



March 10, 2026

Status of Alaska's FY2026 Impact Aid Equalization Appeal (OHA Docket No. 25-36-I)

The Alaska Department of Education and Early Development (DEED) is continuing its appeal of the U.S. Department of Education's (USDOE) May 16, 2025, determination that Alaska did not meet the federal Impact Aid disparity standard for FY2026. USDOE concluded that Alaska's disparity was 26.88%, slightly above the allowable 25% threshold, which prevents the State from considering a portion of federal Impact Aid in its K-12 funding formula.

Alaska submitted its FY2026 disparity data in March 2025 using FY2024 revenue information, and USDOE confirmed receipt of all necessary materials in early May. Following the determination, the State filed a timely appeal on July 14, 2025. The case has been assigned to Administrative Law Judge Elizabeth Figueroa, and DEED, supported by experienced outside counsel, is preparing for the next steps in the hearing process.

The State's appeal focuses primarily on USDOE's treatment of school district fund transfers and special cost differentials. USDOE's determination is based on the view that transfers into restricted funds, such as food service and pupil transportation, cannot be excluded from total revenues when calculating disparity. Alaska maintains that these funds are restricted for specific purposes and cannot support general instruction; therefore, they must be recognized as special cost differentials under long-standing federal guidance. This is particularly critical in Alaska, where transportation costs in many districts include unavoidable, geography-driven expenses such as routine air travel.

Even if USDOE's interpretation were upheld, federal regulations allow several alternative methods for accounting for special cost differentials. Under at least one of these permissible methods, Alaska would meet the 25% disparity standard and should be certified. Alaska also continues to assert its long-standing position that pupil transportation revenue and expenditures are not part of the State's equalized education funding program and should not be included in the disparity calculation.

The consequences of losing certification are significant. Alaska would forfeit approximately \$80 million in FY2026 funding capacity, disproportionately affecting rural and Alaska Native school districts and undermining the equity built into the State's funding model. Decertification would also force changes to Alaska's school finance system that conflict with congressional intent and federal policy goals, creating inequities rather than resolving them.

DEED will continue to keep the Legislature informed as the appeal progresses and remains committed to protecting the integrity and fairness of Alaska's equalized school funding system.