



# Representative Andi Story

## Alaska State Legislature

### **Sponsor Statement** **Version 34-L1293\G** **HB 261 Education Funding Process**

The education funding process in Alaska is broken. It is the norm that communities do not know their final funding levels until after critical staffing and program decisions have been made and local municipalities have finalized their budgets. Last year, communities and districts didn't know their current budgets until right before school started. This uncertainty alarms families, damages staff morale, worsens teacher retention and erodes confidence in public education. Our backward budgeting process creates an annual rollercoaster.

This budgeting rollercoaster begins in the spring before the current school year, when school boards must estimate the student count, the average daily membership (ADM), as a starting point for their budget process. Any unexpected changes in the October student count of the current year can make it difficult for districts to adjust their budgets. Employee contracts signed in the spring or summer must be honored, and even minor changes in school enrollment can trigger large funding losses to small districts. Student enrollments statewide are declining and approximately 35 percent of our districts are in a hold-harmless status. However, funding based on the ADM may result in a loss of revenue while the need to meet state education policy and community expectations continues.

The purpose of this bill is to ensure a timelier education funding process and the ability to offer our educators and staff a contract earlier in the spring. This timeline better meets municipal statute budgeting purposes. It smooths out student enrollment changes by replacing the hold harmless provision with either an average of the prior three-year student counts (ADM) or the previous fiscal year student count (ADM). In addition, it takes the prior three-year student count average or previous year student count when a smaller district's ADM drops below 100 or 425 students to ensure greater budget stability (under AS 14.17.905 Facilities constituting a school).

This bill allows districts to offer staff contracts earlier. HB 261 enables districts to retain experienced, beloved teachers and hire new teachers when recruitment is in full swing in the spring, rather than waiting until right before school starts when talented candidates are limited, especially during a national teacher shortage. Importantly, this bill gives school communities time to focus on effective instruction and improving student learning rather than deciding what to cut and doing and redoing budgets. Providing a stable, sensible budget process satisfies municipal and district timelines, creating less stress for our communities. Districts need not be as concerned about unexpected changes in enrollments at the time of the late fall student count. These changes remove guesswork and allow districts to base their education funding process on validated student count data for the upcoming school year. At least 23 states use this method or some form of it to assess the funding

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needs of a district. Some of the proposed enrolled averages in this bill were recommended more than a decade ago in a study the legislature commissioned and again recently as part of an Education Funding Task Force meeting last November.

Here are the main components to HB 261:

- Allows for the calculation of a district's student count on July 1 of the fiscal year to be based on the greater of (1) district's prior three-year average daily membership (ADM) fiscal year or (2) previous fiscal year ADM.
- Smooths out the funding cliffs when school membership in small districts falls below 100 or 425 students, preventing large changes in funding with small changes in enrollment (AS 14.17.905 Facilities constituting a school).
- Modifies the student count for intensive needs students, whose complex requirements are funded at 13 times the Base Student Allocation. It provides districts three options for the ADM intensive needs count:
  - use of the current fiscal year student enrollment count; or
  - use of the previous fiscal year student enrollment count; or
  - use of a second count by February 15 of the current fiscal year, should the district choose to conduct an additional student enrollment count.
- Allows alternative schools with an ADM of fewer than 175 to be counted as their own school, rather than as part of the largest school in the district. Being rolled into a count of mainstream kids means that alternative programs – which typically require smaller class sizes and more personalized services – may be deprived of much-needed funds.
- Allows for districts currently in hold harmless or that are in hold harmless by July 1, 2026, to be grandfathered in until no longer eligible (one to three years) by phasing in the new ADM count options.
- Allows districts to use the current fiscal year ADM if the district exceeds the greater of the ADM described in (1) or (2) above (in the first bullet) by five percent or more due to a sudden, unexpected increase in ADM.

It is time to fix the education funding process and the ability to retain and hire our teachers earlier in the year so we can focus more on student achievement. These components will help provide some budget stability. The overall education funding needs still must be resolved.

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