



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

May 15, 2025

The Honorable Rebecca Himschoot
Co-Chair, House Education Committee
Alaska State Capitol, Room 411
Juneau, AK 99801

The Honorable Andi Story
Co-Chair, House Education Committee
Alaska State Capitol, Room 403
Juneau, AK 99801

Dear Representatives Himschoot and Story,

This letter serves as a response to questions addressed to the Department of Education and Early Development (DEED) at the Wednesday, May 7, 2025, House Education Committee meeting.

1. What is the maximum potential of funding that a local municipality can contribute to a school district?

Alaska Statute (AS) 14.17.410, Public School funding, establishes both the required and maximum local contributions that municipalities in Alaska must adhere to when funding public education. The minimum local contribution is equal to 2.65 mills (0.265 percent) of the full and true value of all taxable real and personal property within the municipal jurisdiction, as determined by the Department of Commerce, Community, and Economic Development. When calculating state aid, this required local effort is subtracted from the district's total basic need. Additionally, the statute sets a maximum allowable local contribution, which caps the amount a municipality can contribute towards public school operations to the equivalent of 23 percent of the district's basic need, supporting equity in per-pupil spending. This statute ensures both a shared responsibility for funding education and a limit on disparities caused by varying local wealth.

2. Has the State ever failed the disparity test, and what would the consequences be?

To date, and to the best of current DEED staff knowledge, Alaska has not failed a disparity test after appeal. The test for FY2022, which was based on FY2020 data, was initially deemed noncompliant. However, DEED successfully appealed the decision, and the State ultimately qualified, allowing continued use of eligible Impact Aid payments as part of meeting a district's basic need.

Failing the Federal Impact Aid Disparity Test has significant implications for Alaska's public school funding system. When the state fails the disparity test, it loses the ability to apply eligible Impact Aid towards the basic need calculation, as permitted under AS 14.17.410(b)(1). This means districts that receive Federal Impact Aid—typically those serving military-connected students or located on Indian lands—retain the full amount of that federal funding without a corresponding reduction in state aid.

As a result, these districts may receive substantially more total funding than others, creating inequities in funding across the State. Additionally, the State must increase its own contribution to meet full formula funding obligations for all districts, placing additional strain on the State's budget. If Alaska were to fail the disparity test in FY2026, the estimated cost to the State would be approximately \$80 million. Ultimately, failure to meet the disparity test shows that the fairness and equity of Alaska's education funding system is compromised.

Please don't hesitate to reach out with any additional questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Deena Bishop', with a large, stylized flourish at the end.

Deena Bishop, Ed.D.
Commissioner

cc: Jordan Shilling, Director, Governor's Legislative Office