



Representative Andi Story

Alaska State Legislature

Sponsor Statement
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HB 261 Education Funding Process

The education funding process in Alaska is broken. Last year communities and districts didn't know their budgets until right before school started. It is the norm that communities do not know their funding until late in the school year. This uncertainty and confusion alarms families, damages morale, worsens teacher retention and erodes district and state credibility amongst families, staff and communities. Our backward budgeting process creates an annual rollercoaster.

This backward process 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 student counts can make it difficult for districts to honor employee contracts signed in the spring or summer. Small changes in school enrollment can trigger large funding losses to small districts. In a time when student enrollments are declining statewide and approximately 35 percent of our districts are in a hold-harmless status, funding based on student count affects loss of revenue but not the need to meet state education policy and community expectations.

The purpose of this bill is to ensure a timelier education funding process and to smooth out enrollment changes by replacing the hold harmless provision with an average of the previous three years student count (ADM) or the previous year (ADM), and an averaging when small districts' membership falls below 100 or 425 students, to ensure greater budget stability.

These changes remove guesswork and allow districts to base their education funding process on firm student count data for the upcoming school year. This allows for a stable, sensible budget process that satisfies municipal and district timelines, creating less stress for our communities. It may allow 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 in a time of a national teacher shortage. Districts need not be as concerned about unexpected changes in enrollments at the time of the October count. Importantly, it allows school communities time to focus on effective instruction and student learning rather than doing and redoing budgets. Some of the solutions in this bill were recommended more than a decade ago and again recently as part of an Education Funding Task Force meeting in November.

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There are four main components to HB 261:

- Allows student counts to be based on the average of the previous three years, or the previous year, whichever is greater.
- Second, this method would apply to intensive needs students, whose complex requirements are funded at 13 times the Base Student Allocation. Importantly, it also permits a district to adjust the intensive student count to current student count or mid-year student count to accommodate students with special needs who arrive after the student count and need significant financial resources to meet their needs.
- Third, the bill 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.
- Finally, it allows alternative schools with an ADM of fewer than 175 to be counted as their own school, rather than as part of the biggest 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.

It is time to fix the education funding and student count processes so we can focus more on student achievement. These components will help provide some budget stability. Education funding needs still must be resolved.

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