

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

January 27, 2023

3:31 p.m.

MEMBERS PRESENT

Senator Löki Tobin, Chair
Senator Gary Stevens, Vice Chair
Senator Jesse Bjorkman
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Elvi Gray-Jackson

OTHER LEGISLATORS PRESENT

Representative Rebecca Himschoot

COMMITTEE CALENDAR

PRESENTATION KENAI PENINSULA BOROUGH SCHOOL DISTRICT

- HEARD

PRESENTATION ALASKA PER PUPIL K-12 SPENDING ANALYSIS

- HEARD

PRESENTATION NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TERRI WALKER, Superintendent
Northwest Arctic Borough School District (NWABSD)
Kotzebue, Alaska

POSITION STATEMENT: Testified by invitation on increasing
Alaska's Base Student Allocation.

CLAYTON HOLLAND, Superintendent
Kenai Peninsula Borough School District (KPBSD)
Soldotna, Alaska

POSITION STATEMENT: Provided a presentation on the Kenai Peninsula Borough School District.

DAYNA DEFEO, Director
Center for Alaska Education Policy Research (CAEPR)
University of Alaska Anchorage
Anchorage, Alaska

POSITION STATEMENT: Co-presented Alaska Per Pupil K-12 Spending Analysis.

MATTHEW BERMAN, Professor
Institute of Social and Economic Research (ISER)
University of Alaska Anchorage
Anchorage, Alaska

POSITION STATEMENT: Co-presented Alaska Per Pupil K-12 Spending Analysis.

ACTION NARRATIVE

[3:31:09 PM](#)

CHAIR LÖKI TOBIN called the Senate Education Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Bjorkman, Kiehl, Stevens, and Chair Tobin.

PRESENTATION **NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT**

[3:32:53 PM](#)

CHAIR TOBIN announced the consideration of a presentation on the Northwest Arctic Borough School District. She requested that Ms. Walker address local control in schools during her testimony.

[3:33:35 PM](#)

TERRI WALKER, Superintendent, Northwest Arctic Borough School District (NWABSD), Kotzebue, Alaska, stated she graduated from NWABSD. She firmly believes in and supports providing the best education to students. NWABSD needs a 17.4 percent (\$10 million) increase to the current base student allocation (BSA) to cover its fundamental needs. NWABSD was making cuts to its programs before the pandemic. It stopped offering programs, including PreK and Career and Technology Education. Cuts to counseling positions make it difficult for students to receive services.

Partners have provided support. The Northwest Arctic Native Association (NANA) funded the PreK program for FY 23. The district was awarded a \$4.9 million grant over five years to support counseling programs. Every year NWABSD applies for the Alaska Housing Finance Corporation (AHFC) grant and has been able to build housing units in some of its communities. She opined that partnerships and grants are not sustainable sources of funds.

MS WALKER said the district pays an additional \$1.2 million above what the USDA reimburses for the school food program. Funds from the Elementary and Secondary School Emergency Relief Funds (ESSER) will cover this difference through FY 24. NWABSD is a Title I district. One hundred percent of its students are on free meals. The increased cost of living has left families to depend on school meals. Fuel in Kotzebue was about \$5 dollars per gallon. It is now nearly \$8 per gallon. The cost is \$14 per gallon for areas needing fuel transported by airplane. Ms. Walker said that last year the district started the school year with ten certified teacher vacancies, and this year it started with 40. She provided an anecdotal story of a student's perspective on teacher turnover. The high turnover impacts student learning and the ability to build positive teacher-student relationships. She opined that returning to a defined benefit plan, Social Security options, improved housing, mentoring, and wage increases would help improve teacher retention.

MS. WALKER stated that underfunding of major maintenance continues. The district's school facilities are deteriorating, creating unsafe environments that impede student learning. Continued deferment of major maintenance will increase the number of school construction projects. She provided examples of major maintenance projects that will lead to entire school reconstruction projects if not addressed. NWABSD's budget is too lean to cover repairs. The district has applied for special funding and is on the waitlist. She concluded that Alaskans need to give students the best education possible. She expressed appreciation for the legislature making education a priority.

MS. WALKER asked Senator Tobin to expound on her question regarding local control.

[3:42:27 PM](#)

CHAIR TOBIN asked why it is important to have local school boards and communities influence curriculum development rather than a one size fits all approach to education.

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MS. WALKER replied that the NWABSD is working on a place-based science curriculum incorporating Native languages, cultures, and traditions. The first section of the curriculum is physical and earth science. Students need to relate to the curriculum. Curriculums developed by organizations outside the community are often unrelatable to rural school students. Place-based learning allows students to follow state and federal education standards through experiences relevant to Alaska's students.

[3:45:28 PM](#)

SENATOR STEVENS asked whether any of the district's young people are interested in becoming teachers. A solution to keeping teachers in an area is to hire locals. He is interested in solutions like Future Teachers of America and Educators Rising. He asked what the district is doing to help promote local hiring.

[3:46:22 PM](#)

MS. WALKER replied that administrators have been discussing the support needed for local citizens to become teachers. She asks administrators to support local staff in taking coursework to become teachers. Three local students are currently working towards certification.

[3:48:12 PM](#)

SENATOR STEVENS stated he supports grow-your-own programs since teachers from the community are more likely to remain.

[3:48:31 PM](#)

SENATOR KIEHL joined the meeting.

PRESENTATION
KENAI PENINSULA BOROUGH SCHOOL DISTRICT

[3:48:54 PM](#)

CHAIR TOBIN announced the consideration of a presentation on the Kenai Peninsula Borough School District.

[3:49:12 PM](#)

CLAYTON HOLLAND, Superintendent, Kenai Peninsula Borough School District (KPBSD), Soldotna, Alaska, stated his presentation would bring in the human element of what happens to a district when it is underfunded.

[3:50:23 PM](#)

MR. HOLLAND moved to slide 2 and said the Kenai Peninsula Borough School District (KPBSD) is about the size of West Virginia. It has 42 schools across the district. Four of the schools are reached only by plane.

[3:50:53 PM](#)

MR. HOLLAND turned to slide 3 and recognized the differences between KPBSD schools but stated that the aspirations of students and parents are the same. Everyone wants students to be safe and successful in life.

[3:52:07 PM](#)

MR. HOLLAND moved to slide 4 and said the mission of KPBSD is supporting students in life success. Its vision is that every KPBSD student will be a lifelong learner who will graduate with the knowledge, skills, integrity, perseverance, and community connectedness needed to pursue their passions and desired post-secondary opportunities. He stated his belief that schools across the state share this vision. KPBSD's core values are community, academic excellence, perseverance, and integrity. The priorities associated with the strategic plan are student success, school climate and safety, family and community engagement, workforce development, and organizational and resource management.

[3:53:39 PM](#)

MR. HOLLAND advanced to slide 6 and said KPBSD's legislative priorities for the presentation focus on:

[Original punctuation provided.]

Provide fair, predictable, and proactive funding.

- Focus on recruitment and retention of high-quality educators by investing in defined benefits.
- Create innovative pathways to growing our own teachers and staff.
- Adjust the Base Student Allocation (BSA) and develop mechanisms to compensate for inflation.
- Provide transportation funding based on actual expenditures.
- Explore affordable health care for employees.

[3:54:01 PM](#)

MR. HOLLAND moved to slide 7 and stated that Kenai is known for its athletic and academic achievements. Spencer Co is one of 100 students nationally with a perfect score on the Computer Science AP exam. Public discourse asserts that schools are failing

students. However, KPBSD has students attending military academies, top universities, and trade schools because their education has given them the opportunity. School activities involve students in community service. He opined that the negative narrative towards student learning needs to end.

[3:56:19 PM](#)

MR. HOLLAND turned to slide 10 and said KPBSD's Native education has expanded. Parent engagement has increased immensely. Schools engage with all nine tribes in the Kenai Peninsula. Students have participated in Native Youth Olympics, drum making, and other Native events.

[3:57:00 PM](#)

MR. HOLLAND said the district has fully embraced the Reads Act. Two cohorts are going through literacy training as part of the Reads Act. He noted that the Reads Act provided a \$30 increase to the BSA, which is not enough if Alaska is to achieve the same results as Mississippi. Teachers will be trained with funds from the Reads Act and then move elsewhere without change to teacher retention.

[3:57:54 PM](#)

MR. HOLLAND said Career and Technical Education (CTE) is another part of the foundational and academic excellence taking place at KPBSD. Kenai focuses on creating broader pathway systems for students to enter the workforce. Students are engaging by bringing academic subjects into real-world applications. Resources such as welding, construction, and agriculture are needed to create workforce opportunities for students. KPBSD works to bring community and partnerships into its schools. Kenai schools have a violin program, basketball teams deliver food to families with their coach, and students learn to hunt with their teacher. Teachers and coaches provide these learning opportunities to students who otherwise might not have the opportunity. Longevity and trust are required to carry out these types of activities. High turnover and teacher retirement affect these opportunities. The state is filling positions with teachers having J-1 US visas. Kenai is hiring retired teachers. A lot must be done to make living and working in Alaska attractive. He opined that schools and the economy go hand in hand. People must see Alaska as a desirable place to live.

[4:02:59 PM](#)

MR. HOLLAND turned to slide 16, a pie chart of school district expenditures. He said that reports have disingenuously portrayed administrative costs as consuming school budgets by failing to

mention operating costs. About 75 percent of a school's budget is for instruction. The remaining 25 percent is split with 15 percent for operations and maintenance and 10 percent for various administrative costs.

[4:03:53 PM](#)

MR. HOLLAND moved to slides 17 - 18 and noted that the actual amount Alaska spends on its schools is less than the national average.

[4:04:22 PM](#)

MR. HOLLAND advanced to slide 19 and stated that flat funding of the Base Student Allocation (BSA) and increased health care, transportation, inflation, and energy costs had placed school districts in their current scenarios. The cost of healthcare in Alaska is five times the national average, and inflation adjustments for transportation have not happened since 2015. Despite route consolidation efforts, KPBSD had to transfer \$500 thousand from its [indiscernible] marginal fund to cover transportation costs.

[4:05:27 PM](#)

MR. HOLLAND said that with full funding by the Kenai Peninsula Borough, school funding for KPBSD will have an almost \$11 million gap between revenue and expenditures. He provided the following reasons for the drop in state funding even though there will be an increase to the BSA:

[Original punctuation provided.]

FY24 - \$30 dollar increase to the BSA provided about \$500K in revenue.

In FY23, the hold harmless provision in the foundation formula provided approximately \$900K in funding. The final year of the hold harmless provision was FY23.

The Full and True value of taxable real and personal property within Kenai Peninsula Borough (KPB) increased by approximately \$800M. As a result, the amount of Regular State Aid is reduced, and increases the amount that KPB could provide.

MR. HOLLAND said there would be a \$13 million gap and a needed BSA increase of \$765 if the Kenai Borough does not fully fund the school district. If the borough fully supports the school district, there will be a \$10 million gap, and the BSA would

need to be increased by \$630. He pointed out that these are base amounts. Schools have been making cuts for years. Alaska needs to make drastic changes to retain staff and improve student learning.

[4:08:37 PM](#)

CHAIR TOBIN thanked Mr. Holland for his presentation and the reminder that Alaskans should champion success in education.

[4:09:26 PM](#)

SENATOR STEVENS asked that Mr. Holland convey the state of teacher turnover in Kenai.

[4:09:49 PM](#)

MR. HOLLAND stated that young teachers are attracted to Alaska but leave when they realize there is no retirement system. Many teachers leave by their fifth year when the state matches their retirement. There is a national shortage of teachers. Kenai has been using federal funding to establish grow-your-own teacher programs. However, successful program continuation will require dedicated funding.

[4:11:25 PM](#)

SENATOR BJORKMAN asked how many teaching positions would have to be eliminated to close a budget deficit of \$10.8 million.

[4:11:54 PM](#)

MR. HOLLAND replied that in FY 24, KPBSD would face cutting 49 certified staff members. KPBSD is down to offering only basics, including virtual education. It is easier for larger schools to absorb the loss of one or two teachers than smaller schools.

[4:12:45 PM](#)

SENATOR BJORKMAN asked if the loss of 49 teaching positions would be equivalent to half of the \$10.8 million dollar deficit.

MR. HOLLAND answered that is correct. KPBSD faced losing 70 positions until it received federal Elementary and Secondary School Emergency Relief (ESSER) funds. Federal support has ended. Therefore, KPBSD will have to cut another 45 jobs without an increase to the BSA.

[4:13:48 PM](#)

SENATOR BJORKMAN asked Mr. Holland how school districts use one-time funding the legislature provides differently than money included inside the BSA.

[4:14:24 PM](#)

MR. HOLLAND answered that a school district usually receives one-time funding at the end of the year. The BSA is predictable funding that allows for preplanning. A school district must balance its budget by April. Therefore, a school district hopes to receive enough funding to rehire the teachers it laid off. It is common for teachers to accept positions in other locations when laid off, especially since there is a nationwide teacher shortage. The uncertainty caused by unpredictable funding creates a negative feeling within communities. ESSER funding allowed KPBSD to hold onto teachers for two years, but the funds are now gone.

[4:15:49 PM](#)

CHAIR TOBIN said the Anchorage school district is experiencing significant staffing shortages. She asked that Mr. Holland explain what happens to schools when administrative support positions are unfilled.

[4:16:19 PM](#)

MR. HOLLAND replied that KPBSD experiences the same shortages as other school districts. Unfilled positions further stretch teachers and staff, causing additional stress in the building. Facilities are not cared for as they once were.

[4:17:39 PM](#)

CHAIR TOBIN thanked Mr. Holland for his presentation.

PRESENTATION
ALASKA PER PUPIL K-12 SPENDING ANALYSIS

[4:18:00 PM](#)

CHAIR TOBIN announced the consideration of a presentation on Alaska Per Pupil K-12 Spending by the Institute of Social and Economic Research (ISER).

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DAYNA DEFEO, Director, Center for Alaska Education Policy Research (CAEPR), University of Alaska Anchorage, Anchorage, Alaska, introduced herself.

[4:18:41 PM](#)

MATTHEW BERMAN, Professor, Institute of Social and Economic Research (ISER), University of Alaska Anchorage, Anchorage, Alaska, introduced himself.

MS. DEFEO stated that the Institute of Social and Economic Research (ISER) aims to do work that helps Alaskans understand social and economic issues and systems. The work is to inform and support public and private decision-making throughout the state.

[4:19:10 PM](#)

MS. DEFEO moved to slide 2 and said she was asked to discuss the cost of education in Alaska in response to a story that Alaska has the highest per-pupil spending in the nation. She asserted that when placed in context, the statement was not valid. She said her presentation would address the following five questions:

[Original punctuation provided.]

Where does Alaska's public education funding come from?

How much does Alaska pay?

How does Alaska's spending compare to the US average?

What drives Alaska's costs?

Where are areas of opportunity?

[4:19:55 PM](#)

MS. DEFEO said the data on slide 3 was from 2016. Alaska's expenditure on education was about 25.8 percent of the state's general expenditure. This is proportionally similar to the national average of 24.9 percent. Sixty-four percent of per-pupil spending in Alaska comes from state general funds. Alaska's proportion of state funding is the fifth highest in the nation. However, the proportion that comes from local funding is the fifth lowest. Alaska law only allows the collection of local taxes in organized boroughs. Nineteen of Alaska's 54 school districts are regional education attendance areas (REAs), not organized boroughs. Alaska has the sixth highest federal funding in the nation at 14 percent.

[4:21:45 PM](#)

SENATOR KIEHL said Alaska's funding formula deducts federal impact aid that would flow to districts and counts it against state formula funding as though it were a local contribution. He asked how ISER treated it.

[4:22:08 PM](#)

Mr. BERMAN replied that the state and net share had been deducted. Alaska has a higher-than-average share of federal funding because it has many federal lands and military installations. Ninety percent of that funding counts against the

state entitlement and the required local effort. So that is deducted. The state's share, which Ms. Defeo mentioned, is the net after the deductions.

[4:22:51 PM](#)

SENATOR KIEHL asked if ISER placed it under federal or local contribution.

MR. BERMAN answered that the deduction is taken from the state share. It means that the state funding is less because of the contribution of federal funding, which diminishes the share of the state-funded total. Hence, the state funding sixty-four percent is the net funding by the state after federal and local deductions are made from the foundation formula.

[4:23:42 PM](#)

MS. DEFEO advanced to slides 4-5 and stated that ISER used data from 2017 to do the 2019 analysis and answered the question, "How much does Alaska pay?" Analysis of spending in 2022 is available using 2019 data. However, this data does not indicate normal fiscal operations due to COVID. In 2017 Alaska's pupil spending was 46 percent higher than the national average, making Alaska the sixth highest in the nation. In 2019 Alaska was 39 percent higher than the national average. This change was due to an increase in education spending by other states. The raw dollar amounts for per pupil K12 spending in 2019 were \$13,187 nationally and \$18,394 in Alaska.

[4:25:44 PM](#)

MS. DEFEO stated that when individuals compare per-pupil spending, they should consider the following factors. First, Alaska has a high cost of spending in rural areas that skews the state average. Second, living costs are higher than the US average, even in urban Alaska. ISER made these adjustments for an apple-to-apple comparison. After making cost adjustments, ISER found Alaska's average per pupil spending in 2017 and 2019 to be 22 and 16 percent higher when adjusting to Anchorage's living costs. When adjusted to the nation's average living cost, Alaska's per-pupil spending for 2017 and 2019 was -2 and -7 percent of the national average.

[4:28:13 PM](#)

MS. DEFEO moved to slide 8 and described how Alaska per pupil spending was adjusted to reflect the cost of living for Anchorage and nationally. She stated that the map on slide 9 shows the cost differentials for various communities in Alaska.

Most of the school districts in Alaska have a cost differential greater than 1.5 times that of Anchorage.

[4:31:02 PM](#)

SENATOR STEVENS asked if half of Alaska's students reside in the Anchorage area.

[4:31:21 PM](#)

MR. BERMAN replied that the foundation formula's cost factor adjusts to Anchorage. So, Anchorage is the base used to adjust costs to the national average rather than the average for the state. Most students are in the Anchorage area, so the adjustment is 20 percent and not 40 - 50 percent. The differentials of Juneau, Fairbanks, Kenai, and Mat-Su are similar to Anchorage. Smaller communities have much higher costs but comprise less than half of the student population, hence the 20 percent reduction was compared to the state average and not 40 percent.

[4:32:43 PM](#)

MS. DEFEO noted that the adjustments accounted for schools' average daily membership rates.

MR. BERMAN said ISER made the adjustments using the formula the way it exists in statute.

[4:33:15 PM](#)

MS. DEFEO moved to slide 11 and said that private school tuition in Anchorage is similar to the state's per-pupil spending. Private schools receive donations that help reduce tuition, and they do not have the same cost responsibilities as public schools, such as transportation and intensive special education. Therefore, it is interesting that private school costs are comparable to public school costs. She added that median infant daycare costs in Anchorage are similar to per pupil public education.

[4:34:23 PM](#)

MS. DEFEO turned to slide 12 and stated that regardless of whether the cost of education is adjusted, Alaska still spends a lot on education. ISER considered costs and determined the following were not factors:

[Original punctuation provided.]

High per-pupil teacher salaries

- On average, Alaska teacher salaries about 15% below where they should be
- "Right" salary varies by community & working conditions there }
- Extra contributions to retirement systems

However, evidence supports that the following do drive costs:

[Original punctuation provided.]

- Small schools
- Healthcare
- Energy
- Geographic costs
- Housing

[4:36:06 PM](#)

MS. DEFEO said that Alaska has more than 90 small schools with an enrollment of 50 students or less. Alaska has a legal and ethical responsibility to educate all its students, as evidenced by the Hootch, Kasayulie v. State, and Moore v. State lawsuits. Small schools are more costly to operate for reasons such as not benefiting from economies of scale and smaller class sizes. Smaller schools experience a higher turnover of teachers and principals.

[4:36:55 PM](#)

MS. DEFEO advanced to slide 14 and said that as part of ISER's study they looked at healthcare costs from 2017 and noted the following:

[Original punctuation provided.]

Alaska has highest healthcare costs in US

- Not unique to education
- Negatively affects private & public sector

Health care costs are part of overall compensation

- Starting with fixed budget, growth rate in healthcare costs puts downward pressure on wage
 - Makes competing for teachers more difficult
- In 2017, benefits costs
 - 4th highest in nation
 - 11% above average after all adjustments

MS. DEFEO said adjusted per pupil spending was 2 percent below the national average. However, when looking at the adjusted cost of benefits in 2017, the cost was 11 percent above the national average. Alaska's benefits are not better than other states, but Alaskans pay more. A big part of the benefits package offered to educators is healthcare.

[4:38:06 PM](#)

MS. DEFEO moved to slide 15 and said there are two components to energy cost and amount needed. She addressed the following points:

[Original punctuation provided.]

Costs

Fuel

- Costs more in remote places
- Costs fluctuate (a lot)
- Districts have different capacities to negotiate competitive prices

Electricity

- Schools don't benefit from Power Cost Equalization (PCE) program

Amount needed

More to heat schools in colder places

Regardless of the number of students in a building, it must be heated and lit

[4:39:32 PM](#)

MS. DEFEO moved to slide 17 and said the presentation tried to put school spending in Alaska into a national context. Per pupil spending is about how much a district spends and where it spends. Much of what drives up Alaska's per-pupil expenditure is beyond education policy, such as fuel, healthcare, and the cost of goods. Higher costs are Alaska's reality and influence education spending. She further stated that the two-year differences between 2017 and 2019 show that other states invest more in public education than Alaska. Investing more in public education is a big deal because teachers live and work in the conditions and resources that public education spending covers. Alaska needs to produce more teachers to fill its need. Therefore, Alaska is competing for teachers in a national

market. To attract good teachers, Alaska must have competitive salaries, benefits, and working conditions.

[4:41:44 PM](#)

SENATOR BJORKMAN asked if Alaska's 15 percent lower salary study pertained to Anchorage or the state.

[4:42:31 PM](#)

MS. DEFEO replied that the 14-15 percent salary increase was a state average. ISER's model suggested much higher salary increases for some areas of Alaska. She offered to send a copy of the report to the committee.

[4:42:48 PM](#)

MR. BERMAN said several districts in Alaska are close to the national average, such as Mat-Su, Juneau, and Sitka. Fairbanks was slightly below the national average. Rural districts and a shortfall in Anchorage did not pay enough that the urban districts could compensate for the disadvantages of living in a rural community, which is why Alaska's average was 14-15 percent lower than the national average. Housing and healthcare are the two most significant cost-driving differences between living in Anchorage and elsewhere in the US. Teachers or the district pay these costs. There is no free lunch. Lowering Alaska's high healthcare costs could also make up for the difference in salary.

[4:45:34 PM](#)

MS. DEFEO added that the salary recommendation study modeled what teachers should be paid. However, the salary schedules reflect what the districts can pay. There is tremendous variation in teacher compensation across the state. Some districts having better resources is another reason there is variation in wage recommendation and actual wages.

[4:46:13 PM](#)

MR. BERMAN commented that unincorporated districts depend entirely on state and limited federal funding. They cannot tax residents. The ability to tax is what allows other communities to pay adequate salaries to teachers.

[4:47:06 PM](#)

CHAIR TOBIN asked if healthcare costs are high for all state sectors or only for educators.

MR. BERMAN replied that healthcare costs are high across all sectors of the state.

CHAIR TOBIN asked if the local contribution reduces a school district's state contribution.

MR. BERMAN clarified that there is a required local effort deducted. However, if a municipality wants to increase its local contribution through taxes above the required amount, that is a supplement. For example, the North Slope Borough is an expensive and challenging place to live. It has a high tax base and pays its teachers more than other rural districts. By law, there are constraints regarding how much an area with a very high tax base can spend on education. Valdez and North Slope Borough are the only two districts that have reached the legal contribution limit.

[4:50:10 PM](#)

CHAIR TOBIN thanked the presenters for the explanation of per pupil spending in Alaska and how it compares to the national average.

[4:52:24 PM](#)

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 4:52 pm.