



A Strategic Approach to Funding Public Education

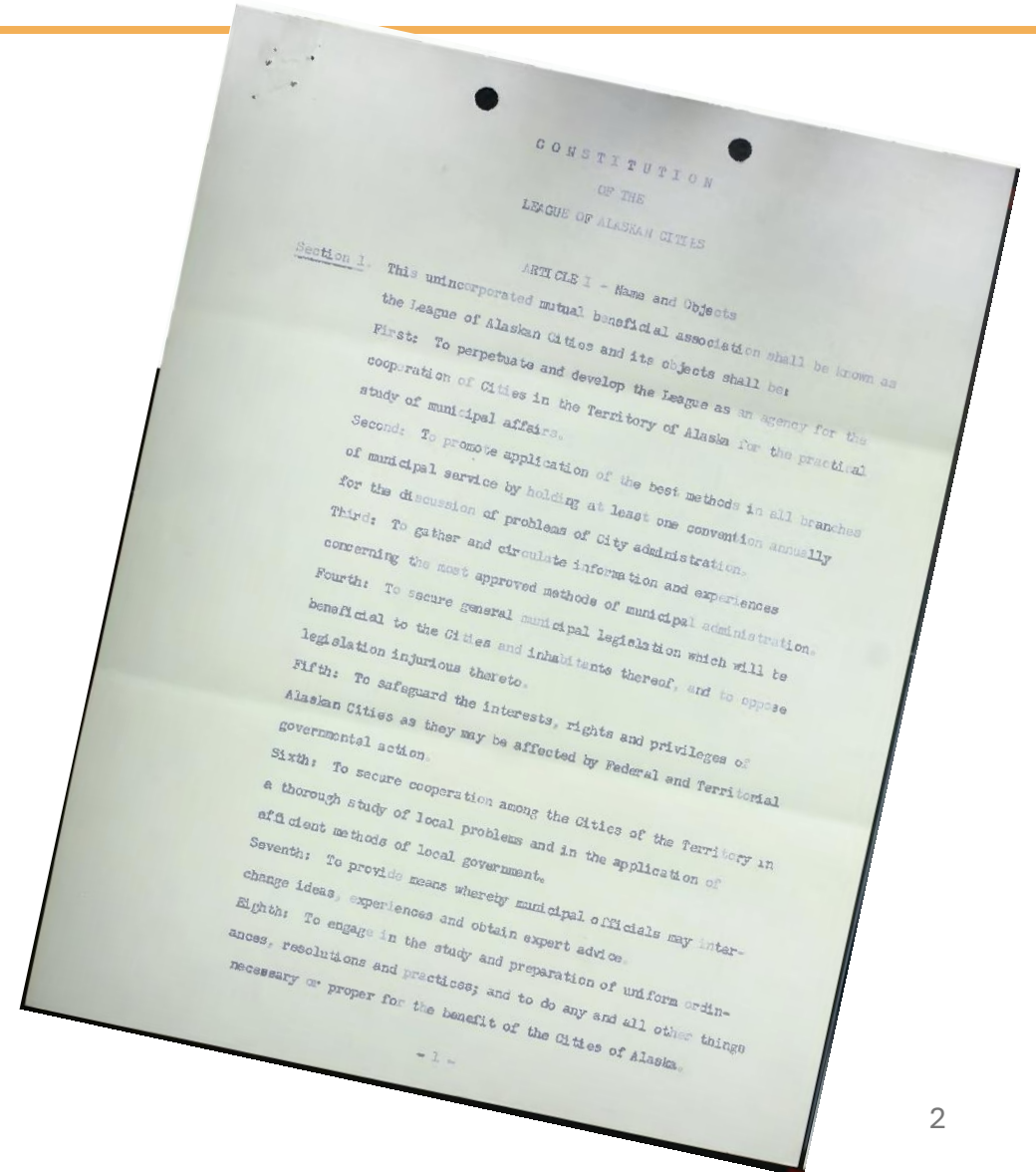
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A Principled Approach – for 75 years

Principles

- Maintain and increase revenue sharing as an investment in and partnership with municipalities.
- Expect sufficient and inflation-proofed State funding for basic public needs and State obligations.
- Services that are delivered by local governments on behalf of the State should be fully funded by the State.
- Provide resources and technical assistance that enhance the capacity of communities

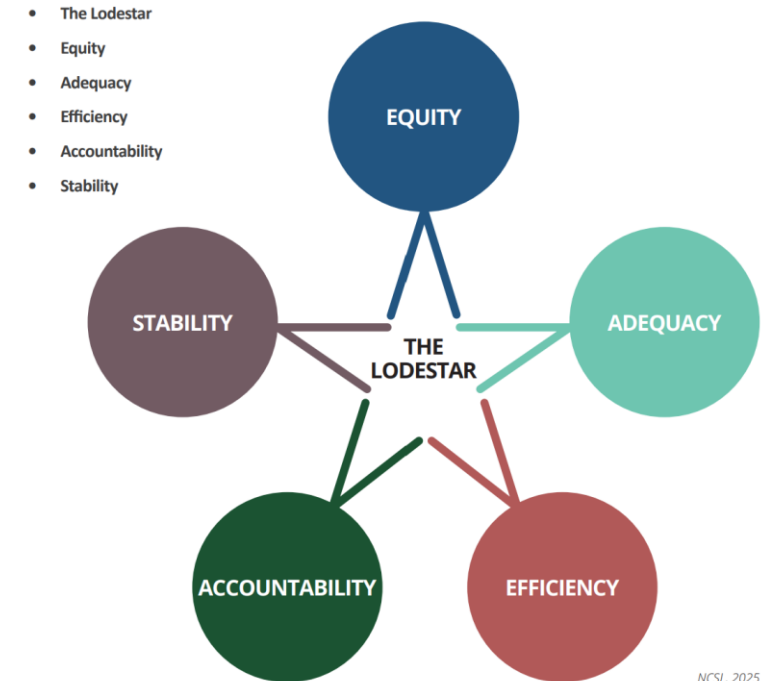


Problem Statement

- Vision - stark division between choice and chance
- Stability - stagnant BSA, decline of purchasing power
- Adequacy - increasing deferred maintenance
- Equity – local tax contributions, or not
- Accountability – different rules for different systems
- Efficiency – within and between districts

Fiscal dependence – no tax or bonding authority

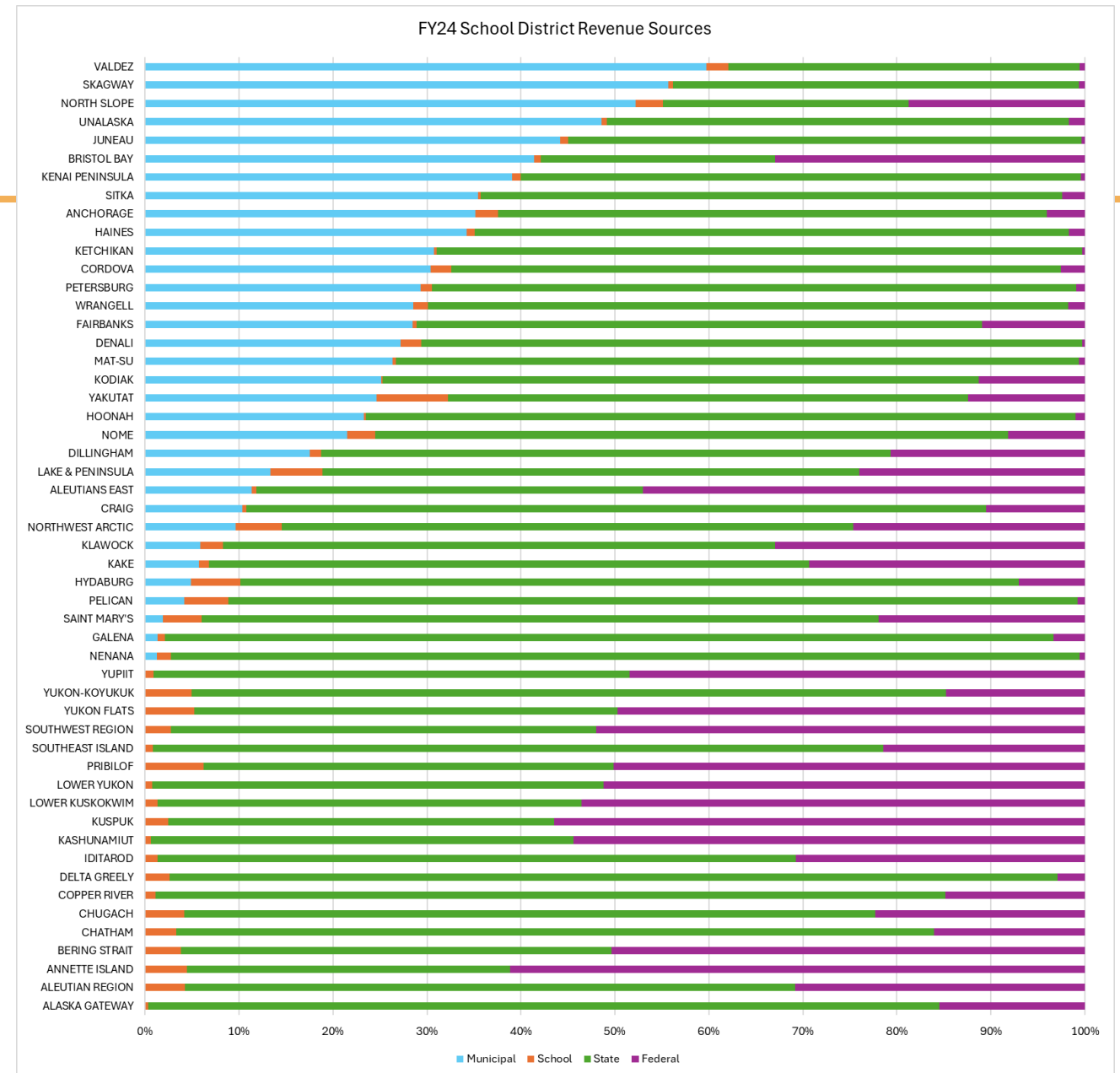
The State's approach to maintaining a system of public education affects its bottom line – it limits economic growth and leads to sustained net outmigration



Diversity

From FY24 audited revenues, from DEED.

- Municipal = City/Borough Appropriations, In-Kind
- School = Earnings on Investments, Tuition from Students, Other Local Revenue, REAA In-Kind Services
- State = State
- Federal = E-Rate, Federal Revenue



OpEx and CapEx Decisions

1. Stabilize Operations: ensure predictable payments and purchasing power

- | | |
|--|-----------|
| • Increase and inflation-proof the BSA | Iterative |
| • Reform Impact Aid | Mid-term |
| • Provided additional, targeted funding to meet additional goals | Mid-term |
| • Increase incentives for operational efficiencies | Immediate |

2. Modernize Infrastructure: prioritize safety and well-being of students

- | | |
|--|-----------|
| • Fully reimburse school bond debt | Immediate |
| • Address backlog of school construction and major maintenance needs | Long-term |
| • Implement a Base Facilities Allocation | Medium |

3. Enhance Efficiency and Accountability: increase positive feedback loops

- | | |
|--|-----------|
| • Incentivize shared services and efficiency | Immediate |
| • Support pension cost relief | Mid-term |
| • Strengthen accountability measures | Immediate |

Leveling the Field in Education Funding

1. Establish a Fair Statewide Contribution System

- Standardize the required local contribution (RLC) or an equivalent property tax rate statewide.
- Ensure every community contributes fairly to education funding.

2. Strengthen Local Accountability

- Increase school district accountability to local governments, where local taxes fund schools.
- Align budgeting and decision-making with those responsible for raising revenue.

3. Protect and Optimize the Public System

- Avoid fragmentation or duplication that reduces resources for public education.
- Encourage shared services and economies of scale across districts.

4. Normalize and Update the Funding Formula

- Conduct a regular review of the education funding formula to ensure fairness and accuracy.
- Reassess the geographic cost factor every four years.

Impact Aid is Local

Numbers demonstrate inequity

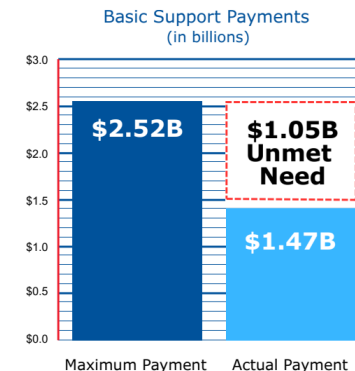
- REAAs above 35% of Basic Need – Annette Island*, Bering Strait, Kashunamiut*, Kuspuuk, Pribilof*, Southwest Region, and Mt. Edgecumbe
- State's take is 100% (of 90%) for REAAs, and reduced relative to local contribution for MSDs
- Averages are imperfect - LGs contribute 56.81% of basic need (impact aid + local)

Understanding Impact Aid

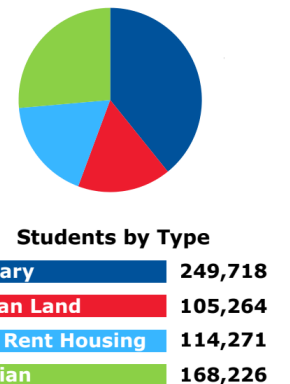
- 7003 (student) vs 7002 (property)
- Receives \$40 million less than max payment
- State could support student count by type
- State could advocate for max payment

Disparity addressed through geographic cost factor;
build in mechanism through formula, without cap

SECTION 7003 BASIC SUPPORT



637,539
Federal Students
51,814
Federal Children with Disabilities
7,334,516
Total Student Enrollment



Modernize Education Capital Funding

1. Reinstate and Reform School Bond Debt Reimbursement

- Moratorium has increased pressure on the grant program, reducing local and state flexibility to address needs.
- The absence of reimbursement forces districts to divert operational funds to capital costs, eroding local capacity.
- The moratorium creates a spillover effect on the REAA Fund, constraining resources for critical project priorities.

2. Strengthen the School Construction and Major Maintenance Program

- The State has funded only about 10% of priority projects, leaving a significant backlog of unmet facility needs.
- Schools no longer apply for funding because the system offers little return on investment or predictable support.
- Update eligibility thresholds by reducing the minimum threshold for major maintenance projects from \$50,000 to \$25,000, or scale the threshold based on district size and capacity.

3. Establish a Base Facilities Allocation (BFA)

- Create a Base Facilities Allocation similar to the BSA to reflect both operational and capital needs.
- This allows schools to use the BSA specifically for operational activities that lead to educational attainment.
- Integrate debt reimbursement and grant programs into a single, coordinated capital funding framework—giving the State the ability to develop a more strategic and efficient capital stack.

Promote Fiscal Independence

1. Advance Funding to Strengthen Local Management

- Disburse the full annual education allocation to districts at the start of the fiscal year, enabling them to manage funds proactively and earn investment income.
- Under the current disbursement schedule, the State retains cash flow advantages—earning an estimated \$30 million annually, roughly equal to what it would cost to inflation-proof the BSA.
- Shifting this earning potential to districts promotes local financial autonomy and better year-round cash management.

2. Align Budget Authority with Revenue Responsibility

- Provide school districts with limited, voter-accountable taxing authority, linking their budget decisions directly to local revenue generation.
- This alignment increases transparency, accountability, and responsiveness to community priorities.
- Empowering districts to manage both spending and revenue strengthens fiscal discipline and reinforces local control in education governance.

School District Types ^{8,9}				
State	Fiscally Independent	Municipally Dependent	County Dependent	State Dependent
Alabama	✓			
Alaska	✓	✓	✓	✓
Arizona	✓		✓	
Arkansas	✓			
California	✓		✓	
Connecticut	✓	✓		✓
Colorado	✓			
Delaware	✓			
Florida	✓			
Georgia	✓			
Hawaii				✓
Idaho	✓			
Illinois	✓			
Indiana	✓			
Iowa	✓			
Kansas	✓			
Kentucky	✓			
Louisiana	✓			✓
Maine	✓	✓		
Maryland		✓	✓	
Massachusetts	✓	✓	✓	✓
Michigan	✓			
Minnesota	✓			
Mississippi	✓		✓	
Missouri	✓			
Montana	✓			
Nebraska	✓			
Nevada	✓			
New Hampshire	✓	✓	✓	
New Jersey	✓	✓	✓	✓
New Mexico	✓			
New York	✓	✓	✓	
North Carolina			✓	
North Dakota	✓			
Ohio	✓			
Oklahoma	✓			
Oregon	✓			
Pennsylvania	✓			
Rhode Island	✓	✓		
South Carolina	✓			
South Dakota	✓			
Tennessee	✓	✓	✓	
Texas	✓		✓	✓
Utah	✓			
Vermont	✓			
Virginia	✓	✓	✓	
Washington	✓			
Washington, D.C.		✓		
West Virginia	✓			
Wisconsin	✓		✓	
Wyoming	✓			

Expand and Diversify Revenue Generation

1. Strengthen Financial Management Through Liquidity and Cash Analysis

- Fund liquidity analyses for school districts to better manage cash flow and reserve balances throughout the year.
- Encourage use of “cash-plus” accounts and short-term investment strategies that allow districts to earn returns while maintaining liquidity.
- Promote the use of fund balance policies that ensure districts can responsibly build, hold, and use reserves.

2. Support Funding from Federal PILT and SRS Payments

- Effect of Unorganized Borough, and lack of incorporated local governments in some regions – only state where PILT and SRS flow directly to some school districts
- Advocate for changes in small population formula for PILT, and ensure funding for SRS (1908 payments currently...)

3. Allocate a Fair Share of State Resource Revenues to Education

- Apply 2.5 mills of the State’s oil and gas property tax revenue collected from the Unorganized Borough directly to public education.

Reducing the Costs of Operations

1. Address Pension System Impacts (PERS and TRS)

- Buy down employer contribution rates — a 1% reduction for every \$10 million in State funding.
- Resolve the impact of the eReporting backlog - eliminate late filing penalties imposed when DRB lacked processing capacity.
- Review and correct reamortization practices that extend liabilities and increase long-term costs due to inaccurate pension assumptions.

2. Eliminate Unfunded Mandates

- Avoid passing new bills that impose costs on school districts without corresponding funding for implementation.
- Require fiscal notes that clearly quantify impacts on district budgets before legislation advances.

3. Improve Energy Efficiency and Facility Performance

- Expand access to energy audits and efficiency improvements through the AHFC Building Maintenance Network.

Reducing the Costs of Operations

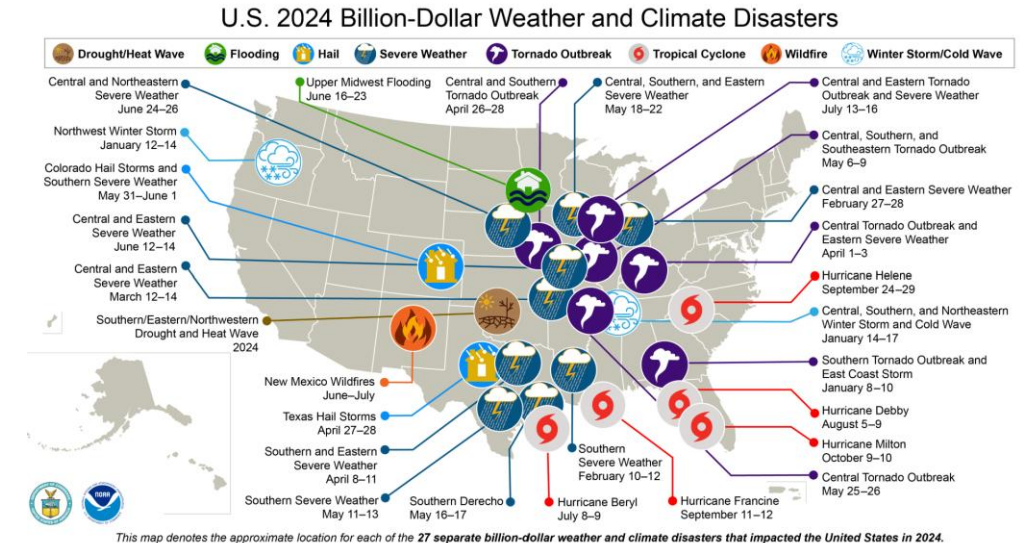
4. Lower Property Insurance Costs

- Alaska's school facilities represent over \$8 billion in insured value, with districts paying roughly \$14 million in annual premiums (10-30% annual increases).
- The State can help stabilize premiums by 1) covering a portion of reinsurance costs, or 2) offer rate relief or prepayment subsidies when premium increases outpace inflation.
- Expand eligibility for Power Cost Equalization (PCE) to include school facilities and community buildings, helping offset high utility and operating costs.

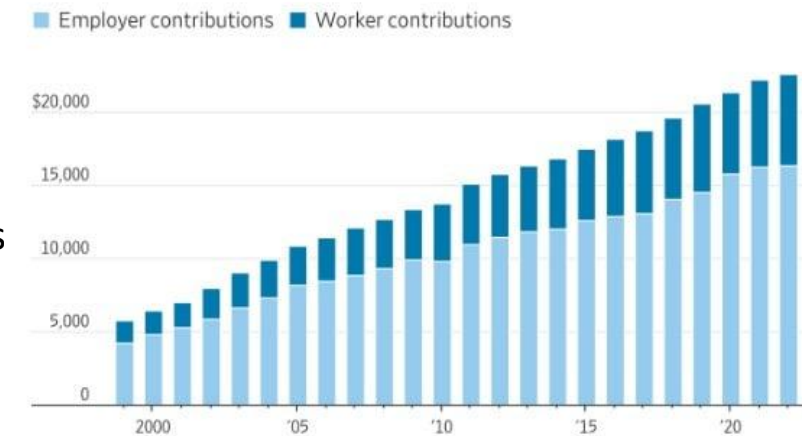
5. Contain Health Insurance Costs

- Encourage district participation in pooled health plans.
- Provide State-funded premium buy-downs as an incentive for districts to join or maintain participation in shared pools.

Breakout these fundamental cost increases separate from other factors.



Average annual premiums for employer family health coverage



Source: KFF

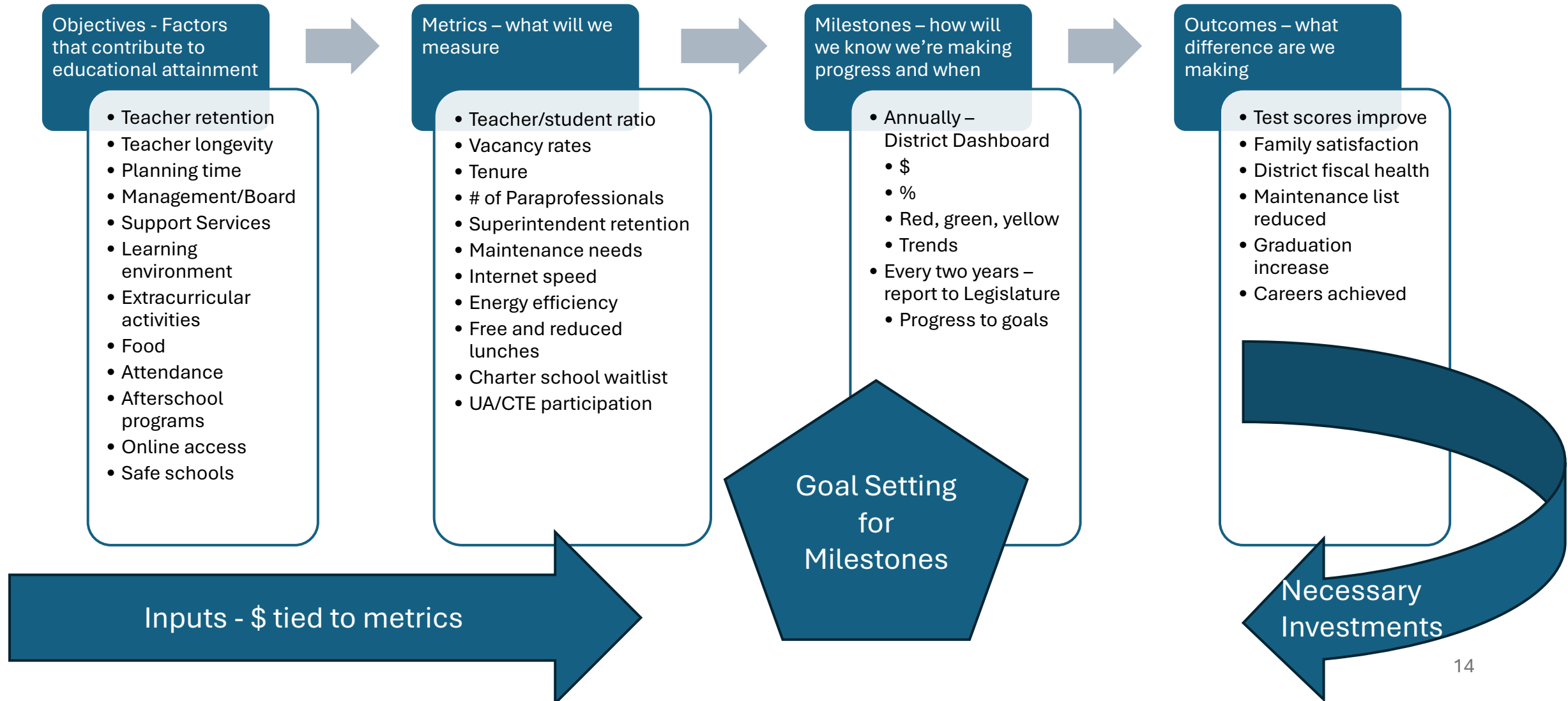
Strategic Investment Factors

Invest in what works:

- Student-to-Teacher Ratios
- Teacher Training and Support
- Early Childhood Education
- Infrastructure and Learning Environments
- Student Support Services
- Postsecondary and Career Readiness
- Technology Integration
- Early and Critical Interventions

Establish clear guidance for use of public dollars; testing and attendance accountability measures for all.

A Strategic Approach



Conclusion

Vision - A stable, equitable, and accountable education funding system that keeps families in Alaska, supports thriving communities, and prepares every student for lifelong success.

Goals

- Maximize investment in educational attainment and opportunity.
- Ensure fairness and transparency across funding and governance systems.
- Strengthen local capacity and accountability for results.
- Stabilize communities by reducing outmigration and supporting family well-being.
- Sustain a resilient public education system that reflects Alaska's values and future workforce needs.

Partnership for Progress

- The State's role is to guarantee adequacy and equity in education funding.
- Local governments can contribute to accountability, efficiency, and excellence in delivery.

Together, we can build an education system worthy of Alaska's next generation.

THANK YOU



Strengthening Local Governments

Receipts - Policy Statements

- Adequately invest in early childhood education.
- Adequately invest in career and technical education to prepare, attract and retain qualified local educators.
- Support educational accountability and assessment that meets or exceeds federal requirements and maximizes local control.
- Increase and inflation-proof the BSA, consistent with higher costs experienced by school districts, including to consider and address drivers such as health care costs, fuel prices, and property insurance costs.
- Increase investment in school construction and deferred maintenance, including by providing a Base Facilities Allocation.
- Increase implementation of charter school opportunities within the system of public education currently in place, including ensuring local school board approvals that reflect budget considerations and local investment.
- Oppose forced consolidation of school districts and support negotiated efficiencies of operation.
- Continue a well-funded school bond debt reimbursement program, including the annual and full distribution of the State's reimbursement.
- Ensure the university system has adequate resources so that it is capable of delivering educational opportunities, vocational training, workforce development, and credible research.
- Support culturally relevant curriculum development responsive to local decision-making.
- Increase budget certainty for school districts and local governments, including through prompt payment, inflation-proofing formula funds, and avoiding delayed budget decisions.

Receipts - BE IT RESOLVED that AML...

1. Opposes any increase to the required local contribution for education funding or reductions to the adequacy of State funding of education; and that the Alaska Municipal League supports removing the cap on local government contributions and counting Federal Impact Aid as part of the local government contribution
2. Supports amendments to the funding formula to reduce penalties for consolidation of school facilities within a district and to increase incentives thereof.
3. Requests the State raise and inflation proof the BSA; and that AML encourages the State to pursue a more equitable and inclusive means of funding education than is currently raised through the required local contribution.
4. Would consider providing support to members in relation to litigation that clarifies and/or establishes the responsibility of the State of Alaska to fund public education adequately and equitably, including for school construction and maintenance; and that the outcome of this litigation should determine the scope of local government's ability to contribute to local educational attainment and activities beyond the obligation of the State.
5. Supports legislation that requires the State of Alaska and Alaska State Legislature to include municipal and school district fiscal notes as part of its process in evaluating legislation that impacts local governments and public education.
6. Calls on DEED to perform an assessment of the demand for charter schools and an assessment of the financial impacts to the public education system of opening new charter schools and Tribal compact schools; and that the Alaska Municipal League opposes changes to the charter school creation process that eliminate the control of local school districts to approve new charter schools.