



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Education
& Early Development**

OFFICE OF THE COMMISSIONER

333 Willoughby Ave., 9th Floor, SOB
P.O. Box 110500
Juneau, Alaska 99811-0500
Main: 907.465.2800
TTY/TDD: 907.465.2815
Fax: 907.465.2806

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Dear Superintendents

This memorandum provides an update following the Department of Education and Early Development's (DEED) memos from July 27, 2023, and December 1, 2023 (enclosed), regarding local contribution requirements and limitations under Alaska school funding laws.

As noted in the prior memos, DEED has been working on a draft amendment to regulation 4 AAC 09.990 to clarify that the term "local contribution" as used in AS 14.17.410 is not limited to funds appropriated by a city or borough or those reported in a district's school operating fund. This language adjustment is being carefully planned and reviewed to ensure effective and equitable implementation across all Alaska school districts.

The initial draft of the regulation was shared with the Alaska Association of School Business Officials' (ALASBO) Education Policy Workgroup for feedback on potential concerns, which was essential before finalizing the draft regulations that would be presented for the State Board of Education and Early Development's (SBOE) review. DEED appreciates ALASBO's feedback, including concerns regarding the timeline and effective date, and has adjusted the timeline accordingly.

The current plan is to present the draft language for public comment at the SBOE meeting scheduled for March 10-11, 2025. Should the regulation be approved for public comment at that time, the SBOE will review the feedback, adjust as needed, and consider potential adoption at its June 3-4, 2025 meeting. If adopted, the regulation would take effect 30 days after being signed by the Lt. Governor. Under this timeline, any change to the definition of local contribution would be in place as you develop your FY2027 district budget.

The existing regulation was initially to align with the federal Impact Aid Program requirements as understood at that time. However, recent guidance from the Impact Aid Program has called for the State to consider local support beyond revenue and expenditures within the operating fund.

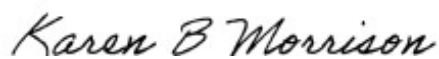
The proposed change aims to not limit funds but rather to ensure financial equity across Alaska's diverse school districts. Alaska's districts vary significantly in geographic size and local funding sources, and it is our collective mission to ensure that all students, regardless of location, receive equitable funding and educational opportunities. The goal is to limit disparity in funding to a 25% range—a worthy aim—and aligns with the disparity threshold within the Impact Aid Program. Not all districts have a supporting municipality, and not all municipalities can provide extra funding. Some districts operate solely on the basic needs calculation, yet they too strive to offer comprehensive services and co-curricular activities without access to additional financial support.

DEED continues to work closely with school districts to identify allowable funds and classify them in compliance with state laws and regulations. For example, DEED has collaborated with districts on managing revenue and expenditures related to community use of school facilities. Districts incur additional costs for this community use, such as custodial, maintenance, energy, and utilities. While districts may choose to offset these expenses through user fees, these revenues are not considered part of the local contribution definition when based on fair market value and calculated reasonably. This arrangement benefits district operations.

In summary, DEED's responsibility is to adhere to statutes set by the Alaska Legislature, ensuring equitable fund distribution to all Alaska school districts. Additionally, AS 14.11.410(b) incorporates federal Impact Aid into the public school funding formula, requiring DEED to comply with the program. Our current work on the regulation is a proactive step to support all Alaska school districts and prevent potential future noncompliance with the Impact Aid Program's disparity test. Should the State fail this test, either the Legislature will need to appropriate additional funds or existing appropriations would be prorated, resulting in funding reductions for all districts.

As of now, DEED has not yet received results of the FY2025 Impact Aid determination. Please feel free to reach out to DEED with any questions or if further clarification is needed. We are committed to achieving a solution that benefits Alaska school districts and their students.

Sincerely,



Karen Morrison, Deputy Commissioner

Enclosures: FY24 DEED Memo LocalCap 7.27.23 (1), DEED Local Contributions Memo to Districts 12.01.23 (2)