



Invited testimony for HB 272

February 9, 2022

My name is Dayna DeFeo, I represent UAA and the Institute of Social and Economic Research (or ISER), where I direct the Center for Alaska Education Policy Research. I am joined by two coauthors of the report I will be testifying about, Matthew Berman, Professor of Economics at ISER and Diane Hirshberg, Professor of Education Policy and Director of ISER.

I'd like to address three issues around public spending on k12 education. I'll talk about what we pay, how that compares to other states, and some of Alaska's unique education costs that affect the comparison.

1. What do we pay?

The last time we formally compared Alaska's per-pupil spending to other states was in 2019, using 2017 figures.

In 2017, Alaska's per-pupil spending¹ was 46% higher than the national average and the 6th highest state in the nation.

The latest national numbers now available are for 2019. And they show that Alaska was still in 6th place, but per pupil spending² was only 39% higher than the national average. In 2019, the economy was growing faster nationally than in Alaska, and other states – particularly those that had spent less historically,³ invested more dollars in education.

2. Do we really pay that much more than the US average?

In raw dollars, yes. But everything in Alaska costs more. I'm in Arizona right now, and \$20 buys more here than it does at home in Anchorage. If I want to spend those \$20 in Nome, I get even less. So we need to make some adjustments to do a fair comparison of Alaska to other states.

In the ISER report, we made 2 adjustments to the buying power of the dollars we spend. First, we used the foundation formula's geographic cost differential, weighted by district average daily membership, to level the differences in costs within Alaska. That adjustment alone – adjusting

¹ \$17,838

² \$18,394

³ Oklahoma and Alabama

Alaska communities to Anchorage - explained about half the difference between Alaska and other states' spending – after those adjustments, Alaska spent 22% above the national average.

And then we adjusted Anchorage dollars to the nation using the Anchorage cost of living index.⁴ After that second adjustment, Alaska costs were actually 2% below the national average. And that was in 2017. By 2019, Alaska was falling further behind.

But we should also be talking about the different services and costs needed to deliver education across the state. And so that brings me to the last question in this presentation:

3. What are some of Alaska's unique education costs that we need to keep in mind?

I'd like to talk about 3 funding challenges that are unique to Alaska.

First, Alaska has a lot of small schools. Alaska has a legal and ethical responsibility to provide public education to all students, and 3 major cases between 1975 and 2004 define the state's responsibility very clearly. 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.

The second is healthcare. Alaska has the highest per capita healthcare costs in the US, and this is bad for all sectors of our economy. 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.

And the third is energy. Energy costs are high and have been rising. Fuel costs fluctuate over time, but fuel also costs different amounts in different places. It costs more to transport and store fuel in small communities that lack year-round road or water access, and communities may not get the best prices when they have to make their bulk fuel purchases.

Electricity costs can be three to five times higher in remote places, and schools do not benefit from the Power Cost Equalization programs that reduce these costs for local residents.

Regardless of cost, school districts require a lot of fuel to heat facilities in colder communities, and they need electricity to operate them, no matter how many students there are in a building.

Wrapping up

So in the analyses I have done with my colleagues, Alaska is not overspending on public education. When we adjust the spending to make fair comparison to other states, we spend less than the national average.

I'd like to speak briefly about the school funding formula and how that fits in. It has been analyzed, and even though the geographic cost differential needs updating (that is a separate issue), the formula does work to distribute available funds equitably among Alaska's school districts.

But how big that base pot of dollars should be is the issue today. In addition to the discussion about the base student allocation, I'll note that the state of Alaska has not had an education

⁴ We used the American Chamber of Commerce Researchers Association (ACCRA) cost of living index, not to be confused with the US Bureau of Labor Statistics Consumer Price Index (CPI).

spending adequacy study to empirically explore what we need to invest in public education to provide the services that would enable students to be successful.

We still need to look not only look at how much we are spending, but what we are spending these dollars on to ensure that Alaska students and teachers and schools and communities are set up for the best possible education outcomes.

Thank you.

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