

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

January 24, 2025

8:00 a.m.

MEMBERS PRESENT

Representative Rebecca Himschoot, Co-Chair
Representative Andi Story, Co-Chair
Representative Maxine Dibert
Representative Ted Eischeid
Representative Jubilee Underwood
Representative Rebecca Schwanke
Representative Bill Elam

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S) : EDUCATION FUNDING

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

ALEXEI PAINTER, Director
Legislative Finance Division
Juneau, Alaska

POSITION STATEMENT: Co-offered the Education Funding
presentation.

CONNOR BELL, Fiscal Analyst
Legislative Finance Division
Juneau, Alaska

POSITION STATEMENT: Co-offered the Education Funding presentation.

ACTION NARRATIVE

[8:00:33 AM](#)

CO-CHAIR STORY called the House Education Standing Committee meeting to order at 8:00 a.m. Representatives Himschoot, Eischeid, Underwood, Schwanke, Dibert, Elam, and Story were present at the call to order.

[8:02:20 AM](#)

CO-CHAIR STORY began the meeting by introducing the education committee aides. She introduced herself and explained her background in public education.

[In response to an invitation from Co-Chair Story, committee member introductions were made.]

PRESENTATION(S): K-12 Education Funding History

8:11:28

CO-CHAIR STORY announced that the only order of business would be the Education Funding presentation.

[8:11:34 AM](#)

ALEXEI PAINTER, Director, Legislative Finance Division, as co-presenter, began a PowerPoint, titled "K-12 Education Funding." He began on slide 2, which gave a broad overview of the contents of the presentation. He continued to slide 3, which displayed a pie chart that outlined the makeup of public school funding in Alaska. He moved to slide 4, which displayed a pie chart that highlighted the various sources of public education funding in Alaska.

[8:15:43 AM](#)

REPRESENTATIVE EISCHEID shared his understanding that the federal government has a statutory obligation to pay 40 percent of a school district's annual budget.

MR. PAINTER said that Representative Eischeid's understanding was correct and said that the federal government does not fund more than half of any given school district's budget.

[8:16:31 AM](#)

CO-CHAIR HIMSCHOOT asked Mr. Painter what the Foundation formula is used for. She asked how the foundation formula funds may be used and asked if the Base Student Allocation (BSA) could be used for things like a school's curriculum.

MR. PAINTER answered that the foundation formula is used to determine a school district's annual funding need. He said that the foundation formula does not account for a need for new curriculum and explained that the BSA allows for school districts to more predictably pay for things like curriculum.

[8:19:05 AM](#)

MR. PAINTER resumed the presentation on slide 5, which emphasized the difference between direct and indirect sources of funding that a school district in Alaska might receive. He continued to slide 6, which displayed a bar graph that compared each various states' amount of education funding between different sources. He continued to slide 7, which compared various states' total education funding.

[8:22:26 AM](#)

CO-CHAIR STORY informed the committee of a study by the Institute of Social and Economic Research and said that Alaska is just under the average for national funding of public schools.

MR. PAINTER said that the proportion of funding that comes from the federal government presently is lower than it was two or five years ago.

[8:24:02 AM](#)

CONNOR BELL, Fiscal Analyst, Legislative Finance Division, gave a presentation titled "K-12 Education Funding History." He resumed the presentation on slide 9, which explained the "basics" of the Foundation [Funding] Formula for public schools in Alaska.

[8:25:36 AM](#)

CO-CHAIR STORY asked if the governor of Alaska might be able to veto any public education fiscal policy passed by the legislature.

MR. BELL said that the governor would be able to veto any legislative action related to public education funding.

[8:26:20 AM](#)

MR. BELL skipped back to slide 8a, which further highlighted the "basics" of the Foundation [Funding] Formula in Alaska. He described technical details of the formula and highlighted that the BSA is a culmination of many different funding sources.

[8:29:59 AM](#)

REPRESENTATIVE SCHWANKE asked when the last time the small school factor was changed.

MR. PAINTER said that the small school factor has not been changed since 1998 beside a few provisions that have been made since then.

[8:31:21 AM](#)

REPRESENTATIVE ELAM asked if the small school factor takes into account different levels of funding utilization.

MR. PAINTER said that the small school factor is impacted by the number of students in a certain school district and doesn't consider different levels or types of funding utilization.

[8:32:01 AM](#)

CO-CHAIR HIMSCHOOT asked if there are any statutory guideline for a "cost factor review."

MR. PAINTER said that Alaska Statute guides the Legislature to conduct a District Cost Factor review.

[8:33:08 AM](#)

CO-CHAIR STORY asked what the timeline is for a district cost study.

MR. PAINTER said that the last district cost study was done in 2005 at a cost of 350,000 dollars as allocated by the Legislative Budget and Audit Committee.

[8:34:30 AM](#)

CO-CHAIR STORY shared her understanding that an area with a lower cost of living might receive less funding by the

MR. PAINTER said that Co-Chair Story's understanding was "potentially true" because there hasn't been a funding study done in 2 decades.

[8:36:34 AM](#)

REPRESENTATIVE ELAM asked if any of the funding studies consider different sizes of school districts and the difference in impact that funds might have on a rural versus urban school district.

MR. PAINTER said that the 2005 study did take into account the different between rural and urban school districts and said that it is difficult to quantify the differences in impact that any dollar might have on a certain district.

[8:38:04 AM](#)

CO-CHAIR STORY shared her understanding that the Special Education Student population has increased by 85 percent but has not yet seen an adjustment in funding levels due to the foundation formula's basis of an increase in student population.

MR. PAITNER said that there was a study done in 2015 that studied the impact of a block grant versus more targeted funding on special education students and said that he would follow-up with more information later.

[8:39:44 AM](#)

MR. BELL resumed the presentation on slide 11, which displayed a table that compared different funding adjustments that are proposed to be made over the coming fiscal year in the Fairbanks North Star Borough School District based on the current funding scenario from the state.

[8:42:31 AM](#)

REPRESENTATIVE EISCHEID asked what the rationale and justification were for the different factors displayed on the table.

MR. PAINTER said that he would speak on the table in a coming slide.

[8:43:46 AM](#)

REPRESETNATIVE UNDERWOOD asked if any other states have performed similar studies related to the comparison of rural and urban school districts.

MR. PAINTER said that the 2015 study touches on the comparison of rural and urban school districts.

[8:44:33 AM](#)

CO-CHAIR STORY commented that the 2015 study looked at the fairness of Alaska's funding formula and affirmed that the study determined Alaska's funding formula to be fair.

[8:45:25 AM](#)

MR. BELL resumed the presentation on slide 12, which highlighted other provisions in the Foundation Formula.

[8:46:48 AM](#)

CO-CHAIR STORY asked what the fixed costs of operating a school district might always be.

MR. BELL answered that certain administrative costs will always sustain themselves, no matter the level of funding that a district might receive.

[8:48:00 AM](#)

REPRESENTATIVE SCHWANKE asked what percentage of school districts in Alaska are in the Hold Harmless Situation.

MR. PAINTER said that he is unaware of any school districts in Alaska that are in a Hold Harmless Situation.

[8:48:56 AM](#)

MR. PAINTER skipped back to slide 9a, which highlighted the history of Alaska's public education funding formula and the inception of the BSA. He detailed the changes that have been made to the funding formula in each Fiscal Year (FY) since FY 98.

[8:53:13 AM](#)

CO-CHAIR STORY commented that the Alaska State Legislature increased pupil transportation funding by 7 million dollars because of the great demand of funding from the service.

[8:53:56 AM](#)

REPRESENTATIVE SCHWANKE described how she has been encouraging her local districts to "be creative" in reducing long term costs of improving efficiencies where districts school districts can.

[8:55:12 AM](#)

MR. PAINTER resumed the presentation on slide 10a, which described various changes that have been made in state and local contributions to school districts around Alaska. He said that school districts in Alaska are allowed to contribute a maximum of 23 percent of a district's

[8:58:04 AM](#)

CO-CHAIR STORY asked how school districts in Alaska could raise their revenue output.

MR. PAINTER said that a municipal school district may choose to raise local taxes or take on different responsibilities of the school district as a means to both raise revenue and alleviate cost burden from the school district.

CO-CHAIR STORY asked if the only way to account for inflation in school funding was to increase the BSA.

MR. PAINTER said that the exhaustion of COVID-19 funding has left districts with only the statutory BSA, which isn't enough.

CO-CHAIR STORY asked why there is no inflationary statute associated with the BSA formula and asked when the last time the BSA was increased.

MR. PAINTER replied that the inflationary statute is a policy call of the Alaska State Legislature and said that the funding for the BSA hasn't been increased since FY 17.

[9:02:01 AM](#)

REPRESENTATIVE DIBERT asked what would happen if the state got rid of the maximum contribution limit for local municipalities to their school districts.

MR. PAINTER said that certain school districts like those in Anchorage and Juneau would be more affected than those in Rural Education Areas (REA). He said that the maximum contribution limit allows for a more equitable funding scenario for public schools across the state.

[9:04:13 AM](#)

CO-CHAIR STORY asked if the funding from the federal government would go to the Alaska State Legislature if it passed a funding disparity test.

MR. PAINTER affirmed Co-Chair Story's understanding of the current funding environment. He said that some districts would receive more funding and some would not if the maximum contribution limit did not exist.

[9:05:54 AM](#)

MR. PAINTER resumed the presentation on slide 11a, which displayed a graph that highlighted the decline in statewide average daily membership in Alaska's public schools. He moved to slide 12a, which emphasized the impact of non-correspondence in Alaska's schools and the associated conditions that led to non-correspondence.

[9:10:07 AM](#)

REPRESENTATIVE ELAM asked Mr. Painter to explain the gap in student populations displayed on slide 11.

MR. PAINTER explained that the numbers displayed on slide 11 are supplemental to the total number displayed on slide 12.

REPRESENTATIVE ELAM asked what the total number of students in Alaska are.

MR. PAINTER pointed to slide 12 to explain how the total number of students in Alaska is calculated.

[9:11:54 AM](#)

REPRESENTATIVE SCHWANKE asked if there has been any discussion of tapping healthcare funds to support public education.

MR. PAINTER answered that Alaska doesn't use healthcare funding for public education.

[9:13:57 AM](#)

MR. PAINTER resumed the presentation on slide 13a, which highlighted the history of the BSA's levels of funding. He moved to slide 14a, which outlined the history of the BSA's levels of funding, including funding coming from outside sources.

[9:16:29 AM](#)

REPRESENTATIVE EISCHEID asked what the impact of a dollar from the BSA is versus one coming from a one-time increase.

MR. PAINTER shared an anecdote that school districts often build and submit their budget months in advance to the governor signing the state Budget and explained that districts are not able to count on one-time funding, which is problematic for budgeting.

REPRESENTATIVE EISCHEID commented that school districts often have to fire and re hire personnel and teachers in the event of a one-time funding increase.

[9:20:09 AM](#)

MR. PAINTER skipped to slide 15a, which displayed a graph that highlighted student's basic need projection over the coming fiscal years. He moved to slide 16a, which displayed a graph that outlined students basic need projections from FY 05 to FY 26. He continued to slides 17a and 18a, both of which displayed

a graph that highlighted foundation funding plus additional formula funding and the impacts that it has on public education in Alaska.

[9:23:05 AM](#)

CO-CHAIR STORY shared her concern that a one-time increase in funding would lead a school district to be leery in using the independent funds for a teacher's salaries.

MR. PAINTER confirmed Representative Story's understanding as correct.

[9:24:02 AM](#)

CO-CHAIR HIMSCHOOT commented that one time funding is unlikely to go "straight into the classroom."

MR. PAINTER said that Representative Himschoot's understanding is correct and said that a school district is essentially gambling when they use a one-time funding increase for a teacher's salary.

CO-CHAIR HIMSCHOOT asked if there are any reserve funds that school districts might be able to utilize.

MR. PAINTER said that there are, but shared his unsureness if there was cap on funding a school district's reserves.

[9:27:05 AM](#)

REPRESENTATIVE DIBERT asked if there has been any studies on the impact of one-time funding versus formula funding.

MR. PAINTER said that he is unaware of any studies examining the impacts of one-time funding s formula funding beyond anecdotal evidence.

REPRESENTATIVE DIBERT commented that it is hard to quantify the impacts of a teacher being fired.

[9:28:27 AM](#)

CO-CHAIR STORY echoed Representative Dibert's comment on the impact of a teacher being fired and said that she is concerned about the amount of school districts having to hire, fire, re-hire, and re-train newer students.

[9:29:10 AM](#)

MR. PAINTER resumed the presentation on slides 19a and 20a, both of which highlighted the total funding that school districts have received between foundational and one time

[9:30:11 AM](#)

HIMSCHOOT asked Mr. Painter if he had any insight on the impact of municipal funding on school districts around Alaska.

MR. PAINTER said that certain municipalities might have to raise taxes or mill rates to make up for a difference on a funding reserve cap.

[9:31:46 AM](#)

MR. PAINTER concluded the presentation on slide 20a, which emphasized the different funding "levers" that the Legislature might be able to utilize to impact the funding of public schools in Alaska.

[9:35:46 AM](#)

CO-CHAIR STORY asked for clarification if a district would produce more revenue if the Alaska State Legislature were to increase the BSA.

MR. PAINTER clarified that a municipality would be able to put more into the required local contribution of their education budget if the BSA were to be increased.

[9:36:26 AM](#)

CO-CHAIR HIMSCHOOT asked how the state adjusts for salary increases in its budgeting process.

MR. PAINTER explained that there are several bargaining units, all of which have been given just over \$400 Million in the past 5 years to cover increased salaries and healthcare costs.

[9:38:38 AM](#)

CO-CHAIR STORY commented that the state and Legislature are to honor the contracts negotiated by bargaining units within Alaska and said that the cost of them must be absorbed by a school district's budget.

MR. PAINTER replied that the majority of school districts in Alaska are capped with regards to how much money they may be able to receive from the federal government.

CO-CHAIR STORY commented that 85 percent of a school districts budgets go to the personnel's salaries.

MR. PAINTER said that Co-Chair Story's understanding was correct.

[9:41:14 AM](#)

REPRESENTATIVE DIBERT asked Mr. Painter for his opinion on the best way to solve the funding crisis.

MR. PAINTER answered that it is a policy decision and said that he is not in a position to give advice.

[9:42:03 AM](#)

REPRESENTATIVE SCHWANKE said that there is a large disparity between the rural and urban school districts in Alaska, largely due to the low pay of rural regions. She said that a method of relief for funding that she is seeing in those school districts is a fairer distribution of funds among students.

[9:44:00 AM](#)

REPRESENTATIVE EISCHEID asked Mr. Painter if he could point to any other states that have had a similarly frozen foundation formula.

MR. PAINTER answered that the overall trend nationally is that the cost of public education outpacing inflation.

[9:46:43 AM](#)

CO-CHAIR STORY added that the highest expenditure of most states' budgets is public education and explained certain factors specific to Alaska that influence its higher cost of education.

[9:48:17 AM](#)

CO-CHAIR STORY thanked the presenters and delivered committee announcements.

[9:49:50 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:49 a.m.