

**ALASKA STATE LEGISLATURE  
SENATE EDUCATION STANDING COMMITTEE**

January 27, 2025

3:30 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION(S): K-12 FUNDING HISTORY

- HEARD

PRESENTATION(S): EFFECTS OF PUBLIC EDUCATION FUNDING IN ALASKA

- HEARD

PUBLIC TESTIMONY: STATE OF PUBLIC EDUCATION IN ALASKA

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ALEXEI PAINTER, Director  
Legislative Finance Division  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Co-presented K-12 Funding History.

CONOR BELL, Fiscal Analyst  
Legislative Finance Division  
Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Co-presented K-12 Funding History.

CLAYTON HOLLAND, Superintendent  
Kenai Peninsula Borough School District  
Soldotna, Alaska

**POSITION STATEMENT:** Offered the presentation Effects of Public Education Funding in Alaska.

DAVID KINGSLAND, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified on the state of public education in Alaska.

BEN SPIESS, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of increasing school funding.

KELLY LESSENS, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of increasing school funding.

ANDY HOLLEMAN, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of increasing school funding.

JOSHUA GIRARD, representing self  
Seward, Alaska

**POSITION STATEMENT:** Testified in support of increased school funding.

#### **ACTION NARRATIVE**

3:30:45 PM

SENATOR TOBIN called the Senate Education Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Cronk, Bjorkman, Stevens, Kiehl and Chair Tobin.

CHAIR TOBIN invited members to introduce themselves.

SENATOR KIEHL said he is happy to be on the Senate Education Standing Committee, there is a lot of work to do for the students and families of Alaska.

SENATOR CRONK said he is excited to sit on the Senate Education Standing Committee as a retired teacher and hopes to ensure the issue of school funding is resolved so everyone has what they need.

SENATOR BJORKMAN stated he is excited to be here.

SENATOR STEVENS mentioned his claim to fame was the bill he sponsored creating the Senate and House Education Standing Committees. He has served on the education committee since its creation.

### **PRESENTATION(S) : K-12 FUNDING HISTORY**

[3:34:23 PM](#)

SENATOR TOBIN announced the presentation K-12 Funding History.

[3:34:42 PM](#)

ALEXEI PAINTER, Director, Legislative Finance Division, Alaska State Legislature, Juneau, Alaska, Co-presented K-12 Funding History, introduced himself.

[3:34:45 PM](#)

CONOR BELL, Fiscal Analyst, Legislative Finance Division, Alaska State Legislature, Juneau, Alaska, Co-presented K-12 Funding History, introduced himself.

[3:34:50 PM](#)

MR. PAINTER moved to slide 2 and said the presentation would discuss the following:

[Original punctuation provided.]

#### Outline

- Funding Sources for School Districts
  - State, federal, and local sources
  - Direct versus indirect sources
  - Comparison to other states
- Basics of State Foundation Formula
- State Formula Funding History
  - Impact of factors in the foundation formula
  - Changes over time
- Funding Levers for the Legislature

[3:35:15 PM](#)

MR. PAINTER moved to slide 3, FY 25 School District Budgeted Revenues by Payor. He said the pie graph shows the budgeted revenue by payor for FY 25:

State \$1,375.2 billion	62 percent of total revenue
Local \$544.9 billion	25 percent
Federal \$240.8 billion	11 percent
Other \$49.1 billion	2 percent

[3:35:53 PM](#)

SENATOR STEVENS requested Mr. Painter display local contribution in two categories, "required" and "optional".

MR. PAINTER replied he would do so in the future.

MR. PAINTER moved to slide 4, FY 25 Sources of Funding for School Districts and mentioned the graph shows both required and additional local contribution amounts. He explained the pie graph is a more detailed breakdown of revenue sources for school district funding. The state portion of the foundation formula is the largest and the presentation would focus primarily on it:

**Foundation Formula**

Foundation Formula	\$1,166,581.2
Pupil Transportation	\$77,900.4
Deductible Federal Impact Aid	\$89,123.9
Required Local Contribution	\$314,042.8

**Other funding**

Additional Local Contribution	\$229,429.3 (optional)
Federal and Other Funding	\$120,673.7
TRS/PERS Payments on Behalf of School Districts (Indirect Funding)	\$134,656.3
Additional Formula Funding	\$174.7 (General fund and PFD Raffle program)
School Debt Reimbursement	\$57,517.7
REAA Fund	\$26,978.0 (rural school construction and major maintenance)

[3:37:54 PM](#)

MR. PAINTER moved to slide 5, and said direct versus indirect sources is relevant when making national comparisons:

[Original punctuation provided.]

Direct versus Indirect Sources

- School districts receive direct funding through the State foundation and pupil transportation formulas, federal impact aid and title programs, municipal contributions, and E-Rate funding.
- They also receive indirect funding that does not show up in their revenue reports but is spent by the State on their behalf. This includes PERS and TRS funding above the employer caps, school debt reimbursement, school construction and major maintenance funding.
- The Census Bureau's school finance data (used for cross-state comparisons) includes PERS and TRS funding but not other indirect sources.
- Most of this presentation will focus on the foundation and pupil transportation formulas, as well as municipal contributions.

[3:39:39 PM](#)

CHAIR TOBIN asked whether E-Rate funding falls under the "federal and other" category and how much of the category it comprises.

MR. PAINTER replied that E-Rate funding flows directly through districts not the state, so it was not included.

[3:40:07 PM](#)

MR. BELL replied that federal E-rate funding flows directly to districts, with a few minor exceptions. The amount is roughly \$100 million.

CHAIR TOBIN asked for the exact amount of E-Rate funding and noted conjecture about the program's possible elimination.

SENATOR STEVENS asked whether the presentation would discuss school construction.

MR. PAINTER replied no, but he could answer questions.

SENATOR STEVENS asked for information and a timeline regarding when the state stopped building new schools.

MR. PAINTER replied that since 2015, a moratorium has been in place on new school debt through the School Debt Reimbursement Program. He said the state continues to reimburse prior debt, and districts may still incur new debt, but without state reimbursement during the moratorium. The moratorium was extended once and is scheduled to sunset on July 1, 2025. After that

date, districts will again be eligible for reimbursement, but at a reduced rate of 40 to 50 percent, compared to the previous 60 to 70 percent. He added that new debt contracted after July 1, 2025, will qualify for reimbursement, with state payments expected to begin the following year.

[3:41:59 PM](#)

SENATOR STEVENS asked for confirmation that once the moratorium ends on July 1, districts will be free to proceed with new debt and the state will be obligated to reimburse under the updated program.

MR. PAINTER replied yes.

SENATOR STEVENS responded that the state is tight on funds and may need to consider extending the moratorium for a few more years.

SENATOR KIEHL asked whether having qualified programs that are bonded and eligible for reimbursement is, in effect, a way to bypass the challenges created by vetoes of major maintenance funding.

MR. PAINTER replied that the statement is accurate to some extent, although the governor has previously vetoed reimbursements, which are subject to annual appropriation. He explained that under the School Bond Debt Reimbursement Program, the state does not veto projects upfront; if the projects qualify and local voters approve them, they move forward. However, reimbursement to municipalities is subject to annual appropriation. He noted that in the past, some appropriations were vetoed, though the legislature later repaid them when revenues were higher. There were also years when districts received no reimbursement or reduced reimbursement.

[3:43:28 PM](#)

SENATOR KIEHL asked for an explanation of the connection to rural school maintenance where bonding is not available.

MR. PAINTER explained that the Regional Education Attendance Area (REAA) fund is capitalized based on the prior year's School Bond Debt Reimbursement amount and adjusted for student counts across urban versus rural (REAA), and small versus large municipal districts. He stated that because the fund is tied in statute to the prior year's reimbursement, the moratorium has caused a decline in the REAA fund's capitalization. Although the decline lags slightly, the amount has dropped significantly—from

\$34-35 million in past years to \$27 million this year, with further decreases expected in FY 26. He added that if the moratorium is extended, the REAA fund amount will continue to decline over time.

[3:44:39 PM](#)

MR. PAINTER moved to slide 6, All States Education Funding FY22 Sorted by State Funding. He said that Alaska is compared to other states using U.S. Census Bureau data, with FY 22 being the most recent full year available. He noted that slide 6 ranks states based only on state funding, not total funding sources, and shows Alaska as the sixth highest, down from fourth two years ago. He explained that federal funding was relatively higher across all states in FY 22 due to COVID-19 relief funds received by school districts. He stated his belief that most of the COVID-19 funds have now been expended, so a graph for FY 25 or FY 26 would likely show different results.

[3:46:19 PM](#)

MR. PAINTER moved to slides 7 - 8, All States Education Funding FY 22 Sorted by Total Funding. He said the graph shows that Alaska drops to 14th place among all states when total funding sources are compared. He explained that Alaska relies heavily on state funding relative to other states. He noted that on the graph, blue bars represent state sources, red bars represent local sources, and green bars represent federal sources. He said Alaska also relies heavily on federal funding while contributing relatively little in municipal funding. He explained that when only state sources are compared, as some research has done, Alaska ranks higher because many districts lack taxing authority, resulting in minimal local funding. He noted that the funding amounts are unadjusted for Alaska's cost of living, which may be higher than in other states. He added that the Institute of Social and Economic Research (ISER) has conducted cost-of-living comparisons.

[3:47:18 PM](#)

MR. BELL moved to slide 9, Basics of Foundation Formula and discussed the following points:

[Original punctuation provided.]

- Amounts for the Foundation Formula and Pupil Transportation Formula are appropriated to the Public Education Fund (PEF)
- Funding flows to districts from the PEF according to the statutory formula without further appropriation

- Funding is typically appropriated as a language item for the amount necessary to fund the formula rather than a fixed dollar amount
- Formula funding is subject to appropriation

[3:49:05 PM](#)

MR. BELL moved to slide 10, and continued discussing the basics of the Foundation Formula:

[Original punctuation provided.]

- Average Daily Membership (ADM) - student count taken in 20-day period ending in the last Friday in October
- Adjusted Average Daily Membership (AADM) - student count as modified by factors:
  - Correspondence students are not multiplied by other factors, but count as 0.9 ADM
  - Non-correspondence student count is multiplied by:
    - School size factor, providing more funds per student for smaller schools. District values range from 1.13 (Anchorage) to 3.30 (Aleutian Region)
    - District cost factor, adjusting for cost differentials between districts. Values range from 1.000 (Anchorage) to 2.116 (Yukon Flats)
    - Special Needs Factor, a block grant multiplying every district's ADM by 1.20
    - Career and Technical Education (CTE) Factor, a block grant multiplying every district's ADM by 1.015
    - Special Education (SPED) Intensive factor, providing 13x ADM for special education students in a high need category
- The AADM is then multiplied by the Base Student Allocation (BSA) to get Basic Need
- Basic Need is paid by a combination of the required local contribution, deductible federal impact aid, and state aid.

[3:52:30 PM](#)

CHAIR TOBIN asked whether funding follows a student with intensive needs who is counted under the Average Daily Membership (ADM) during the 20-day count period in one school district but then transfers to a new district at the semester. She asked if the funding goes to the new school.

MR. BELL stated his belief that the funding stays in the original school

MR. PAINTER agreed that funding is tied to the October student count. He noted there was discussion about implementing a secondary student count and adjusting, but that change is not currently in statute.

[3:53:20 PM](#)

MR. BELL moved to slide 11, Foundation Formula - Adjustment Factors and provided an example showing calculations and explanations of how the factors affect the Fairbanks North Star Borough projections for FY 26. The factors were:

ADM  
Non-Correspondence ADM  
School Size Factor  
District Cost Factor  
Special Needs Factor  
CTE Factor  
SPED Intensive  
Correspondence

[3:55:35 PM](#)

MR. BELL moved to slide 12, and provided a list of other provisions that can have an impact on the adjusted ADM calculation:

[Original punctuation provided.]

Foundation Formula - Other  
Provisions

- Hold Harmless
  - For school districts with a reduction in ADM of at least 5 percent from the prior year, the reduction is phased in over three years
- Consolidation of Schools
  - For districts that consolidate one or more schools, leading to reduced school size factors
  - Funding reduction phased in over four years

[3:56:47 PM](#)

SENATOR STEVENS asked where the area cost differential appears in the funding formula.

MR. BELL replied that on slide 11 it appears as the district cost factor, 1.07, which is basically the cost of living or how much more expensive it is to provide services in Fairbanks compared to Anchorage.

[3:57:18 PM](#)

MR. PAINTER moved to slide 13, Foundation Formula History:

[Original punctuation provided.]

#### Foundation Formula History

- Since the current formula was established in 1998, the legislature has modified the factors several times. This means that \$1 in the BSA in FY99 is not equivalent to \$1 in the BSA in FY25.
- District Cost Factors: Original factors were modified in 2008 to implement a study conducted in 2005, based on FY00-03 data. The new factors were phased in from FY09-13.

MR. PAINTER stated district cost factors have not been updated since FY 13 even though there is a statute that says the Department of Education shall come forward with new cost differentials every two years. It was done once but the Legislature did not like it and told DEED to stop. There has not been a new study since 2005.

- The Intensive Special Education factor was increased from 5x to 9x in FY10, to 11x in FY11, and to 13x in FY12.

MR. BELL added that prior legislative debate centered on the true cost of services. In FY 12 the Legislature was attempting to adjust the cost to what districts experienced on average.

- The Career and Technical Education (CTE) factor was added in FY10 at 1.01 (or 1 percent).
- In FY15, the Career and Technical Education Factor was increased to 1.015, and the Correspondence Multiplier increased from 0.8 to 0.9.

[3:59:34 PM](#)

SENATOR CRONK expressed that the multiplier 13 for intensive special education students was unclear and asked if 13 is multiplied by \$5,960.

MR. PAINTER stated that the calculation for intensive special education occurs at the end of the funding formula to avoid other factors. He explained that each intensive special education student is counted at 13 times the Base Student Allocation (BSA). For the Fairbanks district, he said this equals 5,044 students multiplied by the BSA of \$5,960.

[4:00:35 PM](#)

MR. PAINTER moved to slide [14], and said changes to state and local contributions have changed overtime:

[Original punctuation provided.]

### **Changes in State and Local Contributions**

- 34 of Alaska's 53 school districts are in organized areas, meaning that their boundaries correspond to municipal boundaries. The remaining 19 districts are Regional Educational Attendance Areas (REAAAs), with no municipal government and no taxing power.
- Municipal school districts have a required local contribution and a maximum local contribution.
- Until FY01, the required local contribution is the lesser of 4 mills (0.4 percent of property value) or 45 percent of Basic Need. From FY02 to FY11, only 50 percent of the increase in property values could be added to the local contribution each year, resulting in many districts paying less than 4 mills. From FY12 on, the contribution has been fixed at 2.65 mills or 45 percent of Basic Need.
- The maximum optional local contribution for most districts is 23 percent of Basic Need, allowing Alaska to pass the federal disparity test (which requires no more than 25 percent difference in funding per AADM and allows Alaska to deduct \$81 million of federal impact aid from the State share of funding).

MR. PAINTER added that the cap also helps meet constitutional requirements for equalized education across the state, preventing funding disparities between urban districts and Regional Educational Attendance Areas (REAAAs), which lack taxing authority.

[4:03:12 PM](#)

CHAIR TOBIN asked for the current difference in Alaska's federal disparity calculation. She inquired whether the state is at the 25 percent cap or operating below it.

MR. PAINTER replied that Alaska is currently slightly below the 25 percent federal disparity threshold. He explained this is due to how outside-the-formula funding has been treated in recent submissions by the Department of Education. Unlike formula funding, which is adjusted based on adjusted average daily membership (AADM), the outside-the-formula funding has been adjusted using only average daily membership (ADM). Since rural districts have higher multipliers, this method results in a higher per-ADM funding appearance for those districts, which narrows the disparity. He stated this approach has been accepted by the federal government and benefits the state in the disparity calculation, though a reversal in the method could return the state closer to the 25 percent cap.

[4:05:05 PM](#)

SENATOR STEVENS asked what the state requires as the minimum local contribution for school funding.

MR. PAINTER stated that the minimum local contribution is 2.65 mills and is not calculated based on basic need. He explained that most districts follow this mill rate. However, districts with high property values relative to their population—such as the North Slope Borough, Valdez, and Skagway—are subject to an alternative cap of 45 percent of basic need. He clarified that these districts use the alternative calculation due to their high property tax base.

[4:05:59 PM](#)

SENATOR CRONK asked whether it is possible to obtain a breakdown of the federal impact aid received by each district.

MR. PAINTER confirmed that the information is available in the "four-pager" prepared by the Department of Education and he could provide members with a copy. He added that the amount of federal impact aid received by districts varies significantly. He stated that for some districts, impact aid could account for up to 26 percent of their budget if fully received, while other districts receive none. He noted that if Alaska failed the federal disparity test, some districts would experience a financial windfall, while others would see no change. He suggested it is useful to examine which districts would benefit and which would not in that scenario.

CHAIR TOBIN said there has been confusion about how federal impact aid is distributed to districts. She asked whether there is information available on the process or if more detail could be provided, noting there are beliefs that DEED withholds the aid and then redistributes it.

[4:07:04 PM](#)

MR. PAINTER clarified that federal impact aid is sent directly to the districts and does not flow through the state's budget, except for limited amounts for military schools. Instead, the state deducts its portion of aid based on what the districts receive. It does not redistribute the funds.

[4:07:34 PM](#)

MR. PAINTER moved to slide [15], Statewide Average Daily Membership and Adjusted Average Daily Membership History, and noted the first graph compares average daily membership (ADM) shown in blue bars with adjusted average daily membership (AADM) in red bars from FY05 through FY26. He explained that actual student enrollment peaked in FY06 at around 131,000 and is projected to decline to just under 125,000 students in FY26, based on Department of Labor demographic data. He said the declining trend is expected to continue due to fewer children in the 0-5 age range compared to the 6-18 age range. He also noted a shift from brick-and-mortar enrollment to correspondence programs, which reduces funding due to a lower multiplier. While ADM has declined, AADM has increased over time due to formula changes, particularly new district cost factors phased in between FY09 and FY13. He emphasized that since the Base Student Allocation (BSA) is multiplied by AADM, comparisons over time must account for changes in AADM rather than just looking at BSA alone.

CHAIR TOBIN asked for clarification on the role of correspondence programs versus natural decline. She referenced the FY26 overview, noting that approximately 900 additional students enrolled in correspondence programs, while total enrollment dropped by about 3,700 students. She questioned whether natural attrition is the primary factor behind the decline in brick-and-mortar enrollment.

MR. PAINTER explained that two factors are influencing the decline in brick-and-mortar enrollment: a shift toward correspondence programs and a larger overall drop in student population. He stated the greater impact comes from demographic trends, which are expected to continue for at least the next five years.

[4:10:36 PM](#)

MR. PAINTER moved to slide [16], Impact of Factors per Non-Correspondence ADM, FY 05-06, and described it as a more technical view that isolates changes in multipliers by dividing adjusted average daily membership (AADM) by average daily membership (ADM). This calculation shows the effective average multiplier over time, independent of student count. He highlighted that the increase in multipliers reflects the phase-in of new cost and intensive needs factors, particularly between FY09 and FY13. He described the color-coded bars representing various multipliers—such as the school size hold harmless, cost factor, special needs, career and technical education (CTE), and intensive services—pointing out the growing orange slice for intensive needs as the multiplier rose from 5 to 13. He also discussed an anomaly in FY21 during the COVID-19 pandemic. Many students shifted from brick-and-mortar to correspondence programs, triggering the hold harmless provision for districts that lost more than 5 percent of brick-and-mortar enrollment. Those same districts received full funding for the corresponding increase in correspondence students, effectively being funded for the same students twice. He said this led to a one-year spike in funding and multipliers, followed by a partial return to pre-pandemic levels. He noted that this spike triggered the federal maintenance of equity provision, which indicated a funding drop from FY21 to FY22—though it was largely a formula artifact rather than an actual cut.

CHAIR TOBIN asked whether the true cost of serving intensive needs students has been evaluated and whether such evaluations are ongoing. She referenced earlier comments that district cost factors were intended to be updated every two years, primarily by the Legislative Budget and Audit Committee, and asked if that or any other entity has assessed the current costs of intensive needs students.

[4:14:04 PM](#)

MR. PAINTER responded that he has not seen any analysis of the cost of serving intensive needs students since the formula change in FY12. He noted that at the time, multiple districts and DEED conducted such evaluations, but there has been no updated analysis since.

[4:14:24 PM](#)

MR. PAINTER moved to slide [17], Base Student Allocation History (Formula Only), and emphasized that while this slide is often highlighted, it does not provide a complete picture due to the

impact of multipliers. He explained that \$1 in BSA in FY06 is not equivalent to \$1 in FY26, as it's multiplied by different adjusted values. The slide shows blue bars for the statutory BSA and an orange line for the BSA in current dollars, adjusted using a 2.5 percent inflation assumption for FY25 and FY26. He pointed out that BSA peaked in FY07 and declined since then, especially during years when multiplier funding increased instead of the BSA. Inflation-driven declines were especially visible from FY21 through FY23. The trend was more gradual in years when inflation was lower, and the legislature was increasing the BSA. The BSA stayed at \$5930 for several years.

[4:16:07 PM](#)

MR. PAINTER moved to slide [18], Base Student Allocation History (Including Outside the Formula Funding), which adds green bars showing the BSA-equivalent value of outside-the-formula funding. He said the Legislature has often provided additional appropriations to districts outside the statutory formula, which must be considered to understand total funding. This outside funding raises recent year values, particularly in FY25, though still not reaching FY21 or earlier levels.

[4:16:50 PM](#)

MR. PAINTER moved to slide [19], Basic Need, FY05-FY26 projection (Nominal dollars), which shows basic need funding in nominal (non-inflation adjusted) dollars from the three funding sources: the state, required local contribution, and deductible impact aid. He said this slide reflects the effects of both student multipliers and changes in BSA, with a peak in FY21 due to hold harmless provisions during the pandemic.

MR. PAINTER moved to slide [20], Basic Need FY05 - FY26 Projection (FY24 Dollars), and said it shows the same basic need data adjusted for FY24 dollars. He explained that the inflation-adjusted peak year for total formula funding was FY11, with a near-peak again in FY17 when the BSA increased. He noted a significant decline since FY21 due to a minimal BSA increase of \$30 and high inflation.

[4:18:03 PM](#)

CHAIR TOBIN asked whether any efforts have been made since 2015 to review or revise the education funding formula to ensure it meets current needs. She referenced previous comments about changes to the formula over time and questioned whether there have been any provisions or discussions aimed at aligning funding with desired educational outcomes.

MR. PAINTER stated that the last formal review commissioned by the Legislature was part of the 2014 education bill, which led to a 2015 study. That study focused on whether the funding formula was based on the correct elements and calculated properly, rather than evaluating the appropriateness of the multipliers themselves. He noted that while individual school districts may have conducted their own analyses, the Legislature has not commissioned any further studies since then.

[4:19:06 PM](#)

MR. PAINTER moved to slide [21], Foundation Funding Plus Additional Formula Funding and Pupil Transportation, FY05-26 (Nominal Dollars), and said the graph builds on basic need by adding green bars for additional formula funding and red bars for pupil transportation formula funding. He explained that this graph includes all funding provided to districts through the state formulas. In nominal dollars, he noted that the peak year for total formula-based funding to districts was FY25.

[4:19:39 PM](#)

MR. PAINTER moved to slide [22], Foundation Funding Plus Additional Formula Funding and Pupil Transportation, and explained that this graph adjusts total formula funding for inflation using FY24 dollars. In this version, the peak funding year shifts to FY12 due to a significant amount of outside-the-formula funding. He noted that funding levels were generally close between FY11, FY12, FY13, and FY15 when there was outside-the-formula funding. He added that when the Legislature passed the 2014 education bill, it included outside-the-formula funding intended for FY15, FY16, and FY17. However, following the 2014 oil price crash, the Legislature removed the FY16 and FY17 appropriations through a supplemental budget, leaving only FY15 funding intact. As a result, what was designed to be flat funding over three years was cut short. He concluded that peak funding years are roughly FY12, FY13, or FY15, and that the inflation-adjusted FY25 amount still falls short of those earlier levels.

[4:20:51 PM](#)

MR. PAINTER moved to slide [23], Foundation Funding plus Additional Formula Funding and Pupil Transportation and Additional Local Contribution, FY05-26 (Nominal dollars). He explained this graph includes additional local contributions to show not only state funding but also what local governments provide to school districts. He explained that these contributions have increased over time due to the cap being tied to basic need, which has risen, and because more districts have

opted to fund closer to the cap as state aid has remained flat or declined. He noted that while more districts are now funding near the cap, they are still limited by it and cannot exceed the maximum contribution. He added that some districts do not currently fund to the cap and could potentially increase their local contributions if needed. For example, Anchorage, Juneau, and Kodiak fund to the cap, while the Matanuska-Susitna (Mat-Su) Borough and Fairbanks do not, leaving room for possible increases at the municipal level.

[4:22:02 PM](#)

MR. PAINTER moved to slide [24], Foundation Funding Plus Additional Formula Funding, Pupil Transportation, and Additional Local Contribution, FY05-26 (FY24 Dollars), and said the graph adjusts the previous version for inflation, showing total funding including local contributions in FY24 dollars. He noted that funding levels remained relatively flat from FY11 through FY18, except for a noticeable dip in FY14, which helped prompt the passage of the 2014 education bill. He pointed out a slight decline beginning in FY19, followed by a significant decline in recent years due to the lack of increases to the Base Student Allocation (BSA) and an increase in inflation.

[4:22:42 PM](#)

MR. PAINTER moved to slide [25], and said the BSA is not the only lever available to the legislature:

[Original punctuation provided.]

### **Funding Levers for the Legislature**

The Legislature has several levers to impact school funding, each with different impacts to districts:

- Base Student Allocation - provides across-the-board funding to all school districts on an equal per-adjusted-student basis
- Outside-the-formula funding - same as above on a one-time basis
- Formula factors - targeted changes that would affect districts differently
- TRS on-behalf payment cap - provides equal amounts of funding to districts on a per-employee basis (rather than per-student)
- Required local contribution - shift who pays between State and local governments

- Local contribution cap - allow greater contributions by some municipalities, but likely lose equalized formula (increasing State costs but providing more funding to some districts)

[4:26:02 PM](#)

CHAIR TOBIN withheld further questions in the interest of time and thanked the presenters.

**PRESENTATION(S) :**  
**EFFECTS OF PUBLIC EDUCATION FUNDING IN ALASKA**

[4:26:22 PM](#)

SENATOR TOBIN announced the presentation Effects of Public Education Funding in Alaska.

[4:26:46 PM](#)

CLAYTON HOLLAND, Superintendent, Kenai Peninsula Borough School District, Soldotna, Alaska, offered the presentation Effects of Public Education Funding in Alaska. He said he would talk about the Kenai Peninsula Borough School District (KPBSD) but noted that his comments reflect statewide conditions. KPBSD is the size of West Virginia, with 42 schools, 8,500 students, 1,200 employees, and a unique range of school types. He said funding for KPBSD is similar to that of the Matanuska-Susitna Borough School District (Mat-Su).

[4:27:47 PM](#)

MR. HOLLAND moved to slide 2, Funding for Public Education

[Original punctuation provided.]

**Funding for Public Education**

- Early and predictable funding is crucial
- Flat funding & inflation = unsustainable loss of purchasing power
- Since FY17 - \$30 (>1%) BSA Increase in FY24 to implement the Alaska Reads Act

MR. HOLLAND said that since FY17, the only increase to the Base Student Allocation (BSA) has been a one-time \$30 bump. He emphasized that early and predictable funding is effective, referencing prior comments. While districts are always grateful for one-time funding, he noted it typically arrives late-last year, for example, the budget was

transmitted on June 28, just two days before the new fiscal year began. He explained that this delay impacts the district's ability to plan budgets, offer contracts, and hire staff. He urged that if any funding action is taken this year, it be done early to allow districts and communities to move forward with planning.

[4:28:49 PM](#)

MR. HOLLAND moved to slide 3, How BSA Flat Funding is Affecting Our Schools, and stated that the graph shows the FY25 Base Student Allocation (BSA) of \$5,960 has an inflation-adjusted value equivalent to \$4,551 in FY12 dollars. He said this illustrates how inflation has eroded the purchasing power of education funding, a reality often overlooked in public education discussions despite its obvious impact in daily life.

[4:29:32 PM](#)

MR. HOLLAND moved to slide 4, School Transportation Funding, and said the graph shows revenue received over time and actual or projected expenditures. For KPBSD and other districts, this gap has required transfers from the general fund. Two years ago, the district transferred \$500,000, and it expects to transfer the same amount next year. Although no transfer was made this year, it was only possible by cutting bus routes. He explained that one-time funding did not cover the district's deficit, resulting in route eliminations and changes—such as moving student pick-up points to highways instead of loop roads or more remote areas. He noted that while brick-and-mortar enrollment and bus ridership have declined, districts must still run buses regardless of the number of students. For KPBSD, that means driving 7,000 miles daily to provide transportation. He emphasized that transportation contracts and fuel costs have increased over time, but revenue from the state transportation formula has not kept pace.

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MR. HOLLAND moved to slide 5, How BSA Flat Funding is Affecting Our Schools, and said fixed costs have continued to rise while the Base Student Allocation (BSA) has not. He highlighted insurance costs as a significant example—rising 22 percent in just one year for the district. He reiterated that rising costs, such as transportation and utilities, are eroding available revenue. He shared a recent example in which the district had to purchase 500 gallons of fuel from the village corporation due to unplanned power outages, illustrating how unforeseen expenses strain the budget. He concluded that districts are increasingly

forced to choose between maintaining safe operations and supporting classroom instruction:

[Original punctuation provided.]

#### **How BSA Flat Funding is Affecting Our Schools**

- Fixed Cost Increases
  - Utilities - i.e, energy
  - Insurance costs (health, liability, ect.)
  - Transportation
  - Classroom materials
- Cuts have been made in schools to continue safe operations

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MR. HOLLAND moved to slide 6:

#### **Fiscal Outlook For KPBSD Without a BSA Increase**

- Without a funding increase, KPBSD is facing a \$16.9 million deficit
- KPBSD Fund balance is currently less than \$300,000
- All Special education grant funding has been spend down
- Cuts to programs, staffing and school closures are being considered to balance our budget

MR. HOLLAND said the Kenai Peninsula Borough School District (KPBSD) is facing a dire financial situation, describing the current picture as grim. He reported a projected \$17 million deficit for this year alone, with less than \$300,000 in unrestricted fund balance—less than one day's operating costs. He said the district has exhausted its special education grant funds to the point of enacting a hiring freeze on all new and temporary staff, including paraeducators, and has restricted overtime.

[4:32:53 PM](#)

MR. HOLLAND moved to slide 7:

#### **KPBSD Proposed Cuts**

- Certificated staff - 85.5 teachers
  - Would increase pupil teacher ratio (PTR) by 10 or more in all schools and grades (\$9.8 million budget reduction)
- Cut Pool/Theaters (\$1.4 million budget reduction)
- Cut all extra-curricular activities, includes all sports (\$1.2 million budget reduction)

- District office staff
    - Certified/support salaries reduced by 10 percent
    - Operating Accounts reduced by 10 percent
  - Cuts to Middle College and Curriculum
  - Increase PTR to 1:200 for Connections Homeschool
- Total Reductions = \$16.3 million

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MR. HOLLAND said other reductions not listed on the slide include cuts to gifted and talented programs and distance education. Despite these steps, the district still faces a deficit, prompting consideration of school closures in every region of the district. He added that negotiations with staff are also underway, and salary increases—while clearly needed—have not been factored into the budget. He shared concerns about the sustainability of operations, citing that district staff are stretched too thin. He gave an example of two directors being pulled to respond to crises, leaving him as the only instructional leader available across the entire district, which spans an area the size of West Virginia. He questioned whether this level of oversight is viable, noting that in other industries, the supervision ratio is typically one to seven employees, a standard far exceeded in KPBSD.

[4:34:31 PM](#)

MR. HOLLAND reflected on the past decade, stating that the district has experienced a steady decline in what it can offer students. While he praised the work of students and staff, he emphasized that their achievements represent only a fraction of what could be done with adequate resources. He closed by urging lawmakers to understand the missed opportunities caused by chronic underfunding. He said even a \$1,000 increase to the BSA would only serve to "fill a pothole" rather than restore the system—addressing immediate gaps but not creating long-term stability. He thanked the committee and welcomed any questions.

[4:36:49 PM](#)

SENATOR CRONK asked about the \$1.4 million expense KPBSD listed for pools and theaters, suggesting it appears to be an added cost that most school districts in Alaska do not have

MR. HOLLAND explained that the \$1.4 million expense for pools and theaters is a local issue unique to the Kenai Peninsula Borough School District (KPBSD). Unlike many municipalities—such as Juneau, where the city operates pools and theaters—KPBSD is responsible for running and funding these facilities. He

emphasized that while this may not be a common cost across the state, it is a significant cost incurred by KPBSD.

MR. HOLLAND acknowledged that discussing cuts to sports, pools, and theaters is difficult and often met with skepticism, as the public hears these threats on a yearly basis and has dismissed them as scare tactics. However, he stressed that with a deficit of this magnitude, the district must consider all options, particularly those furthest from direct classroom instruction. He said these items are on the table not by choice, but out of necessity, and without additional funding, all facilities will close, not just pools and theaters.

[4:38:51 PM](#)

CHAIR TOBIN said she appreciated the comments regarding community pools, sharing that she learned to swim in the Nome-Beltz Pool, which is operated by the school district. She said that experience led her to become a lifeguard, which in turn helped her pay for university and flight classes at the University of Alaska Anchorage (UAA).

**PUBLIC TESTIMONY:**  
**STATE OF PUBLIC EDUCATION IN ALASKA**

[4:39:26 PM](#)

CHAIR TOBIN opened public testimony on the state of public education in Alaska.

[4:39:53 PM](#)

DAVID KINGSLAND, representing self, Juneau, Alaska, testified on the state of public education in Alaska. He shared a 60-year personal and family history in Alaska education, including roles as a teacher, principal, and member of state committees. He described the difficulties faced by administrators when staffing decisions are made in January without knowing the following year's budget. He said this often results in staffing reductions and delayed contract offers, creating uncertainty for both school planning and teachers' livelihoods. He recommended providing districts with early funding information and tying the Base Student Allocation (BSA) to inflation to improve budget stability.

[4:43:00 PM](#)

BEN SPIESS, representing self, Anchorage, Alaska, testified in support of increasing school funding. He said he came to testify because he cares deeply about education in Alaska. He expressed strong support for increased education funding and rejected the

idea that the state cannot afford it. He shared that he knows of families that have left Alaska due to concerns about schools, and an Anchorage principal he spoke with is considering leaving because of noncompetitive retirement benefits. He urged the Legislature to increase funding to avoid further erosion of state services and long-term harm to Alaska.

[4:46:23 PM](#)

KELLY LESSENS, representing self, Anchorage, Alaska, testified in support of increasing school funding. She said she is a parent and Anchorage School Board treasurer. She urged immediate legislative action to address Alaska's education funding crisis. She said ASD faces a \$111 million deficit and will likely propose spending down its fund balance to 5 percent, risking financial stability in emergencies. Even with this spend-down, the district still faces \$64 million in cuts, likely requiring larger class sizes and the elimination of services and programs. She stressed the urgency of legislative action to give districts a fighting chance to support students.

[4:49:27 PM](#)

ANDY HOLLEMAN, representing self, Anchorage, Alaska, testified in support of increasing school funding. He said he is a retired educator and current Anchorage School Board president. He stated that school districts across Alaska, including Anchorage, are in a dire situation. He stated his belief that flat funding while inflation erodes purchasing power has been a deliberate strategy, gradually dismantling programs over time. It has created a slow but severe impact. He said underfunding erodes morale and discourages innovation, as educators are forced to cut effective programs just to maintain basic operations. He urged lawmakers to recognize the long-term harm caused by underfunding.

[4:51:49 PM](#)

JOSHUA GIRARD, representing self, Seward, Alaska, testified in support of increased school funding. He said he is a paraprofessional at Seward Middle School and has worked in special education (SPED) for six years across various roles and grade levels. He shared that declining state funding has severely impacted student support. This year, due to staffing shortages, he taught five classes without a certified SPED teacher, leading to extreme stress. A recent hiring freeze further reduced staff, leaving him as the only full-time SPED educator onsite, with minimal support. He said the school is now out of compliance due to the staffing crisis.

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CHAIR TOBIN left public testimony on the state of public education in Alaska open.

[4:54:41 PM](#)

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 4:54 p.m.