



**Representative Andi Story**  
Co-Chair, House Education Committee  
Alaska State Legislature

**Sponsor Statement**

**House Bill 273 (Version W)**

February 7, 2022

"HB 273, An Act relating to education; increasing the base student allocation according to inflation; and providing for an effective date."

Years of flat funding in our schools has led to an effective financial loss for Alaska's students. While costs of everyday budget items have continued to increase, the amount the state is putting into schools has stayed the same. The base student allocation (BSA) in the foundation formula hasn't increased since FY17. Despite this, non-negotiable fixed costs have been steadily rising due to inflation. This puts downward pressure on our schools, forcing cuts to the classroom that ultimately come as a cost to our children, so districts can cover basic budget items like heat, sewer, electricity, and insurance.

We have a constitutional obligation to Alaska's families and economy to ensure strong schools. Yet, school funding continues to be unreliable. Alaska's school districts have had to depend on one-off funding bills afforded by the unreliable booms and busts of the oil and gas industry and outside funding to keep up with basic fixed costs. School boards and administrators have been forced to scramble with uncertain and increasingly underfunded budgets. Families worry about cuts to services and favorite teachers and staff. HB 273 offers a tempered and fair solution to keep education funding on track by ensuring that education's growth is directly tied to Alaska's growth.

U.S. Census data places Alaska 6th in the nation for education spending (state, federal, local). When adjusted for the cost of living index (COLI), Alaska's education spending is just below the U.S. average according to the Institute of Social and Economic Research (ISER). Looking more closely, Alaska has unique attributes that impact costs: smaller schools, (many located off the road system), the highest health care costs in the nation, and high energy costs.

HB 273 links the BSA directly to the Consumer Price Index for Urban Alaska over a three year rolling average. This would make it so money is no longer diverted from children and classrooms to cover the ever-growing fixed costs in school district's budgets. By averaging growth over multiple years of inflation, this bill also creates a steady and predictable budget that won't rise and fall when the market experiences drastic years of growth or loss.

This is a fundamental statewide economic issue. The best way to keep families and businesses, attract new residents, build a skilled workforce and maintain a strong economy is to assure good schools, pre-school through college. By ensuring a fair base to our schools' funding, we are investing in Alaska's future.



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**Summary of Changes from Version I**  
**House Bill 273 (Version W)**

February 7, 2022

"HB 273, An Act relating to education; increasing the base student allocation according to inflation; and providing for an effective date."

1. The document title is changed to highlight that inflation proofing intent of this bill.
2. The word "average" is added to line 6.
3. A lag year is added to the years used to calculate the applied inflation. This makes it so school administrators will know what their district's approximate allocation will be once the average daily membership is calculated in the fall, and will be able to sooner prepare the following year's budget.



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**Sectional Analysis**  
**House Bill 273 (Version W)**

February 7, 2022

"HB 273, An Act relating to education; increasing the base student allocation according to inflation; and providing for an effective date."

**Section 1.** Amends AS 14.17.470, adding a new subsection that adds inflation proofing to the base student allocation in the foundation formula. The base student allocation would increase every year, based on the average inflation of the three-year previous Calendar Years, accounting for an additional lag year, of the Consumer Price Index of Urban Alaska, as measured by the United States Department of Labor, Bureau of Labor Statistics.

**Section 2.** Provides an effective date for the beginning of Fiscal Year 25 on July 1, 2024.

**HOUSE BILL NO. 273**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTY-SECOND LEGISLATURE - SECOND SESSION

**BY REPRESENTATIVES STORY, Drummond, Spohnholz, Hopkins, Schrage**

**Introduced: 1/18/22**

**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 by adding a new subsection to read:

5 (b) On July 1 of each year, the department shall increase the base student  
6 allocation by a percentage equal to the percentage of increase over the preceding  
7 three-year period in all items of the Consumer Price Index for urban Alaska prepared  
8 by the United States Department of Labor, Bureau of Labor Statistics.

9 \* **Sec. 2.** This Act takes effect July 1, 2024.

# Fiscal Note

State of Alaska  
2022 Legislative Session

Bill Version: HB 273  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB273-EED-FP-1-20-22  
Title: INCREASE BASE STUDENT ALLOC. INFLATION  
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)

	FY2023	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2023 Request	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>OPERATING EXPENDITURES</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

**Change in Revenues**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2022) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2023) 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:	<u>Heidi Teshner, Acting Deputy Commissioner</u>	Phone:	<u>(907)465-2875</u>
Division:	<u>Finance and Support Services</u>	Date:	<u>01/20/2022</u>
Approved By:	<u>Lacey Sanders, Administrative Services Director</u>	Date:	<u>01/28/22</u>
Agency:	<u>Department of Education &amp; Early Development</u>		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2022 LEGISLATIVE SESSION

BILL NO. HB 273

### Analysis

This bill amends AS 14.17.470 by having the department, on July 1 each year, increase the base student allocation (BSA) using the preceding three-year period of the Consumer Price Index for urban Alaska (CPI-U) as prepared by the United States Department of Labor.

This fiscal note uses the Alaska annual CPI amount for 2020 (226.153) divided by the 2018 amount (225.545).  $(226.153 / 225.545 = 1.003)$  The percentage difference between 2020 and 2018 is applied to the current FY2023 BSA of \$5,930 to arrive at a CPI adjusted BSA of \$5,948.  $(\$5,930 \times 1.003 = \$5,948)$

Using the FY2023 projected average daily membership counts, and the CPI adjusted BSA of \$5,948, the new estimated total state entitlement would increase by approximately \$4,612,362.

The effective date of this bill is July 1, 2024 (FY2025).

**Page 3 of the PEF fiscal note provides the projected funding breakdown by school district for CPI-U Alaska BSA increase.**

*The funding mechanism is a general fund transfer to the Public Education Fund (PEF). The fiscal note effect for FY2023 through FY2028 is reported in the fiscal note for the PEF, as the funding is deposited to the PEF, not into the Foundation Program funding component. The above analysis is presented here for explanation purposes only.*

Department of Education & Early Development

Prepared by School Finance

Prepared 1/19/2022

CPI-U increase to BSA

Base Student Allocation \$5,930 \$ 5,948

School District	CPI-U 1.003 increase		Difference
	FY2023 Proj. TOTAL STATE ENTITLEMENT	to Proj. TOTAL STATE ENTITLEMENT	
Alaska Gateway	\$ 8,751,667	\$ 8,779,123	\$ 27,456
Aleutian Region	1,332,912	1,336,981	4,069
Aleutians East Borough	3,981,065	3,996,705	15,640
Anchorage	314,398,790	315,709,089	1,310,299
Annette Island	3,628,343	3,646,775	18,432
Bering Strait	30,800,589	30,928,577	127,988
Bristol Bay Borough	896,798	902,063	5,265
Chatham	3,337,723	3,348,433	10,710
Chugach	4,692,479	4,706,899	14,420
Copper River	6,823,276	6,844,899	21,623
Cordova	4,144,356	4,159,873	15,517
Craig	5,694,789	5,713,954	19,165
Delta/Greely	10,595,870	10,628,664	32,794
Denali Borough	7,133,060	7,157,870	24,810
Dillingham	5,851,981	5,872,411	20,430
Fairbanks N. Star Borough	99,522,369	99,950,339	427,970
Galena	32,763,110	32,862,719	99,609
Haines Borough	2,530,508	2,541,577	11,069
Hoonah	2,484,391	2,492,565	8,174
Hydaburg	1,778,028	1,783,531	5,503
Iditarod Area	5,763,697	5,782,648	18,951
Juneau Borough	32,953,875	33,102,788	148,913
Kake	2,233,134	2,240,784	7,650
Kashunamiut	4,474,950	4,494,421	19,471
Kenai Peninsula Borough	73,868,158	74,179,281	311,123
Ketchikan Gateway Borough	25,755,407	25,849,475	94,068
Klawock	1,759,889	1,767,179	7,290
Kodiak Island Borough	25,727,035	25,823,088	96,053
Kuspuk	6,976,761	7,004,840	28,079
Lake & Peninsula Borough	9,040,554	9,069,699	29,145
Lower Kuskokwim	61,510,954	61,745,424	234,470
Lower Yukon	32,902,651	33,032,371	129,720
Mat-Su Borough	169,508,196	170,130,857	622,661
Nenana	10,436,818	10,468,663	31,845
Nome	8,673,328	8,703,399	30,071
North Slope Borough	19,073,095	19,186,233	113,138
Northwest Arctic Borough	37,478,114	37,598,889	120,775
Pelican	459,461	460,978	1,517
Petersburg	5,596,923	5,618,159	21,236
Pribilof	973,694	978,149	4,455
Saint Mary's	3,863,824	3,875,769	11,945
Sitka Borough	10,978,127	11,024,891	46,764
Skagway	1,235,329	1,242,056	6,727
Southeast Island	4,689,669	4,703,866	14,197
Southwest Region	10,642,077	10,685,011	42,934
Tanana	752,892	755,288	2,396
Unalaska	3,862,310	3,880,906	18,596
Valdez	4,856,667	4,883,667	27,000
Wrangell	3,067,737	3,079,268	11,531
Yakutat	1,193,079	1,197,364	4,285
Yukon Flats	4,881,576	4,900,253	18,677
Yukon/Koyukuk	22,785,903	22,857,871	71,968
Yupit	6,786,477	6,817,167	30,690
Mt. Edgecumbe High School	3,419,941	3,433,019	13,078
<b>TOTAL</b>	<b>\$ 1,169,324,406</b>	<b>\$ 1,173,936,768</b>	<b>\$ 4,612,362</b>

# Fiscal Note

State of Alaska  
2022 Legislative Session

Bill Version: HB 273  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB273-EED-PEF-1-20-22  
Title: INCREASE BASE STUDENT ALLOC. INFLATION  
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)

	FY2023	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2023 Request	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>OPERATING EXPENDITURES</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits					4,612.4	4,612.4	4,612.4	4,612.4
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4,612.4</b>	<b>4,612.4</b>	<b>4,612.4</b>	<b>4,612.4</b>

## Fund Source (Operating Only)

1004 Gen Fund (UGF)				4,612.4	4,612.4	4,612.4	4,612.4
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4,612.4</b>	<b>4,612.4</b>	<b>4,612.4</b>	<b>4,612.4</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2022 LEGISLATIVE SESSION

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**Page 3 of this fiscal note provides the projected funding breakdown by school district for the CPI-U Alaska BSA increase.**

Department of Education & Early Development

Prepared by School Finance

Prepared 1/20/2022

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<b>TOTAL</b>	<b>\$ 1,169,324,406</b>	<b>\$ 1,173,936,768</b>	<b>\$ 4,612,362</b>