

ALASBO Education Policy Workgroup,

Thank you for your early review of the Department of Education & Early Development's draft proposed regulation regarding the definition of "local contribution". DEED greatly values the input of ALASBO members and appreciates your thoughtful feedback on potential concerns. Your insights will help ensure the final regulation is well-crafted before it enters the public review and adoption process.

The following draft proposed regulation change is designed to better align with the original intent of the Alaska public education funding formula, ensure compliance with the federal Impact Aid Program (IAP) disparity test, and maintain equity in funding between municipal school districts and REAAs.

The IAP disparity test uses the definition of "current expenditures" in [20 USC § 7713\(4\)](#) when considering a state's public education funding.

The term "current expenditures" means expenditures for free public education, including expenditures for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenditures to cover deficits for food services and student body activities, but does not include expenditures for community services, capital outlay, and debt service, or any expenditures made from funds awarded under part A of subchapter I. The determination of whether an expenditure for the replacement of equipment is considered a current expenditure or a capital outlay shall be determined in accordance with generally accepted accounting principles as determined by the State.

The proposed regulation changes remove the restriction that local appropriations and in-kind services be considered only within the operating fund, as IAP has determined that the disparity test encompasses a broader range of expenditures beyond just the operating fund.

Note, that although the disparity test allows for exceptions related to geographic cost differentials, in order to maintain parity between municipal school districts and REAAs, DEED is not proposing to include currently known exceptions like pupil transportation.

Regarding the proposed change to the definition of "value of in-kind services", historical data shows that districts report in-kind contributions in operating, community services, and teacher housing. Community services is an allowable exception, while teacher housing is not part of the definition of free public education.

With appreciation,  
Lori Weed, School Finance Manager

# DRAFT

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 DISTRICT'S SCHOOL OPERATING FUND].

(Eff. 7/22/99, Register 151; am 10/8/99, Register 152; am 12/2/2000, Register 156; am 12/2/2012, Register 204; am \_\_/\_\_/\_\_, Register \_\_\_\_)

Authority: AS 14.03.040

AS 14.07.060

AS 14.17.430

AS 14.17.920

AS 14.20.010

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For reference:

## **Sec. 14.17.990. Definitions.**

In this chapter, unless the context requires otherwise, ...

(6) "local contribution" means appropriations and the value of in-kind services made by a district;