

Alaska Association of School Business Officials

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Jun 17, 2025

Ms. Heather Heineken, Director of Finance & Support Services
Ms. Lori Weed, School Finance Manager
Alaska Department of Education & Early Development
PO Box 110500
Juneau, AK 99811-0500

Dear Ms. Heineken and Ms. Weed,

In order to meaningfully plan and engage in the upcoming public process of the proposed regulation amendments to 4 AAC 09 regarding the financing of public schools and the required local contribution, ALASBO has compiled the following questions from our members to better assist in understanding the implementation and impact of the changes.

Below are preliminary questions from our membership based on a review of the information made available:

1. What analysis has been done by DEED on the impacts of implementation of this regulation on municipalities and school districts for FY26 and FY27?
 - a. What information has been gathered from Districts and municipal governments to identify how this will immediately impact District and municipal financial obligations and decision-making?
2. Can the department show or provide the analysis that explains how this change would have led to the State passing disparity based on FY24? (There is confusion amongst members how this is possible, and it would be helpful to see the data.)
3. What methodology will be used for considering whether a service a municipality pays for will be counted as a local or in-kind contribution? Consider the following scenarios:
 - a. If a local municipality operates a small healthy kids grant program, and makes an award to a sports team where there is no booster club or external organization that hosts the sport, does this count as a local contribution?
 - b. If a local municipality utilizes its resources to establish a discretionary or competitive grant program that the District is eligible to apply for to provide supplemental services to the community, would this be considered a local contribution?

- c. If a local municipality is awarded a federal or state grant, and partners with the school district to provide passthrough funds for some component of the grant objectives?
 - i. Would Secure Rural Schools/forest receipts be considered local, subject to the cap?
 - ii. Would funds conveyed through federally and state recognized Tribes be to school districts be considered subject to the cap?
 - d. If a local municipality provides regular service such as snowplowing in the area that benefits a school, can that count as an in-kind contribution?
 - e. With the update to the definition of in-kind contribution, would the construction and major repair of school buildings—when required by the borough assembly under [AS 14.14.060](#)—now be considered an in-kind contribution?
 - f. Is the Mayor and Assembly's time in meetings spent on District topics (budget approval, bond-debt, etc.) considered an in-kind local contribution?
 - g. If a municipal health department employee speaks to a health class, is that an in-kind contribution?
 - h. If students use the city parkland or trails for gym class or field days, is that an in-kind contribution?
4. Who will mediate disputes between municipalities and school districts regarding what is counted and reported as an in-kind contribution?
 5. With the amendment to 4 AAC 09.900(b), the definition of "local contribution" no longer limits appropriations to money given by a city or borough to a school district's operating fund. This change appears to broaden the scope of local contribution to include other local funds such as community donations, student fundraisers, tuition payments, breakfast/lunch payments, fees, rebates, and investment earnings.
 - a. Is that the case?
 - b. Will these items be subject to the cap?
 - c. If all local revenue is counted towards the maximum local contribution for City and Borough Districts, will there be any similar local revenue limit for REAA's which do not have a maximum local contribution limit?
 6. Currently, the State of Alaska is allowed to exclude Pupil Transportation revenue from the Impact Aid Disparity Test and has recently treated transfers into and out of this fund as part of that exclusion. With the implementation of 20 U.S.C. § 7713(4), wouldn't local

districts be held to a stricter standard than the State itself in relation to how current expenditures are defined and applied under the Federal regulations?

7. The proposed regulation references 34 C.F.R. § 222.161(c)(1), but this subparagraph does not appear to exist. [Section 222.161\(c\)](#) provides a list of definitions, but they are not labeled with subparagraph numbers. Clarification is needed on whether the proposed regulation intends to reference only the definition of current expenditures (the first definition listed), or all seven definitions included under 34 C.F.R. § 222.161(c)?
8. Local contribution revenue will be limited based on the definition of current expenditures. Since revenues are not recorded at the function level, we need clarification on the following scenario:

A special revenue fund receives \$25,000 in local revenue and \$10,000 from a state/federal grant. During the year, the district records \$20,000 in community services expenditures.

For the purposes of the new regulation, what amount will be excluded?

- The full \$25,000 in local revenue, since it was intended for community services?
- Or only the \$20,000 in actual recorded community services expenditures?

How would the exclusion amount change if revenues collected exceed expenditures within the same school year?

9. For the community services exclusion, we need clarification on the following scenarios:
 - a. Building rentals overall is a community service recorded as “other local revenue” ; these revenues are not recorded under the function of “community service” so is the expectation for the District to determine and break out those associated expenses so they can be excluded?
 - b. Student activities are not limited to only District enrolled students. How does the State advise on how to break out the revenue/expenses related to non-District students being allowed to participate in those activities?
10. Could or would Emergency preparedness and response activities or EOC-related costs be exempt? Districts have no way of controlling or predicting these costs, which often requires collaboration and shared services/costs with the municipalities.
11. How will this regulation change be interpreted to impact formula funding for charter schools, if at all, under AS 14.03.260?

12. Who will the state hold responsible for failure to adequately track and report items considered in-kind? Who is responsible to establish the market value and track time or cost allocations? Are estimates established by the school district sufficient? Does the municipality have to sign off on these estimates or valuations?

If at all possible, ALASBO would like to receive this information by EOB Friday, June 20th. However, we understand that the holiday this week may impact staff time to respond.

Clarifying the department's intent and/or interpretation of how this change will be implemented will greatly assist Alaska's school districts and municipalities in evaluating the true impact of the change. This will make for a better public process, as well as assist in more effective planning as districts conduct FY26 budget adoption & revisions and enter into budget planning for FY27.

We look forward to working with you through this process, and appreciate everything you and your staff do to support Alaska's school districts.

Sincerely,

ALASBO Leadership

Darcy Carter, Executive Director

Phil Hulett, President

Katie Parrott, President-Elect

Cc: Deputy Commissioner, Karen Morrison