



SB 278 attempts to address a growing inequity in Alaska’s school funding formula by limiting annual growth in the Required Local Contribution (RLC) to no more than two percent annually. The rationale for this approach is fundamentally about fairness, predictability, and restoring balance between state and local responsibility for public education.

For years, the Required Local Contribution has grown faster than the Base Student Allocation (BSA). As property values increase, the RLC automatically rises because it is tied to a 2.65 mill levy on full and true property value. Meanwhile, the BSA—the core state investment in students—has often remained flat or increased only marginally. The result is that local governments have been forced to shoulder a larger share of education costs even while the State’s relative contribution declines.

This creates a structural imbalance. Municipalities are effectively backfilling the State’s obligation to fund education, but without any meaningful control over the formula or the costs districts face. Communities experiencing rising property values are penalized with larger required contributions regardless of whether local revenues are actually increasing proportionally, whether taxpayers can absorb those increases, or whether districts are seeing corresponding increases in educational funding.

The issue becomes even clearer when looking at how the formula operates in practice. The RLC directly reduces state aid dollar-for-dollar. As local contributions rise automatically, state aid falls automatically. This means that local taxpayers are increasingly replacing state funding rather than supplementing it.

Importantly, the difference between the required local contribution and the maximum local contribution exists largely outside the formula (it actually accrues to districts beyond Basic Need). Unlike the required local contribution, discretionary local contributions above the minimum generally add to district funding rather than supplant state aid. Municipalities already have authority to contribute above the required amount up to the local cap. Because of that, limiting growth in the required contribution could actually increase total funding available to districts.

A slower-growing RLC would preserve more state aid within the formula while still allowing municipalities the flexibility to provide additional discretionary local support if they choose. In practice, this creates room for both greater state participation in education funding; and continued local investment where communities are willing and able.

In other words, capping the RLC does not necessarily reduce school funding. Instead, it prevents automatic substitution of local dollars for state dollars.

A stronger and more balanced policy approach would tie any RLC growth limitation directly to changes in the BSA. If the State is not increasing its own per-student investment, local governments should not be required to continually increase theirs through rising property values alone. Conversely, if the Legislature increases the BSA, it is reasonable for local governments to share proportionally in that investment.

One possible amendment could read conceptually as follows: “The required local contribution may not exceed the prior fiscal year required local contribution by more than the percentage increase in the Base Student Allocation established under AS 14.17.470, or two percent, whichever is greater.”

This type of amendment would:

- align state and local funding growth;
- ensure the State participates when costs rise;

- prevent continued cost shifting onto municipalities during periods of flat state funding; and
- preserve the partnership model originally intended in Alaska’s foundation formula.

Ultimately, the fairness issue is straightforward: local governments should not be required to increase their share of education funding faster than the State increases its own commitment to students. SB 278 recognizes that imbalance and begins to restore equity between the State and municipalities.

It is true that Regional Educational Attendance Areas (REAs) do not levy local property taxes and therefore do not make a Required Local Contribution. Therefore, the benefits of capping the RLC aren’t felt the same way by REAs as municipal school districts. By contrast, an increase to the Base Student Allocation benefits all districts statewide, including REAs (except when RLC growth outpaces the BSA growth, in which case municipal school districts see potentially fewer benefits).

But the conclusion some draw from that—that the State should therefore continue allowing the RLC to grow faster than the BSA—effectively accepts a system where municipalities are increasingly expected to absorb the State’s share of education funding. That is the inequity SB 278 is trying to address.

The fairness issue is not whether REAs deserve additional funding—they absolutely do. The fairness issue is whether the State should balance its education budget by shifting a growing burden onto taxpayers in organized boroughs and cities while holding the BSA flat.

In practice, the current system creates two different realities: REAs remain primarily state-funded; and Municipal districts increasingly replace state funding with mandatory local funding.

As property values rise, municipal taxpayers automatically pay more into the formula, even when the Legislature does not increase the BSA. The State’s obligation decreases correspondingly because the RLC offsets state aid dollar-for-dollar. That means organized municipalities are effectively financing a larger share of public education each year without a policy decision ever being made to increase local responsibility.

So, when opponents argue that “only a BSA increase helps REAs,” they are identifying a symptom of the problem, not a reason to preserve it. A better framing is:

- REAs need stronger state investment through the BSA; and
- Municipal districts also need protection from automatic cost shifting through the RLC.

Those are complementary goals, not competing ones.

In fact, tying RLC growth to BSA growth is one of the strongest ways to unify the interests of municipal districts and REAs. An amendment linking RLC increases to increases in the BSA creates an incentive structure where the State cannot increase local burdens without also increasing statewide student funding; and when the Legislature does increase education funding, every district benefits.

That reframes the issue from: “Why should municipal districts get relief if REAs don’t?” - to: “Why should municipal taxpayers continue absorbing larger education costs when the State does not increase its own investment in students?”

The answer should not be to perpetuate inequity for one group because another group also needs support. The answer should be to restore balance in the partnership:

- maintain fair local participation;
- prevent automatic erosion of state responsibility; and
- increase the BSA so all students benefit statewide.

That is why an RLC cap tied to BSA growth is ultimately a statewide equity measure, not merely a municipal tax relief proposal.