$ 168,800
Aleutian Region	1,158,396	1,181,401	23,005	1,203,405	22,004
Aleutians East Borough	4,565,842	4,677,621	111,779	4,784,539	106,918
Anchorage	328,805,864	337,376,288	8,570,424	345,574,086	8,197,798
Annette Island	4,029,867	4,134,461	104,594	4,234,509	100,048
Bering Strait	31,575,195	32,398,117	822,922	33,185,261	787,144
Bristol Bay Borough	1,023,342	1,060,466	37,124	1,095,976	35,510
Chatham	3,622,004	3,694,568	72,564	3,763,976	69,408
Chugach	4,188,548	4,270,242	81,694	4,348,384	78,142
Copper River	6,435,803	6,565,413	129,610	6,689,387	123,974
Cordova	4,386,412	4,488,458	102,046	4,586,068	97,610
Craig	4,509,583	4,610,443	100,860	4,706,919	96,476
Delta/Greely	10,176,521	10,376,746	200,225	10,568,266	191,520
Denali Borough	6,872,922	7,024,514	151,592	7,169,514	145,000
Dillingham	6,140,562	6,279,400	138,838	6,412,202	132,802
Fairbanks N. Star Borough	113,402,308	116,327,118	2,924,810	119,124,762	2,797,644
Galena	28,270,460	28,819,960	549,500	29,345,568	525,608
Haines Borough	2,456,959	2,526,813	69,854	2,593,631	66,818
Hoonah	2,413,208	2,465,724	52,516	2,515,956	50,232
Hydaburg	1,972,799	2,011,923	39,124	2,049,347	37,424
Iditarod Area	6,054,459	6,177,531	123,072	6,295,251	117,720
Juneau Borough	37,090,490	38,096,338	1,005,848	39,058,453	962,115
Kake	2,103,875	2,149,354	45,479	2,192,856	43,502
Kashunamiut	4,516,634	4,639,025	122,391	4,756,095	117,070
Kenai Peninsula Borough	78,010,226	80,066,735	2,056,509	82,033,831	1,967,096
Ketchikan Gateway Borough	25,396,819	25,983,079	586,260	26,543,851	560,772
Klawock	2,075,756	2,127,953	52,197	2,177,881	49,928
Kodiak Island Borough	24,746,546	25,329,954	583,408	25,887,998	558,044
Kuspuk	8,434,027	8,637,739	203,712	8,832,595	194,856
Lake & Peninsula Borough	9,269,801	9,460,886	191,085	9,643,664	182,778
Lower Kuskokwim	65,156,012	66,721,065	1,565,053	68,218,073	1,497,008
Lower Yukon	35,074,335	35,940,627	866,292	36,769,253	828,626
Mat-Su Borough	170,560,700	174,496,643	3,935,943	178,261,457	3,764,814
Nenana	9,793,577	9,984,559	190,982	10,167,239	182,680
Nome	8,796,590	8,991,527	194,937	9,177,988	186,461
North Slope Borough	18,778,877	19,502,033	723,156	20,193,749	691,716
Northwest Arctic Borough	37,829,962	38,640,368	810,406	39,415,540	775,172
Pelican	463,797	473,485	9,688	482,751	9,266
Petersburg	6,148,104	6,289,812	141,708	6,425,360	135,548
Pribilof	947,480	974,968	27,488	1,001,262	26,294
Saint Mary's	3,575,208	3,646,058	70,850	3,713,826	67,768
Sitka Borough	12,197,841	12,500,980	303,139	12,790,938	289,958
Skagway	1,119,904	1,156,541	36,637	1,191,585	35,044
Southeast Island	5,616,413	5,725,039	108,626	5,828,941	103,902
Southwest Region	10,614,475	10,886,874	272,399	11,147,428	260,554
Tanana	1,035,929	1,056,882	20,953	1,076,924	20,042
Unalaska	4,278,124	4,397,496	119,372	4,511,678	114,182
Valdez	5,141,951	5,317,748	175,797	5,485,902	168,154
Wrangell	3,882,367	3,968,762	86,395	4,051,400	82,638
Yakutat	1,369,436	1,400,197	30,761	1,429,619	29,422
Yukon Flats	5,716,798	5,854,856	138,058	5,986,911	132,055
Yukon/Koyukuk	16,787,457	17,131,277	343,820	17,460,149	328,872
Yupitit	7,166,993	7,362,339	195,346	7,549,191	186,852
Mt. Edgecumbe High School	3,419,941	3,503,499	83,558	3,583,423	79,924
TOTAL	\$ 1,208,069,731	\$ 1,237,950,609	\$ 29,880,878	\$ 1,266,532,322	\$ 28,581,713

K-12 Formula Funding per Student, FY88-FY21

(In 2018 Dollars)



Department of Education & Early Development

Prepared 2/21/2020

BSA increases for FY2021 and FY2022

Prepared by School Finance

School District	Currently			FY2021			FY2022		
	FY2020 Total State Entitlement as of 12/2019	FY2020 One-time Grant	FY2020 Entitlement + One-time Grant	FY2021 Proj. TOTAL STATE ENTITLEMENT	HB236 State Entitlement BSA \$5,930 to \$6,045	HB236 State Entitlement BSA \$6,045 to \$6,155	FY2021 Proj. TOTAL STATE ENTITLEMENT	HB236 State Entitlement BSA \$5,930 to \$6,045	HB236 State Entitlement BSA \$6,045 to \$6,155
Alaska Gateway	\$ 8,995,024	\$ 180,017	\$ 9,175,041	\$ 8,892,232	\$ 9,068,704	\$ 9,237,504			
Aleutian Region	1,308,991	26,135	1,335,126	1,158,396	1,181,401	1,203,405			
Aleutians East Borough	4,395,992	110,691	4,506,683	4,565,842	4,677,621	4,784,539			
Anchorage	332,420,004	8,656,402	341,076,406	328,805,864	337,376,288	345,574,086			
Annette Island	3,605,644	101,205	3,706,849	4,029,867	4,134,461	4,234,509			
Bering Strait	30,908,637	815,439	31,724,076	31,575,195	32,398,117	33,185,261			
Bristol Bay Borough	1,271,246	43,500	1,314,746	1,023,342	1,060,466	1,095,976			
Chatham	3,464,101	70,139	3,534,240	3,622,004	3,694,568	3,763,976			
Chugach	4,029,959	79,206	4,109,165	4,188,548	4,270,242	4,348,384			
Copper River	6,669,998	135,603	6,805,601	6,435,803	6,565,413	6,689,387			
Cordova	3,791,898	91,620	3,883,518	4,386,412	4,488,458	4,586,068			
Craig	4,922,648	109,131	5,031,779	4,509,583	4,610,443	4,706,919			
Delta/Greely	10,142,297	201,123	10,343,420	10,176,521	10,376,746	10,568,266			
Denali Borough	6,985,872	154,639	7,140,511	6,872,922	7,024,514	7,169,514			
Dillingham	6,022,034	136,659	6,158,693	6,140,562	6,279,400	6,412,202			
Fairbanks N. Star Borough	111,652,726	2,929,679	114,582,405	113,402,308	116,327,118	119,124,762			
Galena	30,166,273	589,466	30,755,739	28,270,460	28,819,960	29,345,568			
Haines Borough	2,783,763	75,505	2,859,268	2,456,959	2,526,813	2,593,631			
Hoonah	2,418,505	52,921	2,471,426	2,413,208	2,465,724	2,515,956			
Hydaburg	2,101,300	41,833	2,143,133	1,972,799	2,011,923	2,049,347			
Iditarod Area	5,765,472	118,633	5,884,105	6,054,459	6,177,531	6,295,251			
Juneau Borough	37,816,805	1,017,472	38,834,277	37,090,490	38,096,338	39,058,453			
Kake	2,055,776	45,188	2,100,964	2,103,875	2,149,354	2,192,856			
Kashunamiut	4,068,724	118,246	4,186,970	4,516,634	4,639,025	4,756,095			
Kenai Peninsula Borough	79,208,547	2,072,133	81,280,680	78,010,226	80,066,735	82,033,831			
Ketchikan Gateway Borough	25,740,752	594,553	26,335,305	25,396,819	25,983,079	26,543,851			
Klawock	2,255,256	57,147	2,312,403	2,075,756	2,127,953	2,177,881			
Kodiak Island Borough	27,387,738	636,497	28,024,235	24,746,546	25,329,954	25,887,998			
Kuspuk	6,916,879	174,890	7,091,769	8,434,027	8,637,739	8,832,595			
Lake & Peninsula Borough	9,115,254	189,446	9,304,700	9,269,801	9,460,886	9,643,664			
Lower Kuskokwim	70,336,765	1,572,964	71,909,729	65,156,012	66,721,065	68,218,073			
Lower Yukon	32,135,778	838,886	32,974,664	35,074,335	35,940,627	36,769,253			
Mat-Su Borough	170,211,256	3,930,124	174,141,380	170,560,700	174,496,643	178,261,457			
Nenana	9,222,601	180,906	9,403,507	9,793,577	9,984,559	10,167,239			
Nome	9,085,352	199,123	9,284,475	8,796,590	8,991,527	9,177,988			
North Slope Borough	17,795,239	700,779	18,496,018	18,778,877	19,502,033	20,193,749			
Northwest Arctic Borough	37,205,050	807,097	38,012,147	37,829,962	38,640,368	39,415,540			
Pelican	498,864	9,740	508,604	463,797	473,485	482,751			
Petersburg	6,048,277	141,577	6,189,854	6,148,104	6,289,812	6,425,360			
Pribilof	855,153	26,907	882,060	947,480	974,968	1,001,262			
Saint Mary's	3,588,820	71,495	3,660,315	3,575,208	3,646,058	3,713,826			
Sitka Borough	12,489,586	309,661	12,799,247	12,197,841	12,500,980	12,790,938			
Skagway	994,622	34,398	1,029,020	1,119,904	1,156,541	1,191,585			
Southeast Island	5,112,251	99,408	5,211,659	5,616,413	5,725,039	5,828,941			
Southwest Region	9,753,447	265,115	10,018,562	10,614,475	10,886,874	11,147,428			
Tanana	1,070,529	21,762	1,092,291	1,035,929	1,056,882	1,076,924			
Unalaska	4,140,196	116,126	4,256,322	4,278,124	4,397,496	4,511,678			
Valdez	5,064,124	176,047	5,240,171	5,141,951	5,317,748	5,485,902			
Wrangell	3,756,369	84,929	3,841,298	3,882,367	3,968,762	4,051,400			
Yakutat	1,394,661	31,253	1,425,914	1,369,436	1,400,197	1,429,619			
Yukon Flats	5,461,623	137,732	5,599,355	5,716,798	5,854,856	5,986,911			
Yukon/Koyukuk	16,224,437	335,864	16,560,301	16,787,457	17,131,277	17,460,149			
Yup'it	6,982,657	199,157	7,181,814	7,166,993	7,362,339	7,549,191			
Mt. Edgecumbe High School	4,311,207	83,832	4,395,039	3,419,941	3,503,499	3,583,423			
TOTAL	\$ 1,212,126,979	\$ 30,000,000	\$ 1,242,126,979	\$ 1,208,069,731	\$ 1,237,950,609	\$ 1,266,532,322			



September 30, 2019

How much does Alaska spend on K-12 education?

By Dayna Jean DeFeo, Matt Berman, Alexandra Hill, & Diane Hirshberg

Education funding in Alaska, as in most states, is one of the largest allocations in the state operating budget. In 2017, Alaska's K-12 per-pupil spending was \$17,838, which is 46% higher than the national average. However, a lot of things in Alaska are expensive relative to national averages: healthcare, food, and energy, to name just a few. In this paper we adjusted Alaska's data from the US Census Bureau 2017 Annual Survey of School System Finances to state and national cost indices, and find that Alaska's per-pupil expenditures are on par with national averages. As many drivers of Alaska's education costs extend beyond education policy, we caution against cuts that leave districts with few choices but to diminish the teacher workforce by eliminating positions or hiring lower quality teachers with less competitive salaries.

WHERE DOES ALASKA'S PUBLIC EDUCATION FUNDING COME FROM?

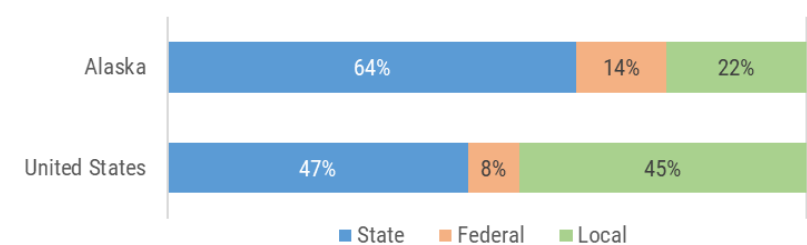
There are many ways to measure education spending. Because the focus of this paper is to compare Alaska with other states, we use data from the US Census Bureau *State and Local Government Finances*.¹

In the 2017-2018 school year, there were just under 130,000 students in just over 500 public K-12 schools. In 2016, Alaska's state expenditure on education (K-12 and postsecondary) was \$2,787,912, or 25.8% of the state general expenditure; this compares to national average of 24.9%. However, Alaska state and local's expenditure on K-12 education was \$2,365,458, or 17.3% of the state general expenditure, which compares to a national average of 21.5%.²

Sixty-four percent of Alaska's per-pupil spending comes from state general funds; Alaska's proportion of state funding is the fifth-highest in the nation, and its proportion of local funding contributions is fifth-lowest. Figure 1 compares Alaska's funding distribution to the national average.

Part of the reason for the relatively low percentage of local contributions is that local taxes can only be collected in organized boroughs, and 19 of Alaska's 54 school districts are Regional Education Attendance Areas (REAA's), meaning the local government is not organized to collect school taxes (Berman, Hull, & McDiarmid, 2001). While the proportion of local contributions is among the lowest in the nation, the proportion of federal funding, at 14%, is the 6th highest.³

Figure 1
Distribution of funding sources in per-pupil spending, 2017



The proportion of state and local dollars funding K-12 education in Alaska differs significantly from the national average. Source: US Census 2017 Public Elementary-Secondary Education Finance Data

¹US Census Bureau, *State and Local Government Finances*, 2016: <https://www.census.gov/data/datasets/2016/econ/local/public-use-datasets.html>

²Numbers in this document are different from the tables published by the Alaska Legislative Finance Division, which are more familiar to Alaskans. Using the US Census Bureau data allows us to make comparisons across states even though state and local governments across the US distribute the costs of public services in different ways; in other words, one state might pay for things local governments pay for elsewhere. A previous ISER research summary explains the major differences in sources for Alaska's state spending: <https://iseralaska.org/publications/?id=1665>

³Alaska has the highest proportion of Indigenous students in the nation (22%), but the federal Bureau of Indian Education (BIE) does not operate any schools in Alaska, nor are there any tribally operated public schools, per the provisions of the Alaska Native Claims Settlement Act (ANCSA, 1971). Instead, Alaska receives support under federal funding programs including Title VI Indian Education from the US Department of education and Johnson O'Malley funding for education from the Bureau of Indian Affairs.

WHAT DOES ALASKA SPEND ON PUBLIC EDUCATION, AND HOW DOES THAT COMPARE TO OTHER STATES?

In 2017, Alaska's average per-pupil spending was \$17,838 (US Census Bureau, 2017). Unadjusted, Alaska ranks 6th in the nation with 46% higher per-pupil spending than the national average of \$12,201.⁴ Average spending, while a useful comparator, presents challenges in its raw form, because costs differ from place to place. This means we need to apply some adjustments if we want to discuss education spending in comparison to other states.

Spending adjustments applied

Within Alaska, costs differ significantly between communities, so the first step of our analysis adjusts Alaska's education spending to account for the higher costs (relative to Anchorage) that districts face. To do this, we used the Foundation Formula's school size adjustment (see Box 1) and district cost factor (see Box 2). We calculated an average district cost factor, weighted by the school-size adjusted enrollment. Then we used that average cost factor to calculate an Anchorage-adjusted average per-pupil spending of \$14,853. This figure is \$2,652 (22%) more per-pupil than the national average, and would rank 14th highest nationally.

ACCRA Cost of Living Index applied

Even after adjusting Alaska communities to Anchorage, we still cannot directly compare to the nationwide average because Anchorage's cost of living is higher than most other communities in the US. We applied the most widely used cost of living index (COLI)⁵, published by the American Council for Community and Economic Research (ACCRA) to our statewide calculations. Adjusted nationally, Alaska's per-pupil spending is \$11,997, or \$204 (2%) below the national average.⁶ Table 1 presents these calculations, and figure 2 (see next page) depicts them graphically.

Box 1.

How does Alaska set its K-12 education budget?

The total amount Alaska spends on K-12 education and the distribution of those funds amongst districts is determined by a complex set of adjustments called the *School Foundation Formula*. The *School Foundation Formula* allocates state operating support according to the product of the *Base Student Allocation* (BSA), the per-pupil funding level set annually by the legislature, and an adjusted average daily membership (ADM) which makes adjustments for 3 categories of differences amongst schools:

school size - because smaller schools are more costly to operate at the per-pupil level

district cost factor - because some Alaska communities have higher costs of living and operations than others

special programs like special education, vocational education, and correspondence programs – because the costs of these programs are distinct from typical instructional activities, and have different operating costs

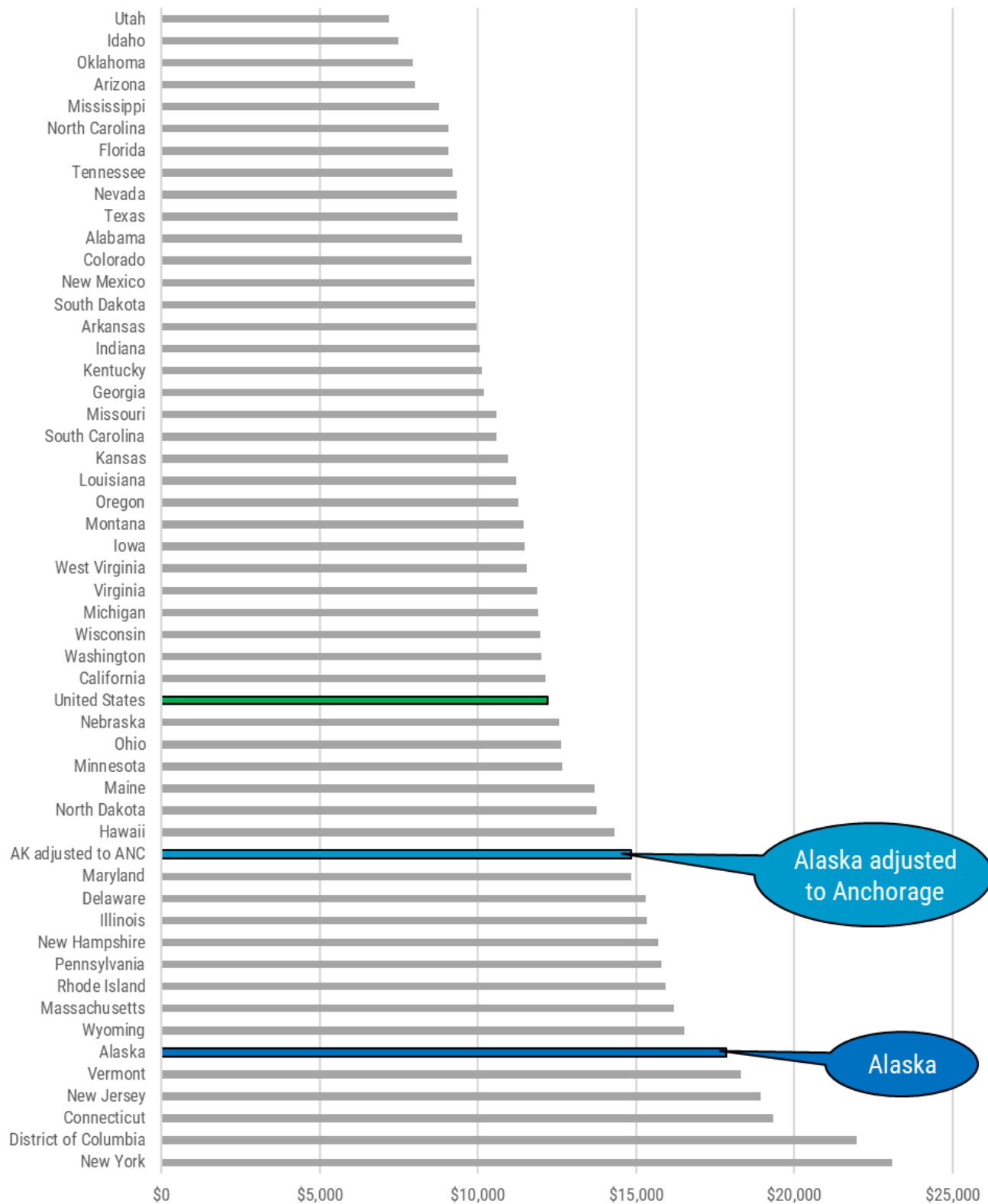
Table 1 Alaska's 2016-17 per-pupil spending, adjusted to state and national indices			
Per-pupil spending	Dollars	Difference from national average	
		\$	%
Alaska's average per-pupil spending	17,838	+5,637	+46
Adjusted to Anchorage	14,853	+2,652	+22
National average	12,201	.	.
Adjusted to national average	11,997	-204	-2
<i>After adjustments, Alaska's per-pupil education spending is slightly lower than the national average.</i>			

⁴It is important to note that since national numbers were last updated, the strong economy in the lower 48 has allowed other states to invest more dollars in education, while Alaska's fiscal crisis has constrained its ability to do the same. Alaska relative spending has almost certainly decreased since national numbers were last reported.

⁵The American Council for Community and Economic Research (ACCRA) cost of living index (COLI) places Anchorage at 128.4 percent of the national average: <https://www.infoplease.com/business-finance/us-economy-and-federal-budget/cost-living-index-selected-us-cities1>

⁶When applying this adjustment, we can no longer use rank order, because other places in the US also have higher costs of living, and their own adjustments would need to be applied.

Figure 3
Average 2017 per-pupil education spending



Adjusting for within-state and national differences dramatically changes Alaska's rank order and relative spending to other states. Source: U.S. Census Bureau 2017 Annual Survey of School System Finances

WHAT DRIVES THE COST OF PUBLIC EDUCATION IN ALASKA?

Though Alaska's per-pupil education cost is just about average after adjustments, it is still valuable to look at how our state spends education dollars. Three Alaska exceptionalities set us apart from other states in our education spending patterns: small schools, healthcare, and energy.

Small schools

Alaska has a lot of small schools - of the 443 "regular"⁷ schools, 58 (13%) have fewer than 25 students, and an additional 34 (8%) enroll between 26 and 50 students (Pierson & Stevens, 2017). It is Alaska's legal and ethical responsibility to provide free and appropriate public education (FAPE) to all students. Three major cases define the state's responsibility: a settlement reached for *Hootch v. Alaska* (1975) affirmed the allegation that boarding schools were inadequate proxies for local public schools, and the state agreed to construct high schools in rural Alaskan communities with eight or more high-school aged students;⁸ within six years, there were new or expanded high school programs in more than 100 villages (Cotton, 1984). In 1999, *Kasayulie v. State* found that inattention to rural costs in financing school construction discriminated against rural and Alaska Native students, violating the Civil Rights Act and the equal protection and education clauses of the State constitution; the ruling prompted revisions of the school construction funding formula. Most recently, *Moore v. State of Alaska* (2004) ruled that the state was providing adequate funding but insufficient assistance and oversight to school districts in which schools were failing; settlements that followed included funding to equitize resources through fiscal supports (Education Law Center, 2019).

Presently, Alaska funds schools in any community with at least ten students, and over a dozen schools in small remote communities have closed in the past decade (Hanlon, 2017).⁹ Small schools are more costly to operate – they have small class sizes, and do not benefit from economies of scale in capital and labor costs. Additionally, these schools experience high turnover of teachers and principals (Hill & Hirshberg, 2013; Pierson & Stevens, 2017), which is costly both in dollars (DeFeo, Tran, Hirshberg, Cope, & Cravez, 2017) and in diminished student achievement (Ronfeldt, Loeb, & Wyckoff, 2013).

Healthcare

Alaska has the highest per capita healthcare costs in the US (Passini, Frazier, & Guettabi, 2018), which negatively affects private and public sectors of our economy. Healthcare costs are a part of teacher compensation. Alaska unadjusted per-pupil spending on teacher salaries is 14th in the nation - but after adjusted to US cost-of-living, the amount is 23% below the national average. Similarly, Alaska's unadjusted per-pupil spending on educator's employee benefits is 64% above the US average - but after adjusted is only 9% above the US average. While the challenge of high healthcare costs is not unique to education, in a fixed budget scenario these costs put downward pressure on wages, making it more difficult for Alaska districts to offer teachers a nationally competitive salary.

Energy

Energy costs include heat and electricity, and school districts need both. Fuel costs more in remote places because it costs more to transport and store it there, small communities often do not benefit from economies of scale in making fuel purchases, and districts may not have specialized procurement personnel able to get the best price. Electricity costs can be three to five times higher in remote places (Alaska Energy Authority, 2017), and schools do not benefit from the Power Cost Equalization (PCE) programs that reduce these costs for local residents. Regardless of these higher costs, school districts need energy – they require more fuel to heat buildings in colder communities, and electricity to operate them. Regardless of the number of students in a given building, it must be heated and lit, and the costs of doing so in Alaska are unique to our state.

⁷This classification from Regional Education Labs Northwest (REL-Northwest) includes neighborhood public schools, and excludes alternative, correspondence, and Division of Juvenile Justice schools, as well as schools with missing enrollment.

⁸This was changed to 10 in 1998.

⁹Students in communities with too few students to support a school can opt for home schooling, participate in a correspondence school program, or attend one of three secondary public boarding schools in the state.

WHAT ARE THE IMPLICATIONS FOR EDUCATION SPENDING IN ALASKA?

Operating costs including fuel and electricity, healthcare costs, and community cost differentials that are high in Alaska in general and particularly high in remote and rural places significantly *affect* schools, but are not tied to education policy. Understanding that Alaska's adjusted spending is on par with national averages, this unfortunately leaves instructional expenditures as one of the few places where districts have budget flexibility. With the objective of providing high quality education to all of Alaska's children, we frame our implications around two key current fiscal issues in Alaska: the state's teacher shortage and budget cuts to K-12 education.

Alaska's teacher shortage

The majority of Alaska's K-12 spending is in instructional expenditures, and teacher compensation makes up the largest proportion of these costs. While other states are increasing salaries in a competitive market characterized by significant teacher shortages that have reached "crisis" levels (Gunn, 2018; Picchi, 2018), previous ISER research in 2013 estimated that Alaska teacher salaries were lower than they should be (Hirshberg et al., 2015). If Alaska teacher salaries do not keep up with national trends, the state's existing retention and turnover challenges will be exacerbated, especially in remote and high-poverty schools that have the greatest difficulty recruiting and retaining teachers (DeFeo, Hirshberg, & Hill, 2018; DeFeo & Tran, 2019).

Budget cuts to K-12 education

Districts have limited flexibility in their budgets, and it is difficult for them to quickly absorb cuts without increasing class sizes and laying off teachers. Education finance decisions, thus, must consider the intersection between fixed and flexible costs in district budgets, noting that while the most flexibility lies in instructional expenditures, these are simultaneously the most critical component to achieving education outcomes.

Box 2.

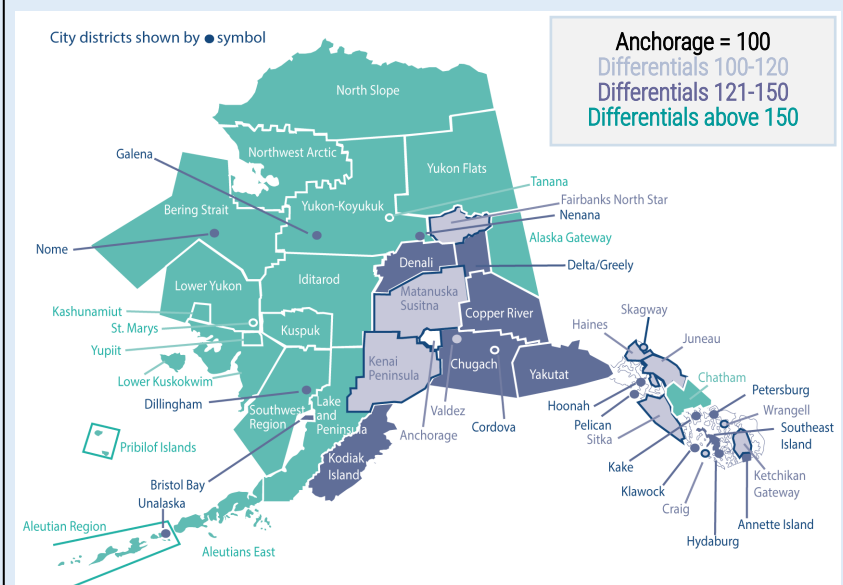
How are district cost factors determined?

The district cost factor, also referred to as the geographic cost differential, indicates how much more it costs to provide the same educational services in Alaska's communities as compared to Anchorage. Factors influencing the cost differential include the higher costs of attracting quality teachers and administrators to rural areas, transportation costs for personnel and supplies, and energy costs.

Relative to Anchorage, 31 Alaska districts have cost differentials between 1.07 and 1.49, meaning that it costs 107% to 149% more to operate schools in those communities. Twenty-one districts have cost differentials of 1.5 or greater, meaning that it costs at least one-and-a-half times as much to operate schools in those places (see Figure 3).

Alaska's district cost factor differentials were last updated in 2005 (see Tuck, Berman, & Hill, 2005), and some Alaska communities have notably changed since then. In 2015, ISER updated community cost differentials for instructional salaries (see Hirshberg, Berman, DeFeo, & Hill, 2015), but these calculations have not been applied to the *School Foundation Formula*.

Figure 3
Current Alaska district cost differentials relative to Anchorage, last calculated in 2005



Even within a single district, costs of operating schools in rural villages and rural hubs differs significantly. These district cost differentials are a weighted average of the lower costs in hubs and higher costs in villages.

CONCLUSION

Our analysis finds that, after adjustments, Alaska's per-pupil education spending is on par with the national average, but Alaska still has some unique expenses including small schools, healthcare, and energy costs, and these factors are largely outside the school districts' control. Alaska will not meet its education objectives through increased spending alone – dollars must be spent well in order to produce desired outcomes. In the same vein, reducing spending without a critical examination of *how* dollars are spent will likely harm student learning and achievement. As districts seek to absorb budget cuts, we encourage attention and priority to maintaining instructional expenditures that benefit students.

REFERENCES

- Alaska Energy Authority. (2017). Power cost equalization. Retrieved from <http://www.akenergyauthority.org/Programs/PCE>
- Berman, M. D., Hull, T., & McDiarmid, G. W. (2001). Alaska. In *Public school finance programs for the United States and Canada: 1998-99*. US Department of Education National Center for Education Statistics. Retrieved from <https://nces.ed.gov/edfin/pdf/StFinance/Alaska.pdf>
- Cotton, S. (1984). Alaska's "Molly Hootch Case": High schools and the village voice. *Educational Research Quarterly*, 8(4), 30-43.
- DeFeo, D. J., & Tran, T. C. (2019). Recruiting, hiring, and training Alaska's rural teachers: How superintendents practice place-conscious leadership. *Journal of Research in Rural Education*.
- DeFeo, D. J., Tran, T. C., Hirshberg, D., Cope, D., & Cravez, P. (2017). *The cost of teacher turnover in Alaska* (Report No. 1634). Anchorage, AK: Center for Alaska Education Policy Research.
- DeFeo, D.J., Hirshberg, D., & Hill, L. (2018). It's more than just dollars: Problematizing salary as the sole mechanism for recruiting and retaining teachers in rural Alaska. *Alaska Native Studies Journal* 4(1).
- Education Law Center. (2019). *State profiles: Alaska*. Retrieved from <https://edlawcenter.org/states/alaska.html>
- Gunn, D. (2018, August 29). How states across the country are dealing with teacher shortages. *Pacific Standard*. Retrieved from: <https://psmag.com/education/how-states-across-the-country-are-dealing-with-teacher-shortages>
- Hanlon, T. (2017, August 8). 2 more Alaska schools close due to shrinking enrollments. Anchorage Daily News. Retrieved from <https://www.adn.com/alaska-news/education/2017/08/08/two-more-alaska-schools-close-due-to-shrinking-enrollments/>
- Hill, A. & Hirshberg, D. (2013). *Alaska teacher turnover, supply, and demand: 2013 highlights*. (Report No. 1563). Anchorage, AK: Center for Alaska Education Policy Research.
- Hirshberg, D., Berman, M., DeFeo, D. J., & Hill, A. (2015). *Salary & benefits schedule and teacher tenure study final report*. (Report No. 1584). Anchorage, AK: Center for Alaska Education Policy Research.
- Passini, J., Frazier, R., & Guettabi, M. (2018). *Trends in Alaska's Health-Care Spending*. (Report No. 1343). Anchorage, AK: Institute of Social and Economic Research.
- Picchi, A. (2018, August 23). School's back in session, but many teachers aren't returning. *CBS News*. Retrieved from: <https://www.cbsnews.com/news/americas-new-education-crisis-a-teacher-shortage/>
- Pierson, A., & Stevens, D. (2017, February). *Alaska State Policy Research Alliance: Informing issues with data and evidence*. Presentation to Alaska Legislature, Juneau, AK.
- Ronfeldt, M., Loeb, S., & Wyckoff, J. (2013). How teacher turnover harms student achievement. *American Educational Research Journal*, 50(1), 4-36.
- Tuck, B., Berman, M., & Hill, A. (2005). *Alaska school district cost study update*. (Report No. 1115). Anchorage, AK: Center for Alaska Education Policy Research.
- US Census Bureau. (2017). *Annual survey of school system finances*. Retrieved from <https://www.census.gov/programs-surveys/school-finances.html>

Acknowledgements

The authors would like to thank the House Education Committee of the Alaska State Legislature for the opportunity to present these preliminary analyses in an April testimony. We also wish to thank Lisa Parady for her helpful insights.

About the authors

The authors are solely responsible for the content of this summary. Dayna DeFeo is the director of ISER Center for Alaska Education Policy Research; Matt Berman is an ISER professor of economics; Alexandra Hill is the associate director of finance and administration at ISER; and Diane Hirshberg is an ISER professor of education policy.