

ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE

May 14, 2025

3:55 p.m.

MEMBERS PRESENT

Senator Löki Tobin, Chair
Senator Gary Stevens, Vice Chair
Senator Jesse Bjorkman
Senator Jesse Kiehl
Senator Mike Cronk

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 25 AM
Supporting and encouraging the continued recruitment and retention of international educators on J-1 and H-1B visas in the state.

- MOVED HJR 25 AM OUT OF COMMITTEE

PRESENTATION(S) : DEED LOCAL CONTRIBUTION UPDATE

- HEARD

PRESENTATION(S) : LOCAL CONTRIBUTION

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HJR 25

SHORT TITLE: INTERNATIONAL TEACHER VISAS

SPONSOR(S) : REPRESENTATIVE(S) MINA

05/07/25	(H)	READ THE FIRST TIME - REFERRALS
05/07/25	(H)	EDC
05/07/25	(H)	EDC AT 8:00 AM DAVIS 106
05/07/25	(H)	Scheduled but Not Heard
05/09/25	(H)	EDC AT 8:00 AM DAVIS 106
05/09/25	(H)	Heard & Held

05/09/25 (H) MINUTE (EDC)
 05/12/25 (H) EDC RPT 6DP
 05/12/25 (H) DP: UNDERWOOD, SCHWANKE, DIBERT,
 EISCHEID, HIMSCHOOT, STORY
 05/12/25 (H) EDC AT 8:00 AM DAVIS 106
 05/12/25 (H) Moved HJR 25 Out of Committee
 05/12/25 (H) MINUTE (EDC)
 05/13/25 (H) TRANSMITTED TO (S)
 05/13/25 (H) VERSION: HJR 25 AM
 05/14/25 (S) EDC AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

MICHAEL MASON, Staff
 Senator Löki Tobin
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Introduced HJR 25.

DEENA BISHOP, Commissioner
 Department of Education and Early Development (DEED)
 Juneau, Alaska

POSITION STATEMENT: Gave a DEED update on Local Contribution.

LORI WEED, School Finance Manager
 Finance and Support Services
 Department of Education and Early Development (DEED)
 Juneau, Alaska

POSITION STATEMENT: Answered questions concerning Local Contribution.

FRANK HAUSER
 Superintendent
 Juneau School District
 Juneau, Alaska

POSITION STATEMENT: Offered a presentation on Local Contribution.

DEENA BISHOP, Commissioner
 Department of Education and Early Development (DEED)
 Juneau, Alaska

POSITION STATEMENT: Answered questions on Local Contribution.

LORI WEED, School Finance Manager
 Finance and Support Services
 Department of Education and Early Development (DEED)
 Juneau, Alaska

POSITION STATEMENT: Answered questions concerning Local Contribution.

ACTION NARRATIVE

[3:55:06 PM](#)

CHAIR TOBIN called the Senate Education Standing Committee meeting to order at 3:55 p.m. Present at the call to order were Senators Kiehl, Stevens, Cronk, and Chair Tobin. Senator Bjorkman arrived thereafter.

HJR 25-INTERNATIONAL TEACHER VISAS

[3:56:54 PM](#)

CHAIR TOBIN announced the consideration of HOUSE JOINT RESOLUTION NO. 25 am Supporting and encouraging the continued recruitment and retention of international educators on J-1 and H-1B visas in the state.

[3:57:14 PM](#)

At ease.

[3:57:42 PM](#)

CHAIR TOBIN reconvened the meeting.

[3:57:54 PM](#)

MICHAEL MASON, Staff, Senator Löki Tobin, Alaska State Legislature, Juneau, Alaska, introduced HJR 25 stating it is identical legislation to SJR 21, that the committee has heard. [Passing] the resolution would put on record that the Alaska Legislature supports the J-1 and H-1B visa programs and international teachers. International teachers have become a vital resource to Alaska's schools. He mentioned there are many areas across the state that rely on the J-1 and H-1B visa programs to fill vacant teaching positions for the benefit of student education.

[3:59:05 PM](#)

CHAIR TOBIN opened public testimony on HJR 25; finding none, she closed public testimony.

[3:59:31 PM](#)

SENATOR STEVENS stated that someone had expressed concern about students having difficulty understanding teachers from the Philippines. He responded by sharing that his two granddaughters praised their Filipino teachers and found them effective and well-liked. He emphasized the shortage of American teachers and

supported hiring qualified teachers from the Philippines. He voiced strong support for the bill.

[4:00:03 PM](#)

CHAIR TOBIN solicited the will of the committee.

[4:00:05 PM](#)

SENATOR STEVENS moved to report HJR 25 am, work order 34-LS0947\A.A, from committee with individual recommendations and attached fiscal note(s).

[4:00:20 PM](#)

CHAIR TOBIN found no objection and HJR 25 am was reported from the Senate Education Standing Committee.

[4:00:36 PM](#)

At ease.

PRESENTATION(S) : DEED LOCAL CONTRIBUTION UPDATE

[4:01:36 PM](#)

CHAIR TOBIN reconvened the meeting and announced an update by the Department of Education and Early Development (DEED) on local contribution.

CHAIR TOBIN stated there was a proposed regulatory change to local contributions for public education and staff from DEED would discuss the proposed change.

[4:02:22 PM](#)

DEENA BISHOP, Commissioner, Department of Education and Early Development (DEED), Juneau, Alaska, gave the following update on local contribution:

We do want to provide clarification today for the record regarding some omitted context from the superintendent of Juneau's presentation on HB 212 in the other body last week. DEED's work surrounding impact aid and the interest in it is to clarify present statute. Admittedly, the impact aid program is a highly complex program. My statements are addressed to the information, again, that was already provided, which you may receive again today, but our team is online as well to assist. So, I'll just start with a backdrop.

[4:03:37 PM](#)

COMMISSIONER BISHOP continued her presentation:

While it is truly appropriate for districts to advocate for funding and resources for their specific context, such as a superintendent of a particular school district, please know that DEED's role is to implement state law in a manner that serves all school districts across Alaska, and at this time, DEED is not supportive of the proposed language in HB 212.

Again, here's some grounding for this. We are currently evaluating potential regulatory changes to 4 AAC 09.900(b), and the changes are related to the local contribution to ensure ongoing compliance with AS 14.17.990, as it relates to the federal requirements under the impact aid program, specifically the disparity test outlined in Section 7009 of the Elementary and Secondary Education Act (ESEA).

Our goal is simply to clarify for Alaska school districts what funds should be included in the disparity test, as the State of Alaska's school funding formula—our bipartisan, legislatively approved formula—includes this impact aid in its basic need for local contribution for incorporated and non-incorporated boroughs. So, our funding statute actually includes a provision for that impact aid. I'll explain a little more.

[4:05:22 PM](#)

COMMISSIONER BISHOP continued her presentation:

I suspect when the formula was designed, the creators desired for local tax, whether that be from direct taxation or impact aid for payments made by the federal government in lieu of taxes, to be considered. And I do want to note that I am near positive that districts who receive impact aid would most likely like to be able to receive that in lieu of tax and keep it the full amount rather than provide some as their basic need. However, again, the statutory requirement at this time calls for its inclusion in our funding calculations.

Again, although there have been no recent changes to the federal Impact Aid Program itself, as we shared on

record in the House the other day, we have received feedback indicating that districts interpret Alaska school funding statute differently, particularly due to the vague language in the regulation, which has led to inconsistent applications of Alaska funding formula law.

4:06:31 PM

COMMISSIONER BISHOP continued her presentation:

Recently, DEED became aware of the previously unaccounted-for technical issue in our disparity analysis –more specifically, the treatment of revenues in the special revenue fund for transportation. With technical assistance from the U.S. Department of Education's Impact Aid Program, it was clarified that federal regulations require the consideration of all revenues available for current expenditures, not only those in a district's operating fund. That is how we previously had defined it. While this was not new in the federal interpretation, it absolutely was new and significant information for DEED and the impact[ed] districts for a funding formula.

In a follow-up communication dated April 19, 2024, the Impact Aid staff reiterated that, while they have no authority over state regulations or funding formulas and have not requested any changes to our state laws, their guidance affirms that all applicable revenues must be included in the disparity test under federal law. This highlights the importance of ensuring Alaska's regulations fully reflect the scope of required revenues in order to maintain program eligibility, which again is part of the state's bipartisan statutory school funding formula.

It is also important to address information that was omitted from the Juneau superintendent's presentation, which could have confirmed DEED's actions. A letter from Mr. Mohammed to Scott Kendall regarding the issue stated, "After learning of the existence of the special revenue fund for transportation, we, the federal Impact Aid Program staff, applied the IAP statutes and regulations, which contain no reference to revenues in an operating fund and affirm that all revenue for current expenditures must be considered in the disparity test." So, characterizing this technical

issue or this technical assistance that we received as a change in interpretation is not correct, in our view.

[4:08:38 PM](#)

COMMISSIONER BISHOP continued her presentation:

It was new information to DEED. Further, the DEED's memo statement that "the federal Impact Aid Program does not limit funds subject to the disparity test to only a district's operating fund," which the memo explains is the impetus for DEED's concern about the state's current regulations, IAP said, "that is completely correct." To reiterate, the Impact Aid Program has never requested nor recommended that DEED change its regulations. As noted in their April 19 correspondence, state-level decisions fall outside of their jurisdiction. The initiative to pursue regulatory clarification is solely DEED's, driven by our obligation to ensure compliance with federal law and Alaska law, which includes Impact Aid as a critical component of the state's funding formula.

Also quoted last week in the testimony on HB 212 on the record, the superintendent shared Dr. Lisa Parady's, the Executive Director of the Alaska Council of School Administrators, concerns that she described as a sudden reinterpretation of the intent behind Alaska's funding formula. Absolutely, we value stakeholder input, and we want to acknowledge that the state's intent has remained the same and consistent. We are not reinterpreting Impact Aid as it is in accordance with state law. This is strictly a response to new information regarding federal law and how the disparity test must be applied to all current revenue expenditures in a district, including those outside the operating fund, such as the transportation fund.

[4:10:30 PM](#)

COMMISSIONER BISHOP continued her presentation:

It was also suggested that the proposed regulatory change may have a minimal impact on the state's ability to pass the disparity test, and while DEED appreciates that analysis, it is important to recognize that even marginal discrepancies can place compliance at risk. This year, four districts funded

over the maximum limit, and our disparity range was over 24 percent in our calculation this year, audited by the federal government. Mind you, Alaska's funding formula calls for only a 25 percent disparity between, for lack of a better word, the richest school districts and the poorest. And because federal reviews are retrospective, those discrepancies, no matter how small, could trigger retroactive consequences—just like the IRS we're familiar with.

[4:11:25 PM](#)

COMMISSIONER BISHOP continued her presentation:

DEED's objective is to take preventative and responsible action by aligning state regulations with federal expectations before any issues arise. I do want to note that DEED did support and appreciated the language in SCS for the CS on HB 69, and Senator Kiehl, for your leadership in advancing the clarification. The revised bill provided a clear and effective solution by specifying that all relevant revenues, regardless of fund classification, must be included in the disparity calculation. That language is aligned with the federal Impact Aid language; that too was our purpose for the regulation. This approach actually supports predictable funding while ensuring Alaska remains in compliance with federal law.

Specifically, the proposal amends AS 14.17.410 to include a new subsection (g), which was: "A city or borough district may exceed"—you may exceed—the voluntary local contribution limit established in (c) of the section only if the contribution made in excess of the limit is not for current expenditures, as defined again by the U.S. Impact Aid Program, which is 20 U.S.C. 7713(4), or 34 C.F.R. 222.161(c).

[4:12:59 PM](#)

COMMISSIONER BISHOP continued her presentation:

Again, while participation in the disparity test is totally voluntary—and I believe we are the last state that utilizes the Impact Aid Program in our state's formula—our state has incorporated it, in its structure, into our state funding program, as it does provide substantial financial and administrative benefits to the state.

[4:13:21 PM](#)

COMMISSIONER BISHOP continued her presentation:

It does keep our formula in line with the richest and, well, the most funded and the least funded, if you will, with only a 25 percent disparity, but it accounts for over \$80 million of in lieu of tax payments. So, it is a substantial amount of money. The provisions presented by the Senate represent a thoughtful and proactive legislative solution, and DEED is grateful for the legislators' engagement and leadership in ensuring Alaska remains in good standing under federal requirements for a program that we chose to place inside of our overall state statutorily mandated funding formula, as it does benefit our state financially.

DEED's fiscal team is on with me today and can answer specific questions about the Impact Aid as needed. And I hope this clarification provides some additional information about the "why" behind looking at new regulations—or rather clarifying the regulations—to ensure that they meet the intent of the law, both in our statute as well as in federal law.

[4:14:36 PM](#)

SENATOR KIEHL acknowledged the commissioner's reference to provisions in the education funding bill and stated they were not well written. He explained the provisions did not prevent the department's efforts, which led him to apologize to the finance co-chairs and request their removal from the bill. He asked the commissioner to clarify the fiscal year related to the approximately 24 percent disparity identified by the federal government.

[4:15:22 PM](#)

LORI WEED, School Finance Manager, Finance and Support Services, Department of Education and Early Development (DEED), Juneau, Alaska, answered questions concerning local contribution. She clarified that the current disparity test submitted in FY 25 will apply to FY 26 using audited data from FY 24.

[4:15:36 PM](#)

SENATOR KIEHL restated the actual answer FY 24, noting it was helpful to have the facts. He acknowledged the commissioner's explanation regarding correspondence with the federal Department

of Education and said it was valuable to understand DEED's new realization that funds beyond the operating fund must be considered. He then asked if there were any other new interpretations resulting from that exchange and whether anything previously included in submissions had since been excluded.

[4:16:30 PM](#)

MS. WEED requested Senator Kiehl provide more specifics.

SENATOR KIEHL stated he did not recall all the letters he read in January but believed that, historically, Alaska had included certain categories of public education expenditures as countable toward the disparity test. He noted that, following recent correspondence with the U.S. Department of Education over the past few years, those categories were no longer included. He asked if his recollection was correct or if he was mistaken.

[4:17:17 PM](#)

MS. WEED responded that he might have the situation slightly reversed. She referred to the appeal process that occurred after the Impact Aid Office directed DEED to include the special revenue for pupil transportation. She explained that DEED appealed that inclusion, which took a couple of years to resolve. The resolution allowed DEED to treat the revenue as a geographic cost differential, permitting its inclusion initially but allowing it to be removed when conducting the disparity test. She asked if that was the situation he was trying to recall.

[4:17:51 PM](#)

SENATOR KIEHL replied that the net result then is it is excluded. He asked whether there were any other categories, in addition to pupil transportation, that are no longer counted.

[4:18:15 PM](#)

MS. WEED replied no, but there are additional revenues now counted, including revenues that come to food service from capital accounts or other accounts that were not previously recognized as part of the general operational funds, particularly those identified by the Impact Aid definition of current expenditures.

[4:18:58 PM](#)

CHAIR TOBIN stated that, based on her review of U.S. Code regarding the accounting of special cost differentials, the department currently uses the exclusion method but also includes

certain types of special cost differentials. She asked whether her understanding was correct.

[4:19:28 PM](#)

MS. WEED replied that the department is trying to follow federal regulations by including all revenue that should be counted toward current expenditures. She explained that the department excludes items it has been permitted to exclude, such as pupil transportation. She said the department also excludes costs associated with correspondence [programs] due to a special 90 percent differential, and that Career and Technical Education (CTE) and special needs factors are excluded as well. She stated these exclusions are allowed until the per Average Daily Membership (ADM) cost is reached, using the revenue exclusion method.

[4:20:31 PM](#)

CHAIR TOBIN said the U.S. Department of Education (DoED) indicated in December that staff had reached out to DEED to better understand some of its new interpretations. She said DoEd offered to work with the state to avoid removing funding from schools. She asked the commissioner to describe ongoing conversations with DoEd regarding how to best serve Alaska, noting Alaska is the only state currently using the federal disparity test. She said her understanding was that the department does not want actions that negatively impact school districts.

[4:21:16 PM](#)

COMMISSIONER BISHOP said the department continues to work with DoEd to keep the disparity test within 25 percent by identifying allowable flexibility between the poorest and richest districts. She said the law aims to limit the funding gap and that the department also works with individual districts to understand how local funding interacts with community contributions. She stated the law requires inclusion of 100 percent of the local contribution and provides a method to calculate funding at basic need plus up to 25 percent above basic need. She said these efforts address differences in how districts classify expenditures inside or outside the cap, citing Ketchikan as an example. She said these issues arise regularly, and the department remains in contact with DoEd to balance state funding formula requirements with Impact Aid provisions and identify available flexibility.

[4:23:27 PM](#)

CHAIR TOBIN said she would like to review DEED communications with DoEd that advocate for public schools and request exclusions for community supports such as community schools. She cited Anchorage examples, including the Mountain View Boys and Girls Clubs providing before-school care and transportation for Government Hill Elementary students, and asked whether the department sought exclusion of those funds from the federal disparity test because they do not directly impact classroom instruction. She asked the commissioner to describe engagement with stakeholders, including the Alaska Association of School Business Officials (ALASBO) and the Alaska Council of School Administrators (ACSA). She said members of the education community reported that the department has not been responsive to their concerns.

[4:24:37 PM](#)

COMMISSIONER BISHOP said an article was published stating Juneau exceeded the funding cap, which is not allowable. She stated her belief that the department sent three letters over three years to the Juneau School District explaining the state funding formula and the 25 percent disparity limit. She said when she became the commissioner, in the third year, she addressed the issue by working with Juneau School District's new superintendent to align spending and revenue with state law.

COMMISSIONER BISHOP said feedback from districts showed differing interpretations of what expenditures were allowable, noting statute language was clear but regulations were vague. She stated the department requested a legal review, which recommended strengthening regulations to provide clearer guidance. She said the department met with the state's School Finance Director and the President of the Alaska Council of School Administrators (ACSA), to understand district impacts before finalizing language, but draft language went public prematurely.

[4:26:58 PM](#)

COMMISSIONER BISHOP said she has since met multiple times with ACSA, answered superintendent questions, and received calls from several superintendents, as well as input from the Southeast Regional Resource Center (SERRC). She stated some districts oppose allowing funding over the cap, particularly those without capacity to raise additional local revenue, citing fairness concerns. She said districts with the ability to fund above the cap show strong interest in the regulation because they want to contribute additional local funding.

COMMISSIONER BISHOP stated the funding formula changed in 2012, when only one district had authority to collect 2.65 mills toward basic need. She explained boroughs may levy up to four mills, creating capacity to raise additional local revenue beyond basic need without counting toward the cap. She said district positions vary, making the issue complex, and emphasized the department must administer the funding formula with districts.

[4:29:38 PM](#)

SENATOR KIEHL said the federal government's disparity test uses the 5th and 95th percentiles. He explained that, among 17 Alaska school districts above the high cutoff in the most recent disparity test, five districts operated as Regional Educational Attendance Areas (REAs). He emphasized that five of Alaska's districts in the top five percent of per-student funding were REAs. He said he wanted to add this perspective to prevent misunderstanding.

CHAIR TOBIN said she also shares concern about some of the language used. She asked Commissioner Bishop to provide an update on the status of the regulations as there is currently an administrative freeze on new regulations.

[4:30:41 PM](#)

COMMISSIONER BISHOP stated that the department anticipated presenting the regulations for public comment at the July school board meeting.

CHAIR TOBIN asked whether the department planned to request a special exemption from the executive branch, given the current administrative freeze on all new regulations.

COMMISSIONER BISHOP replied yes.

CHAIR TOBIN expressed appreciation and stated that she looks forward to DEED pursuing additional needed education regulations. She noted interest in including pre-K regulations and national board standards as part of the exemption request.

PRESENTATION(S) : LOCAL CONTRIBUTION

[4:31:14 PM](#)

CHAIR TOBIN announced the presentation Local Contribution by Superintendent Frank Hauser from the Juneau School District.

[4:31:38 PM](#)

FRANK HAUSER, Superintendent, Juneau School District, Juneau, Alaska, offered a presentation on Local Contribution. He moved to slides 2-3, Local Contribution, and emphasized that the discussion would focus on local funding rather than state money for instructional programs. He explained that local communities appropriated this funding for non-instructional items outside the established curriculum. He listed examples and provided the funding amounts of his district:

[Original punctuation provided.]

Food Service	\$ 125,000
Student Transportation	\$ 200,000
Community Schools	\$ 200,000
Learn to Swim	\$ 50,000
High School Student Activities	\$1,200,000
Middle School Student Activities	\$ 90,000
Pre-K Programming	\$ 250,000
Total:	\$2,115,000

[4:32:36 PM](#)

MR. HAUSER moved to slide 4, an image of Alaska, and stated that students statewide, from Sitka to Bristol Bay, Unalaska to Anchorage, St. Mary's to Valdez, and Petersburg, benefited from dedicated local funds for non-instructional items. He reiterated that local communities appropriated these local dollars for non-instructional programs that met local needs. He warned that local communities' ability to offer these non-instructional programs without negatively affecting instructional programs and offerings faced jeopardy.

[4:33:05 PM](#)

MR. HAUSER moved to slide 5 and stated that the Department of Education and Early Development (DEED) had proposed a regulation change to local contribution that some [Bradner's Alaska Legislative Digest Nov. 1, 2024] described as a "stealth raid on school district budgets." He explained that the change would cut off local assemblies' and local governments' authority to decide how to use local dollars for non-instructional priorities in their communities, including early childcare programs outside DEED's mission and free public education. He said some alleged that funding for non-instructional items affected the federal disparity test. He added that he planned to provide facts regarding DEED's proposed regulation change and the relevant federal regulation.

[4:33:36 PM](#)

MR. HAUSER moved to slide 6, DEED Proposed Regulation Change to Local Contribution (Sept. 2024), and said he is glad to bring the proposal to light. He stated that despite many recent general statements from the state and DEED about "empowering parents and local control," only a small group from the Alaska Association of School Business Officials had been allowed to weigh in on DEED's proposed regulation change language before finalization. He noted that the group opposed the proposed language:

[Original punctuation provided.]

**DEED Proposed Regulation Change to
Local Contribution (Sept. 2024)**

4 AAC 09.990(b) is amended to read:

(b) In the definition of "local contribution" in AS 14.17.990,

(1) "appropriations" means money appropriated to a district [DISTRICT'S SCHOOL OPERATING FUND] by the city or borough, but does not include money appropriated for community services, capital outlay, or debt service;

(2) "value of in-kind services" means the documented fair market value of insurance, utilities, energy, audits, and maintenance of facilities provided at no charge to a district by the city or borough, but does not include value of in-kind services for community services or teacher housing [AS REPORTED IN THE DISTRICTS'S SCHOOL OPERATING FUND].

[4:33:52 PM](#)

SENATOR BJORKMAN arrived at the meeting.

[4:34:01 PM](#)

MR. HAUSER moved to slide 7, Three Reasons:

[Original punctuation provided.]

Three Reasons...

DEED Gave Three Reasons for Its Proposed Regulation Change:

- 1) "to better align with the original intent of the Alaska public education funding formula,"
- 2) to "ensure compliance with the federal Impact Aid Program (IAP) disparity test,"
- 3) to "maintain equity in funding between municipal school districts and REAAs."

MR. HAUSER DEED gave three reasons for the proposed regulation change, and said he would briefly discuss each reason, look at how the sweeping proposed regulation change misses the mark, and then end by looking at federal regulation, including language on disparity test exclusions that DEED already benefits from but is not proposing to extend to districts.

[4:34:21 PM](#)

MR. HAUSER moved to slide 8:

[Original punctuation provided.]

Alaska school districts could take financial hit as education department considers tighter limits on local funding

By Sean Maguire

Published: November 2, 2024

"Parady, executive director of the Alaska Council of School Administrators, said she did not understand why the state was 'suddenly reinterpreting' the 'original intent' of Alaska's funding formula.

She said her organization had analyzed the latest state data and found the proposed regulation change would 'not significantly' affect Alaska's chances of passing the disparity test."

MR. HAUSER stated that DEED said the proposed regulation change was necessary to "better align with the original intent of the Alaska Public Education Funding Formula." He countered, citing Ms. Parady, that the proposal was a sudden reinterpretation of the formula's original intent. He added that the reinterpretation directly conflicted with DEED's past guidance to school districts.

[4:34:45 PM](#)

MR. HAUSER moved to slide 9, and said DEED's second reason for the proposed regulation change is to "ensure compliance with the federal Impact Aid Program (IAP) disparity test."

[4:34:54 PM](#)

MR. HAUSER moved to slide 10, a letter from DEED dated December 1, 2023:

[Original punctuation provided.]

In order to align with the statutes and **recent guidance and orders from the federal Impact Aid Program, DEED intends to propose a regulation amendment to 4 AAC 09.990** to make clear that "local contribution," as used in AS 14.17.410, is not limited to funds appropriated to or reported in a district's school operating fund. In consideration of the budgeting process already underway for the FY2025 budget cycle, and the procedures required before a regulation can take effect under the Administrative Procedures Act, DEED would request that any regulation amendment take effect for the FY2026 budget cycle. Of course, any proposed regulation project must go through the required procedures under state law, including a mandatory time period for public comment, and it would ultimately be up to the State Board of Education and Early Development to consider public comment and vote on whether they would adopt any regulation change.

MR. HAUSER noted that DEED reasons for proposing a regulation amendment was to align with "recent guidance and orders from the federal Impact Aid Program in the federal Department of Education."

[4:35:07 PM](#)

MR. HAUSER moved to slide 11, a memo dated April 19, 2024, from the United States Department of Education:

[Original punctuation provided.]

In response to your questions concerning the memo's reference to a potential, upcoming proposal to clarify the State's regulations, **Impact Aid Program staff did not ask, or recommend, that DEED change its State regulations. State regulations are not within the Impact Aid Program's interest or purview.**

MR. HAUSER stated that the issue held too much importance to avoid speaking freely and said the claimed events did not occur. He reported that Alaska superintendents asked the federal Department of Education (DoEd) whether it had called for the regulation change or issued new guidance. He said staff in Washington, DC responded negatively and indicated that the Impact Aid Program (IAP) neither asked for nor recommended the change. He added that IAP staff stated that state regulations fell outside the program's interest or purview.

MR. HAUSER reiterated that the federal Department of Education (DoEd) said it did not ask for or recommend that Alaska make a regulation change. He noted that DoEd, for whom the state purportedly proposed the change, faced closure. He asserted that the Department of Education and Early Development (DEED) proposed a sweeping statewide regulation change on behalf of a federal agency that never requested it and now faced being shuttered.

[4:36:00 PM](#)

MR. HAUSER moved to slide 12:

[Original punctuation provided.]

DEED's Proposed Regulation Change Conflicts with Federal Guidance

federal Impact Aid Program to DEED: "Transportation revenue is also excluded as it reflects the additional cost of providing free public education in 'particular types of LEAs such as those affected by geographical isolation' per 34 C.F.R. § 222.162(c)(2)(ii)."

Although the state will continue to benefit from a federal exception for transportation in its disparity test calculation, it will not allow that benefit for districts in its proposed regulation: "DEED is not proposing to include currently known exceptions like pupil transportation."

MR. HAUSER stated that the Department of Education and Early Development's (DEED) proposed regulation conflicted with federal guidance on transportation. He said the federal Impact Aid Program (IAP) excluded transportation revenue from the disparity test calculation. He explained that although the state would continue to benefit from the federal exclusion for

transportation, he quoted DEED as denying the benefit to school districts, "DEED is not proposing to include currently known exceptions such as pupil transportation."

[4:36:34 PM](#)

SENATOR KIEHL asked for clarification on whether DEED asked DoEd to exclude the state's transportation contribution from the disparity test.

[4:36:47 PM](#)

MR. HAUSER stated that in 2021 DEED received notice that two calculations for transportation were given. There was some discrepancy on what was put online. He said the state failed the disparity test at that time. He said the state worked with the department to switch to the revenue exclusion model for the disparity test calculation. He explained that the change allowed exclusion of pupil transportation and brought the state into compliance with the disparity test.

[4:37:24 PM](#)

SENATOR KIEHL asked if DEED also asked DoED to exclude local contribution to pupil transportation and was denied, or did DEED not ask.

[4:37:42 PM](#)

MR. HAUSER stated that he could not speak to what the department asked at the time and had no knowledge of the department asking the Impact Aid Program (IAP) those questions. However, the letter DEED sent out referencing the proposed regulation change did say DEED was not proposing to include current exceptions, such as pupil transportation, even though the state receives that exclusion in the disparity test.

SENATOR KIEHL stated that DEED did not propose to the federal government that [districts receive the exceptions].

[4:38:14 PM](#)

CHAIR TOBIN stated that the Anchorage School District operates a [before and after] school program at the Mountain View Boys and Girls Club and provides transportation for those students to Government Hill Elementary. She explained that the proposed interpretation would not exclude this transportation. She added that the Nenana School District provides transportation vouchers because the district can only operate a school bus within one mile of the school. She said this transportation also does not qualify for exclusion under the proposed interpretation.

[4:38:48 PM](#)

MR. HAUSER moved to slide 13 and said the third reason DEED gave for the proposed regulation change aimed to "maintain equity and funding between municipal school districts and REAAs." He noted the irony that DEED declared a victory over DoEd in a maintenance of equity dispute during the same period. He added that DEED described Alaska's current funding system as "the most equitable in the nation."

[4:39:29 PM](#)

MR. HAUSER moved to slide 14, DEED's Proposed Regulation Change Will Not Achieve "Equitable Outcome" Sought, and said despite many recent statements about empowering parents and local control, ALASBO was the only group allowed to weigh in before regulation was finalized. ALASBO opposed it:

[Original punctuation provided.]

DEED's Proposed Regulation Change Will Not Achieve
"Equitable Outcome" Sought

DEED solicited feedback on the proposed regulation change only from the Alaska Association of School Business Officials (ALASBO) Education Policy Workgroup, which opposed the proposed regulation.

Executive Director of ALASBO Darcy Carter "said the organization 'opposes the proposed regulation change' as presented": "'Based on our knowledge of Alaska's school districts, we do not believe the proposed regulations will achieve the equitable outcome that is being sought by (the Alaska Department of Education and Early Development) with these changes.'"

[4:39:53 PM](#)

MR. HAUSER moved to slide 15 and stated it is worth noting that in recent years both an REAA and organized borough school district not funded to the cap requested a pre-determination hearing with the federal Impact Aid Program arguing they were adversely affected by the disparity test:

[Original punctuation provided.]

Alaska Department of Education and Early Development
FY2024 Disparity Test for FY2025--Revenue Exclusion
Compiled from Fiscal Year 2023 Audits

Prepared for IAP 03/03/2025
 SCHOOL FY2024
 DISTRICT REVENUE
 PER ADM

NORTH SLOPE	21,340
BRISTOL BAY	18,514
VALDEZ	14,086
SKAGWAY	11,975
YUKON-KOYUKUK	11,577
YUKON FLATS	11,260
SOUTHEAST ISLAND	11,213
LAKE AND PENINSULA	10,785
SAINT MARY'S	10,768
ALEUTIAN REGION	10,500
CHUGACH	10,407
YAKUTAT	10,058
DENALI	9,961
PRIBILOF	9,673
CHATHAM	9,168
PELICAN	9,035
UNALASKA	8,920
NORTHWEST ARCTIC	8,685

[4:40:09 PM](#)

MR. HAUSER said Alaska remains the only state still using the disparity test and uses it to receive a benefit and reduce state aid to districts. He stated the March table of top revenues per average daily membership (ADM) in FY 24 showed districts at the 95th percentile and above, with nearly 40 percent consisting of Regional Educational Attendance Areas (REAs), while Juneau, Anchorage, Kenai, and other large districts did not appear in that data. He explained that cutting transportation funding in Anchorage or Juneau, which the disparity test excludes, only reduces funding in those districts and does not affect the disparity calculation.

MR. HAUSER stated he has worked as an educator in Alaska for almost 28 years and supports students in all districts, rural and urban. He expressed concern that the proposed regulation attempts to create a false narrative between urban and rural districts and questioned the timing, future impacts on local control for districts and REAs, and the lack of transparency. He said determination reports for Impact Aid from fiscal year (FY) 21 through FY 25 showed REAs at the 95th percentile of revenues per ADM three out of five years and at the fifth percentile four out of five years. He concluded that the data

suggests state funding for REAAs needs attention and pointed to the Base Student Allocation (BSA).

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MR. HAUSER moved to slide 16, DEED Proposed Regulation Change Conflicts with DEED's Testimony on Diverse Needs Across State, and provided a quote from Elwin Blackwell, former DEED finance Manager regarding a predetermination hearing with Impact Aid, 2021:

[Original punctuation provided.]

"Like I said, some districts, we have one that has approximately 12 students in it and they have no transportation need. It's a very compact community where the children can easily walk to and from school.

And then you have a lot of rural school districts where you have multiple villages within the school district where they have a similar situation where kids might come to school on four wheelers or a snow machine in the winter and there really is no transportation in those communities. And so typically, their costs are going to be pretty low, too."

MR. HAUSER said the disparity test limits its scope to free public education and emphasized that point as the key takeaway from his presentation. He stated the DEED proposed regulation change extends beyond that scope and threatens to cut funding for community programs operated by districts and extracurricular activities that do not fall within free public education. He argued the regulation change sweeps so broadly that it removes local funding authority for programs outside the disparity test's scope. He added the proposal does not help Alaska's disparity percentage, nor does denying DoEd exceptions to districts.

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At ease.

[4:44:23 PM](#)

CHAIR TOBIN reconvened the meeting.

[4:44:29 PM](#)

MR. HAUSER moved to slide 17, a picture of boats on the water, and said an increase to the Base Student Allocation (BSA) would

benefit every district in Alaska and largely alleviate the state's concerns about local contribution.

[4:44:43 PM](#)

MR. HAUSER moved to slide 18, and discussed the limited scope of the disparity test.

[Original punctuation provided.]

Title 34 - Education
Subtitle B - Regulations of the Offices of the
Department of Education
Chapter II - Impact Aid Programs
Subpart K - Determinations Under Section 8009 of the
Act

Authority: 20 U.S.C. 7701-7714; Pub. L. 111-256,
124 Stat. 2643; unless otherwise
noted.

Source: 60 FR 50778, Sept. 29, 1995, unless
otherwise noted.

Section 222.162 What disparity standard must a State meet in order to be certified and how are disparities in current expenditures or revenues per pupil measured?

(a) Percentage disparity limitation. The Secretary considers that a State aid program equalizes expenditures if the disparity in the amount of current expenditures or revenues per pupil for **free public education** among LEAs in the State is no more than 25 percent. In determining the disparity percentage, the Secretary disregards LEAs with per pupil expenditures or revenues above the 95th or below the 5th percentile of those expenditures or revenues in the State. The method for calculating the percentage of disparity in a State is in the appendix to this subpart.

[4:45:19 PM](#)

MR. HAUSER moved to slide 19 and said a more productive approach to lowering the disparity percentage would involve DEED requesting additional exclusions similar to the current exclusion for transportation revenue. He urged members to read the federal regulation and stated the language appears to reference Alaska when identifying areas for exclusions, particularly local educational agencies (LEAs) affected by

geographic isolation, sparsity or density of population, high cost of living, or unique socioeconomic characteristics. He noted DEED previously secured a transportation exclusion. He questioned why DEED has not pursued other special cost differential exclusions if reducing the disparity percentage remains the goal:

[Original punctuation provided.]

34 CFR 222.162(c)(2)(ii)

34 CFR 222.162 9 (up to date as of 5/01/2025)

What disparity standard must a State meet in order to be certified and...

(3) The exclusion method on a revenue basis. **The State subtracts revenues associated with the special cost differentials from total revenues,** and divides this net amount by an unweighted pupil count.

"The two allowable categories of special cost differentials are -"

(i) Those associated with pupils having special educational needs, such as children with disabilities, economically disadvantaged children, non-English speaking children, and gifted and talented children; and

(ii) Those associated with particular types of LEAs such as **those affected by geographical isolation, sparsity or density of population, high cost of living, or special socioeconomic characteristics within the area served by an LEA.**

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MR. HAUSER concluded by asking members to consider several questions. He questioned the urgency to advance a sweeping statewide regulation amid uncertainty surrounding the potential closure of the United States Department of Education (DoEd). He asked what cost the state incurs by allowing districts the same current and future disparity test exclusions it receives. Under the state's current proposal, it would continue to benefit federally while denying the same exclusion to districts.

MR. HAUSER further questioned the cost to the state if the Department of Education and Early Development (DEED) must

collaborate with districts to identify and request new exclusions in the disparity test calculation, including those provided under federal regulations for local educational agencies (LEAs) affected by geographic isolation, population sparsity or density, high cost of living, or unique socioeconomic characteristics. He also asked the cost of requiring DEED regulations to remain within federal law and not exceed federal requirements, noting Impact Aid has stated state regulations fall outside the program's interest or authority. He asserted DEED holds no obligation to impose rules more restrictive than federal regulation.

[4:47:32 PM](#)

MR. HAUSER moved to slide 18, thanked the committee for the opportunity to testify and said individuals seeking additional information can review testimony presented in the House Education Committee by colleagues from other districts regarding the effects of the proposed regulation change on their communities. He noted the Executive Director of the Alaska Municipal League also provided public testimony addressing local control. He stated his district may not face the greatest impact from the regulation change. He emphasized estimates indicate more than half of Alaska's students would experience effects from the proposed regulation.

[4:48:14 PM](#)

SENATOR KIEHL referenced Mr. Hauser saying the BSA is the way to "float all boats" and said FY 24 was the year the state came close to exceeding the disparity test threshold. He recalled that year the BSA received one-time funding above the static BSA of about \$340, so last year it was \$680. He asked whether the additional one-time funding creates more or less room for local contributions without violating the disparity test.

[4:49:05 PM](#)

MR. HAUSER replied municipalities, organized boroughs, cities, and districts must adopt budgets in advance, which limits their ability to adjust to late-session funding changes.

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SENATOR KIEHL clarified his question and noted the complexity of federal requirements. He referenced Mr. Hauser's testimony that increasing the Base Student Allocation (BSA) benefits all districts by enlarging the overall funding base and suggested that increase reduces urgency for regulatory changes by creating more flexibility under the disparity test. He asked whether the same effect applies to one-time funding and mentioned again the

one-time funding approved in 2024 for use in 2025 that prompted concern from Commissioner Bishop.

[4:50:16 PM](#)

MR. HAUSER stated his belief that one-time funding does help alleviate financial pressures and cited the Juneau School District as an example. He reported that, prior to the announcement of one-time funding last year, the City and Borough of Juneau reached the maximum local contribution and, for the first time, received more local funding than funding from the State of Alaska, with Juneau contributing approximately 51 percent. He said the state puts pressure on the districts by saying it must have access and utilize Impact Aid funds to make sure all schools across the state are supported. Yet, the state's broad sweeping regulation would impact local contribution for non-instructional, non-curricular items. He said one-time funding and the BSA is not keeping up with inflation costs and negatively impacts classroom instruction.

CHAIR TOBIN noted that one of the activities the broad sweeping regulation would cut from the Juneau School District is the Learn to Swim Program.

[4:52:09 PM](#)

SENATOR BJORKMAN expressed appreciation to the Juneau School District for organizing beach day field trips and said his children enjoyed the events. He asked whether, under the proposed regulation, funds raised by sports, booster clubs, or other activities for travel or coach stipends would count toward the local contribution cap.

[4:52:53 PM](#)

MR. HAUSER stated that the draft regulation impacts only funds appropriated from a municipality or borough to a school district. He explained that money raised through a nonprofit or booster club falls outside the scope of the regulation because those organizations maintain separate accounts and manage those funds independently.

[4:53:33 PM](#)

SENATOR BJORKMAN stated that funds are appropriated to pay for pools, theaters, and subsidized hot lunch programs. He asked whether, in the case of pools and theaters that are occasionally used for educational purposes but primarily serve other functions, those appropriations would count against the local contribution cap.

[4:54:08 PM](#)

MR. HAUSER stated that he would need to review specific examples before giving a definitive answer. He said he raised a question with the DEED regarding student nutrition and whether a local community could contribute funds to address food insecurity by providing breakfast and lunch. He explained that the concern centered on whether the funding comes through a local municipality or borough appropriation, as the regulation applies to additional local government funding. He added that clarification is needed on what qualifies as free public education, what exclusions apply, and whether those exclusions extend to school districts.

[4:55:21 PM](#)

SENATOR STEVENS asked for additional details regarding Mr. Hauser's comment that the department was attempting to create a false narrative between urban and rural school districts.

[4:55:38 PM](#)

MR. HAUSER said that he did not necessarily want to accuse the department but expressed concern about a perceived divide between urban and rural districts. He stated that, as a longtime Alaska educator and superintendent, he remains committed to serving all students statewide and values public education across Alaska. He emphasized that increasing the Base Student Allocation (BSA) would address funding pressures affecting all districts. He stressed that his testimony aimed to support equitable access to public education and non-instructional opportunities statewide outside the disparity test for rural and urban schools.

[4:57:24 PM](#)

SENATOR CRONK requested that Commissioner Bishop receive the opportunity to offer rebuttal.

[4:57:48 PM](#)

COMMISSIONER BISHOP stated that she would provide specific information, including details from the DoEd Impact Aid Program, to address the questions and concerns raised by Mr. Hauser. She said the department received information that differed from his presentation and noted that experienced experts were available online for questions. She explained that DEED aims to implement the state's funding formula equitably and not create division among districts, although several districts have expressed concern about funding disparities regardless of whether Impact Aid is included. She added that DEED held multiple meetings with

Mr. Hauser to support his district by incorporating several of the community service items he identified.

4:59:10 PM

LORI WEED, School Finance Manager, Finance and Support Services, Department of Education and Early Development (DEED), Juneau, Alaska, answered questions concerning local contribution. She stated for the legislative record that community services, such as before- and after-school programs, community schools, and additional gym use, are specifically excluded in the proposed draft language. She clarified that DEED does not intend to include those services within free public education but instead seeks to meet the requirements of the disparity test, which promotes statewide equity. She referenced Mr. Hauser's prior comments about ALASBO supporting equality across the state and explained that only about five districts routinely fund to the cap and they also contribute additional special revenues. She acknowledged the impact on Juneau but emphasized that allowing only a few districts to access additional funding opportunities creates inequity for other districts statewide.

5:00:51 PM

CHAIR TOBIN requested that the department provide the draft regulatory language so members of the committee can review it before the regulatory package moves forward. She expressed appreciation for the comments regarding legislative intent and the state funding formula. She noted that Senator Hoffman serves as a valuable resource and suggested consulting him for further clarification on legislative intent at the time of enactment.

5:01:14 PM

SENATOR KIEHL stated that he worked in the legislature when Senate Bill 36 passed in 1998 and has monitored education budgets for decades. He said the primary sponsor of the current funding formula understood that some districts funded items outside the cap, never sought changes as finance co-chair, and never raised concerns during Board of Education and Early Development testimony, which suggests the proposed regulation does not reflect the original intent of Senate Bill 36. He noted that several REAAs and rural districts approach or exceed the disparity test cut line but argued that the current system does not systematically discriminate against rural Alaska. He stated that Juneau remains approximately \$500 per student below the disparity limit, equating to about \$2 million in headroom, and asserted that the proposed regulation does not address an urgent problem, federal noncompliance, or an emerging need.

5:04:13 PM

CHAIR TOBIN stated that she agreed and questioned the prioritization of the proposed regulation over addressing major maintenance and school construction needs in rural Alaska, which she believed would have a greater impact on equity. She invited representatives from the districts the commissioner mentioned to provide public testimony to the committee so members can better understand their perspectives. She emphasized the importance of transparency and gathering information to understand what is occurring in schools statewide.

5:05:07 PM

There being no further business to come before the committee, Chair Tobin adjourned the Senate Education Standing Committee meeting at 5:05 p.m.