

Alaska Municipal League

MEMO

To: Alaska Local Governments with School District Responsibilities

From: Nils Andreassen, Executive Director, Alaska Municipal League

Date: November 1, 2024

Subject: Proposed Changes to Definition of Local Contributions and Implications for Local Governments

Overview of Proposed Regulation Changes

The Alaska Department of Education & Early Development (DEED) has proposed expanding the definition of local contributions to school districts. Under this proposal, local contributions would extend beyond the Operating Fund to include other district funds, such as those supporting special revenue projects. This change, intended to address disparities in district funding statewide, would level the playing field across districts, creating a more equitable system. However, it will also reduce the ability of municipalities in some areas to provide critical supplemental funding for their local districts.

Key Implications for Local Governments and School Districts

1. **Equity in School Funding Across Districts** - In principle, the proposed regulation seeks to create a fairer distribution of resources across Alaska's school districts by capping contributions that go beyond the operating budget. While this approach aims to provide equitable access to education funding across all communities, it will have a different impact on districts that currently benefit from above-the-cap funding.
2. **Potential Loss of Supplemental Funding** - Many municipalities currently support school districts with additional funds for programs outside the operating budget. These funds cover essential services, such as pupil transportation, after-school programs, and community initiatives. With the proposed cap on contributions, municipalities could face limits on their ability to fund these critical areas, potentially leading to service reductions in communities that rely on these contributions.
3. **Challenges in Transitioning to a New Funding Structure** - Without additional state support, the loss of local supplemental funding could significantly impact districts, leading to cuts in services that benefit students and communities. Local governments that traditionally provide these funds may find themselves in a challenging position, unable to offset these costs within their current budgets.

AML's Conditional Consideration for the Policy Change

While the Alaska Municipal League recognizes the value of a more equitable funding approach, we believe that implementing these changes without proper support could disrupt local governments' ability to ensure adequate education services. Therefore, we propose a conditional approach to considering the regulation changes, with the following to take into account:

- **State Responsibility to Offset Lost Funding** - To avoid service reductions, we recommend that the state bridge the funding gap created by the cap on local contributions. This could be achieved by a step-down in the cap over time or, preferably, by increasing the Base Student Allocation (BSA) to levels that meet adequacy standards. With increased state funding, school districts would be able to maintain current service levels without over-reliance on municipal contributions.
- **Alignment with Adequacy Standards** - For municipalities and school districts to transition smoothly, we recommend that the State establish and meet adequacy measures, ensuring that funding levels are consistent with students' needs and provide sufficient resources for essential services, from pupil transportation to extracurricular activities.

- Addressing Maintenance and Operation - In addition to the immediate need for state funding to offset local contributions, AML has advocated for a structured approach to funding school maintenance and operations through a base facilities allocation. This approach would establish dedicated funding for school facility needs across all districts, helping to address the maintenance and operational gaps that have long challenged Alaska's schools. A base facilities allocation would contribute to a more equitable funding landscape by ensuring that districts, regardless of local funding capacity, receive the resources needed to maintain safe and functional learning environments. We believe that implementing this allocation alongside the proposed regulation changes would provide districts with reliable, state-supported funding for essential facility upkeep, reducing disparities and advancing a more balanced approach to education funding across the state.

Next Steps for Local Governments

As we work through the public comment and regulatory review process, we encourage local governments to:

- Review Funding Priorities with School Districts - Engage in discussions with your local school district about how the proposed regulation would affect current funding arrangements and identify services that may be impacted by reduced funding.
- Provide Input to DEED and the State Board of Education - Local governments should submit comments to DEED and the State Board of Education regarding the potential impacts of this regulation. Emphasize the importance of additional state funding to address any resulting funding gaps and maintain critical services for students.
- Prepare for Budget Adjustments and Advocate for State Support - Begin planning for potential adjustments in local budgets, especially if the regulation is implemented. At the same time, advocate for increases to state funding, which ensures local districts can continue meeting students' needs without placing an undue burden on municipalities.

AML remains committed to supporting Alaska's local governments and school districts through this transition. We believe that, with appropriate state support, the proposed regulation could promote a more equitable and sustainable funding model for all Alaskan students. However, we will continue to work closely with DEED to ensure that this policy change does not adversely affect communities that currently depend on local contributions. We encourage municipalities to engage in this discussion and look forward to supporting you in advocating for the resources needed to maintain high-quality education across our state.

Please reach out to AML with any questions or for further assistance in preparing comments or coordinating with other local governments.