



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Education
& Early Development**

FINANCE & SUPPORT SERVICES
School Finance Section

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MEMORANDUM

To: Municipal School Districts
Superintendents and Business Managers

From: Lori Weed, School Finance Manager 

Date: July 27, 2023

Subject: Maximum Local Contribution or "Local Cap"

A review of the local revenues was performed on the FY2022 Financial Statements for all districts. This letter is to remind districts that local appropriations and in-kind funding being applied to special revenue fund(s) are considered towards the maximum local contribution or "local cap" set out in AS 14.17.410.

The U.S. Department of Education has certified that Alaska meets the requirements of section 7009(b) of the Elementary and Secondary Education Act (ESEA); this certification is referred to as the disparity test. As a result, Alaska has an equalized funding formula and is eligible to consider a portion of Impact Aid payments as local resources in determining State Aid entitlements to district.

The State's disparity test needs to include all revenues for current expenditures under the Impact Aid statute's definition of current expenditures, regardless of the State's categorization. The Impact Aid statute's definition of current expenditures is in 20 USC 7713, paragraph 4.

(4) Current expenditures:

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.

Providing additional local funding outside of the established funding cap creates inequity amongst Alaska school districts and has major repercussions on the above-mentioned

certification from the U.S. Department of Education. Labeling funds as “outside the funding cap” or identifying the allocation to a special revenue fund does not make it compliant.

Going forward the department requests districts verify that the FY2024 total local appropriation and in-kind funding does not exceed the local cap as clarified in AS 14.17.410(c). If it does exceed the local cap, then the district must reimburse those funds back to the city/borough for FY2024.

If it is determined that local funds continue to be applied to special revenue fund(s) to circumvent the local cap and are not refunded appropriately, then state aid will be reduced to maintain compliance with the federal equalization.

If there are any further questions, please do not hesitate to contact me.

cc: Municipal Administrators
Heidi Teshner, Acting Commissioner
Lacey Sanders, Deputy Commissioner
Karen Morrison, Director of Finance and Support Services