



K-12 EDUCATION FUNDING OVERVIEW

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HJR215 (ACTS 2024-128 AND 2024-181)

- Required the Legislature to conduct a study on modernizing the K-12 education school funding model into a ***student-based funding model***.
- Student-based funding allocates funds to school districts based on the number of students enrolled or in attendance with additional funding being provided based on the characteristics of the students of the district.
- Study to include any additional costs associated with the transition, as well as any necessary changes in law required to implement.
- Findings of the study and any proposed legislation to be delivered to the Governor, the Speaker of the House of Representatives, and President Pro Tempore of the Senate **by February 1, 2025**.

HR263 PASSED BY HOUSE

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- Established a Legislative Study Commission to Study K-12 School Education Funding required by Act 2024-128.
 - Study Commission comprised of all members of the House of Representatives Ways and Means Education Committee, and the Senate Finance and Taxation Education Committee.
 - The chair of the House Ways and Means Education Committee and Senate Finance and Taxation Education Committee to serve as cochairs.
 - Fiscal Division of LSA, the Clerk of the House of Representatives, and the Secretary of the Senate to provide administrative and other assistance.
 - Commission to report its findings, and recommendations for any proposed legislation, no later than **February 1, 2025**.

RESOURCE-BASED VS. STUDENT-BASED FUNDING

Resource-Based

- Funds are allocated based on the anticipated costs of resources and inputs, such as staff salaries and benefits, and classroom instructional materials
- Alabama is one of only 6 states that only use a resource-based funding formula.

Student-Based

- Funds are allocated based on the number of students enrolled or in attendance. In many states, additional funds are allocated to districts based on the individual learning needs of their students such as low income, disability, and/or status as an English learner.
- 41 states use a student-based funding formula.



ALABAMA'S CURRENT BASE K-12 FUNDING

THE FOUNDATION PROGRAM



BACKGROUND

- The Foundation Program was adopted in 1995
 - Response to the “Equity Funding Lawsuit”
 - Implementation began with the 1995-96 school year
- Intent - provide an equitable, basic funding stream for public K-12 schools throughout the state
 - Mandated 10 mill equivalence in local property tax
 - Local school system had to commit to the Foundation Program
- In theory, a poorer school system operating only with funds provided through the Foundation Program would have the essential elements to offer a “solid foundational program.”

MINIMUM- PROGRAM FRAMEWORK

- Foundation Program provides each school the following:
 - A minimum number of teachers (units)
 - A principal, assistant principals, librarians, and counselors according to school population (instructional support units)
 - Operations money known as Other Current Expense (OCE)
 - Basic financial support for classrooms; textbooks; technology; professional development; library enhancement; and classroom materials and supplies
 - Funding for student growth

FOUNDATION PROGRAM FUNDING

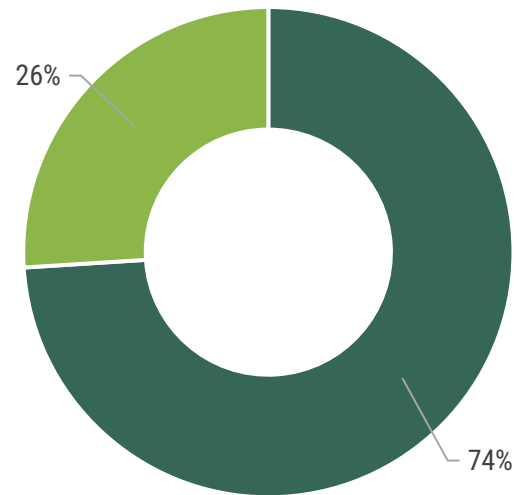
- Foundation Program is funded by state and local dollars.
- Local share comes from local property taxes (10 mills).
 - Section 269.08, of the *Constitution of Alabama of 2022* requires each school district in the state to levy and collect at least 10 mills of local property taxes from taxpayers.
- Foundation Program is not a “state” program; rather, it is a state-local partnership that should provide the funds needed for schools to operate.
- The Foundation Program allocation for any school system is determined through formulas and is based solely on the number of students enrolled (ADM) in the previous year.

FOUNDATION PROGRAM EQUITY

- State and local percentages of funding vary from system to system.
- To provide equity, the state share is higher in poorer systems; and more affluent systems contribute a higher percentage of local funds.
- Affluence is determined solely by the value of property in each school system's boundaries.
- Regardless of the number of mills of property tax a system raises, the value of a single mill is contingent upon the value of the property in general.

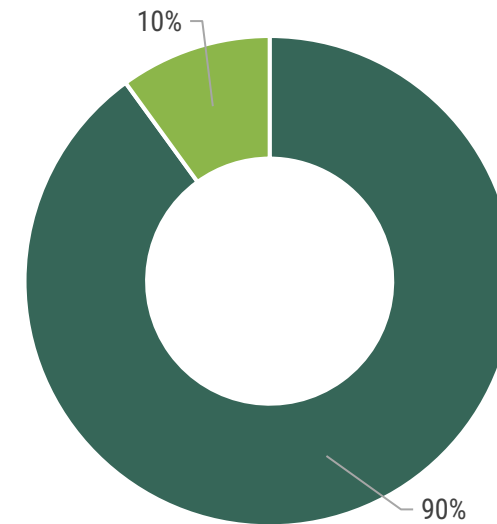
STATE-LOCAL PERCENTAGES BASED ON COMMUNITY AFFLUENCE

State-Local Partnership in a **More** Affluent System

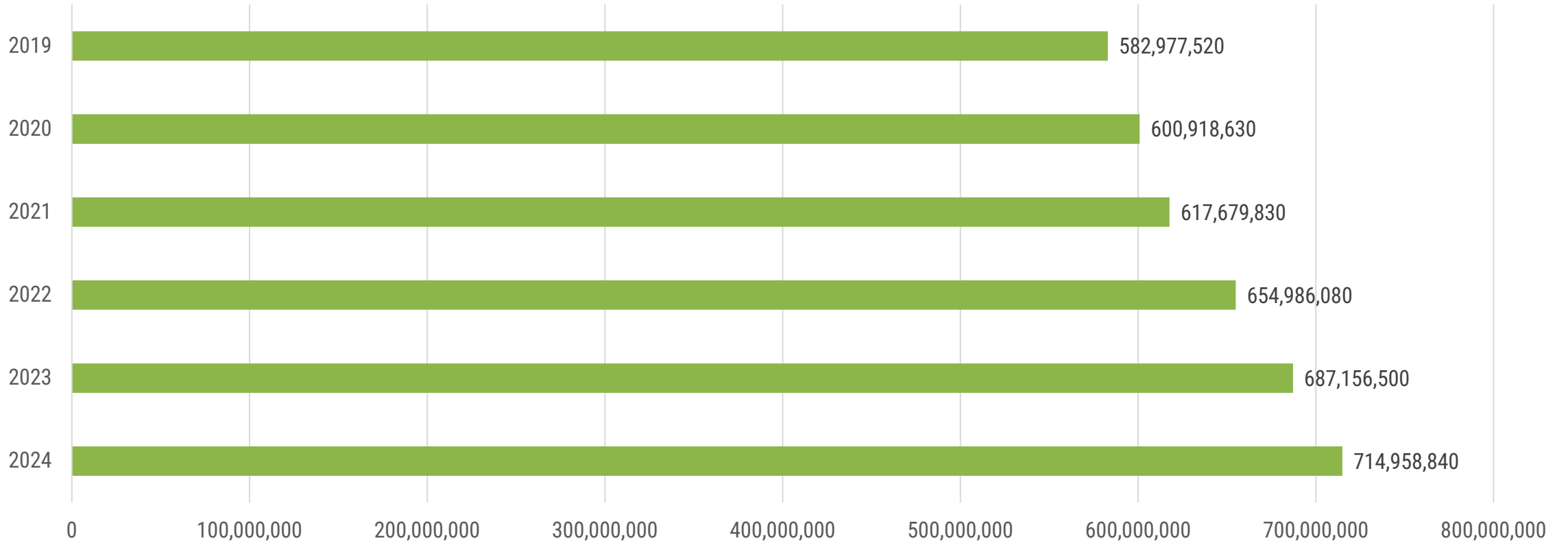


■ State share is the Balance to 100% ■ Local Match Determined by Property Values

State-Local Partnership in a **Less** Affluent System



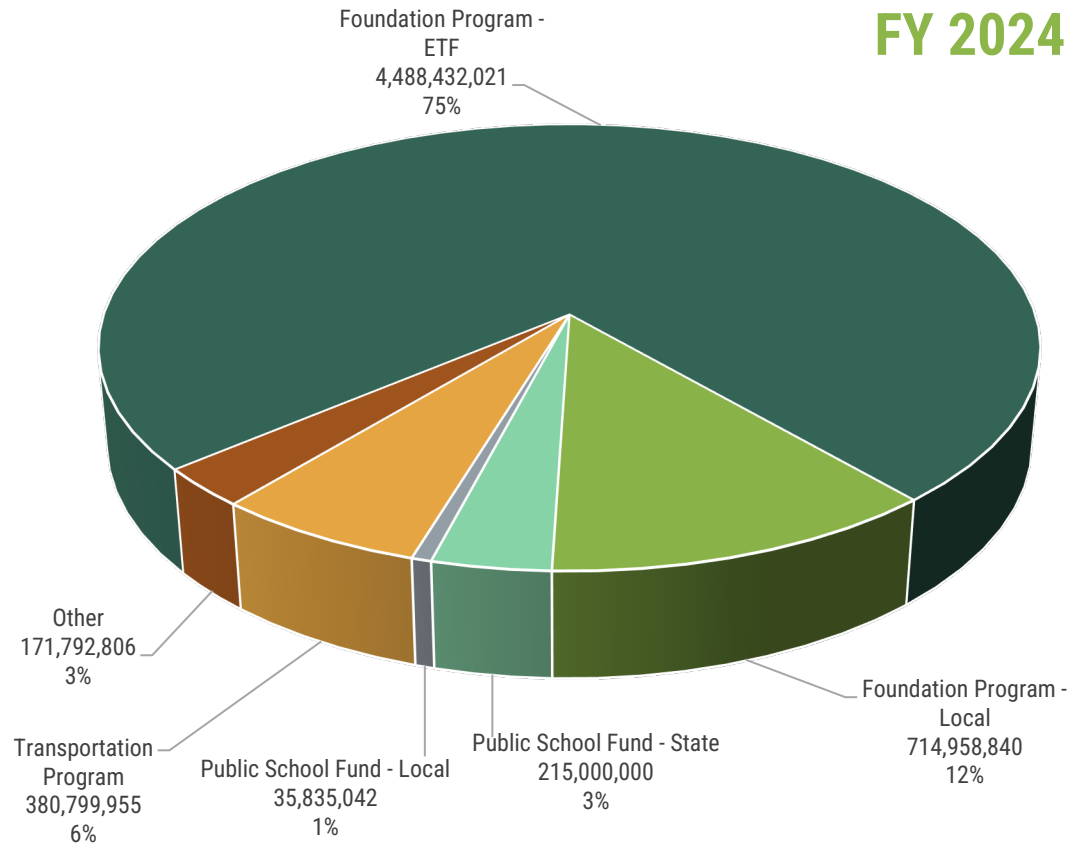
■ State share is the Balance to 100% ■ Local Match Determined by Property Values



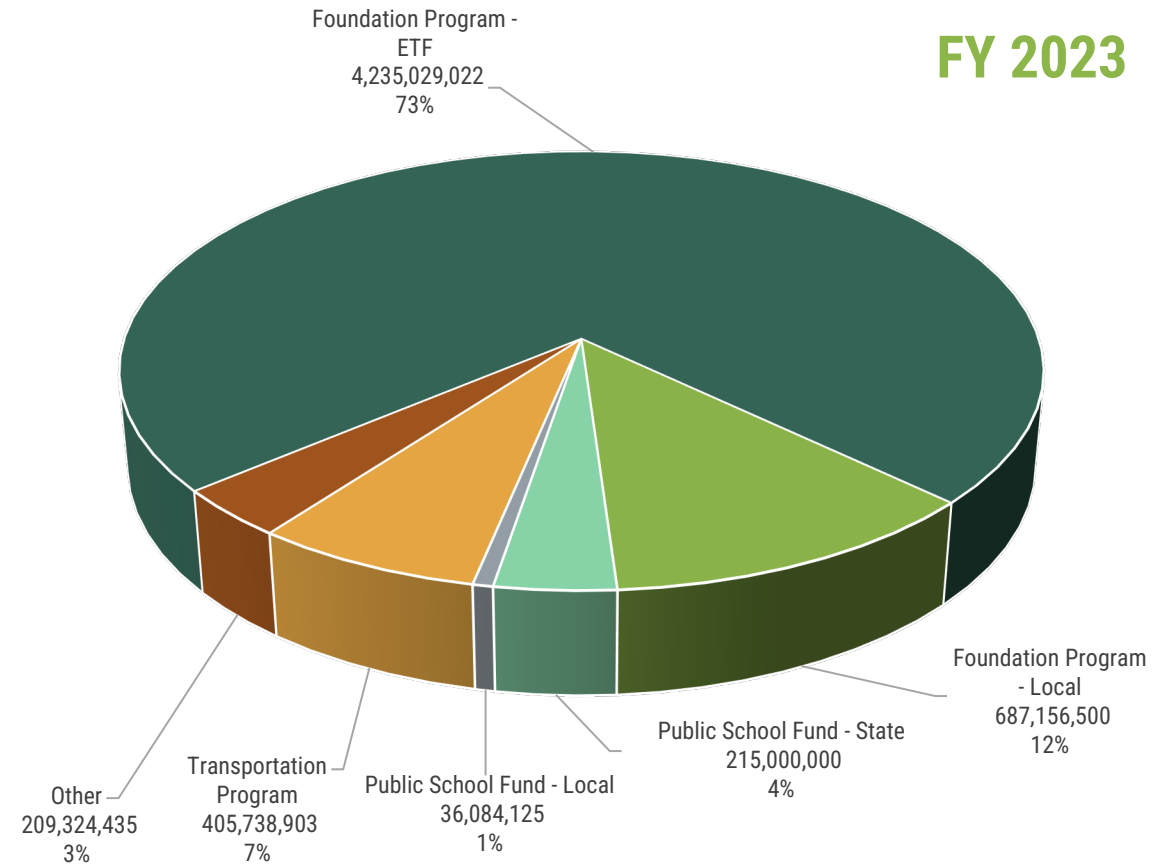
TOTAL LOCAL 10-MILL MATCH FROM LOCAL SCHOOL SYSTEMS

K-12 LOCAL BOARDS OF EDUCATION FUNDING – BREAKDOWN AND COMPARISON

FY 2024



FY 2023



	FY 2025		FY 2024		Change
Salaries		2,955,405,038		2,879,910,474	75,494,564
Fringe Benefits		1,111,733,025		1,067,871,104	43,861,921
Other Current Expense	(\$25,225/unit)	1,194,020,087	(\$23,068/unit)	1,095,509,838	98,510,249
Classroom Instructional Support:					
Student Materials	(\$900/unit)	42,601,770	(\$569.15/unit)	27,029,015	15,572,755
Technology	(\$500/unit)	23,667,650	(\$500/unit)	23,745,080	(77,430)
Library Enhancement	(\$157.72/unit)	7,465,703	(\$157.72/unit)	7,490,127	(24,424)
Professional Development	(\$100/unit)	4,733,530	(\$100/unit)	4,749,016	(15,486)
Textbooks	(\$100/adm)	71,924,810	(\$75/adm)	54,379,239	17,545,571
Common Purchase	(\$100/unit)	4,733,530	(\$0/unit)	-	4,733,530
Student Growth		21,285,358		42,706,968	(21,421,610)
Total Foundation Program		5,437,570,501		5,203,390,861	234,179,640

TOTAL FOUNDATION PROGRAM (STATE AND LOCAL FUNDS)

K-12 LOCAL BOARDS (STATE AND LOCAL FUNDS)

	FY 2025	FY 2024	Change
State Funds			
Foundation Program ETF	4,639,703,636	4,488,432,022	152,331,740
School Nurses Program	89,556,877	65,571,473	23,985,404
Salaries - 1% per Act 97-238	-	-	-
Technology Coordinator	22,724,474	20,871,392	1,853,082
Transportation Operations	385,850,572	380,799,955	5,050,617
Fleet Renewal (\$7,581/bus)	52,771,341	51,573,543	1,197,798
Current Units	2,000,000	2,000,000	-
At Risk	21,217,734	22,492,734	(1,275,000)
Board Of Adjustment	750,800	750,800	-
Career Tech O and M	8,000,000	8,000,000	-
Math and Science Teacher Program	80,000,000	80,000,000	-
Special Education Techer Stipend	7,904,000	4,641,710	-
ETF Subtotal	5,310,479,433	5,125,133,628	140,436,673
Capital Purchase Program	215,000,000	215,000,000	-
Debt Service	532,864	532,864	-
PSF Subtotal	215,532,864	215,532,864	-
Total State Funds	5,526,012,297	5,340,666,493	140,436,673
Local Funds			
Foundation Program	(10 Mills) 796,806,740	(10 Mills) 714,958,840	81,847,900
Capital Purchase Program	(0.436227 Mills) 34,749,481	(0.501013 Mills) 35,835,042	(1,085,561)
Total Local Funds	831,556,221	750,793,882	80,762,339

AVERAGE DAILY MEMBERSHIP (ADM) AND DIVISORS

- ADM is an average of the number of students enrolled in a school or school system for the 20 days following Labor Day.
- The following formula is used to determine how many teacher units a school “earns”:

$$\frac{\text{Average Daily Membership (ADM)}}{\text{Divisor (set by the Legislature)}} = \text{State Earned Units}$$

- Decreasing divisors increases the number of teacher units earned and decreases class size.
- FY 2023 – 723,670

GRADE DIVISORS FOR 2023-2024 SCHOOL YEAR

Grades K-3: 14.25

Grades 4-6: 20.06

Grades 7-8: 19.70

Grades 9-12: 17.95

OTHER CURRENT EXPENSES (OCE)

- OCE was created to provide state financial support for non-certified personnel (school secretaries, custodians, cafeteria workers, and teacher aides).
- It also includes funds to pay utilities, operations, maintenance, and substitute teachers.
- It is funding for costs other than teacher units and for current operations (**not** debt or capital outlay).
- Though it has specific, intended funding purposes, its annual calculation is not governed by a set formula, nor does it appear as a line item in the budget.
- OCE allotments are annually calculated based on an allocation “per earned unit.”
- The allocation changes annually based on funds available as determined by the Legislature.

LOCAL UNITS

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- “Local Unit” is the term used to describe any teachers employed by a school system above the allocation determined through the divisor system.
 - Most of these local units are assigned in middle and high school because the divisors are much higher in these upper grades, resulting in fewer specialty teachers.
 - **All** costs related to a local unit are paid by the local school system.

PROGRAMS NOT INCLUDED IN THE FOUNDATION PROGRAM

- The Foundation Program does not include all the state funds sent to K-12 schools.
- Additional line items include transportation, school nurses, and technology coordinators, at risk, math & science teacher programs, and special education teacher stipends.
- Also, funding for the Alabama Reading Initiative (ARI), the Alabama Mathematics, Science, and Technology Initiative (AMSTI), and Distance Learning (ACCESS) come to the local school systems through the State Department of Education.
 - Funds for these programs do not cover the full costs of salaries and benefits of these employees which requires local money to be used for a state requirement.

WEIGHTED UNITS

- Because of the recognized need for more intensive focus with special education and career technical education, the Foundation Program calls for a few extra teacher units to be assigned to schools that offer these programs.
- It is arbitrarily assumed that 5% of the population needs Special Education services and that they require 2 ½ times the instructional assistance provided to other students.
- For Career Technical Education, the weight is 7.4% of students multiplied by 1.4 in grades 7-8 and 16.5% of students multiplied by 2.0 in grades 9-12.
- The “weights” are assumed to be included in the divisor calculations, and no additional teachers are allocated regardless of the number of students, programs, or services offered in these areas.

PUBLIC SCHOOL FUND

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- The oldest and most stable source of school funds in Alabama, the Public-School Fund (PSF) has its origin in the Constitution of 1901 and dates to the earliest years of state-sponsored schooling.
 - The PSF is funded from the 3.0 mill statewide property tax.
 - By statute, the proceeds must be spent on capital outlay.
 - PSF are allocated to the schools for the Capital Outlay Program.
 - These funds are used for major renovations like roof repairs and structural changes; they are also used for building additions.

LEA FOUNDATION PROGRAM EXAMPLES

175 Mountain Brook City	FY 2024
System ADM	4,320.00
Foundation Program Units	
Teachers	251.43
Principals	6.00
Assistant Principals	5.50
Counselors	8.50
Librarians	6.00
Career Tech Directors	0.75
Career Tech Counselors	0.00
Total Units	278.18
Foundation Program (State and Local Funds)	
Salaries	17,478,925
Fringe Benefits	6,393,933
Other Current Expense (\$23,068 /unit)	6,417,096
Classroom Instructional Support	
Student Materials (\$569.15/unit)	158,327
Technology (\$500/unit)	139,090
Library Enhancement (\$157.72/unit)	43,875
Professional Development (\$100/unit)	27,818
Textbooks (\$75/adm)	324,000
Student Growth	136,957
Total Foundation Program	31,120,021
Foundation Program ETF	23,757,191
Foundation Program (10 Mills)	7,362,830

002 Baldwin County	FY 2024
System ADM	30,479.60
Foundation Program Units	
Teachers	1,766.10
Principals	42.00
Assistant Principals	38.00
Counselors	59.00
Librarians	46.00
Career Tech Directors	5.00
Career Tech Counselors	2.00
Total Units	1,958.10
Foundation Program (State and Local Funds)	
Salaries	117,234,034
Fringe Benefits	43,784,621
Other Current Expense (\$23,068 /unit)	45,169,729
Classroom Instructional Support	
Student Materials (\$569.15/unit)	1,114,452
Technology (\$500/unit)	979,050
Library Enhancement (\$157.72/unit)	308,831
Professional Development (\$100/unit)	195,810
Textbooks (\$75/adm)	2,285,975
Student Growth	5,545,547
Total Foundation Program	216,618,049
Foundation Program ETF	183,832,139
Foundation Program (10 Mills)	32,785,910

043 Lowndes County	FY 2024
System ADM	1,152.85
Foundation Program Units	
Teachers	66.44
Principals	7.00
Assistant Principals	0.00
Counselors	3.50
Librarians	3.50
Career Tech Directors	2.00
Career Tech Counselors	1.00
Total Units	83.44
Foundation Program (State and Local Funds)	
Salaries	5,074,497
Fringe Benefits	1,882,535
Other Current Expense (\$23,068 /unit)	1,924,805
Classroom Instructional Support	
Student Materials (\$569.15/unit)	47,489
Technology (\$500/unit)	41,720
Library Enhancement (\$157.72/unit)	13,160
Professional Development (\$100/unit)	8,344
Textbooks (\$75/adm)	86,464
Student Growth	0
Total Foundation Program	9,079,014
Foundation Program ETF	7,761,904
Foundation Program (10 Mills)	1,317,110

K-12 FUNDING 2024

PRIMARY FUNDING MODELS OF THE STATES

- **Student-based: 36**
 - Student-based: Districts receive a base amount of funding per student with additional money or weights added to provide additional services and support to students with unique needs.
- **Resource-based: 9**
 - Resource-based: Districts receive funding sufficient to pay for minimum required resources. Resources could be staffing, services or programs.
- **Hybrid: 4**
 - Hybrid: Funding models that combine aspects of student-based and resource-based models.
- **Other: 2**
 - Other: States rely on funding models that do not resemble student-based, resource-based or hybrid models.

Source: Education Commission of the States (ECS), "50-State Comparison"

K-12 FUNDING 2024

SOUTHERN REGIONAL EDUCATION BOARD (SREB) STATES

Resource Based

- Alabama
- Delaware
- North Carolina
- Virginia
- West Virginia

Hybrid

- Georgia

Student Based

- Arkansas
- Florida
- Kentucky
- Louisiana
- Maryland
- Mississippi
- Oklahoma
- South Carolina
- Tennessee
- Texas

K-12 FUNDING 2024 – STUDENT BASED SREB STATE COMPARISONS

State	Base Amount	Inflationary Requirement	Inflationary Measure
Arkansas	\$7,618 (2023-24) \$7,771 (2024-25)	No	
Florida	\$5,139.73 (2023-24)	No	
Georgia	\$3,022.47 (2023-24)	No	
Kentucky	\$4,200 (2023-24)	No	
Louisiana	\$4,015 (2023-24)	No	
Maryland	\$8,642 (2023-24) \$8,789 (2024-25)	Yes	Multiple - Lesser of Consumer Price Index or Implicit Price Deflator for State and Local Governments
Mississippi	\$6,759 (2023-24)	Yes	Discretionary amount
Oklahoma	\$2,122 (2023-24)	No	
South Carolina	Annually established by the South Carolina General Assembly	Yes	Discretionary amount
Tennessee	\$6,860 (2023-24)	No	
Texas	\$6,160 (2023-24) \$6,160 (2024-25)	No	

K-12 FUNDING 2024 – SPECIAL EDUCATION AND LOW-INCOME STUDENTS

SREB STATE COMPARISONS

State	Special Education (Dollar amount or weight)	Low Income	
		Low Income Amount (Dollar amount or weight)	Student Identifier
Alabama	Resource allocation and census-based: Grade divisors for determining state funded teacher units are weighted by 2.5 for special education.	State appropriated \$23.5 million (2023-24). Funds are allocated based on the averaged percentage of students eligible for free and reduced priced meals and percentage of students who are not proficient (scoring 1 or 2) on the state approved assessment testing program.	Multiple - Free and reduced lunch eligibility and performance on statewide assessments.
Arkansas	Resource allocation and census-based: The matrix calculation used to determine the base per student amounts includes 2.9 special education teachers for the prototypical school of 500 students.	Amount varies based on percentage of students who are eligible for free or reduced-price lunch. Amounts in 2023-24 school year are as follows:	Free and reduced lunch eligibility
Delaware	Adjusted resource units based on grade levels and intensity of services required:	\$53m for school year 2023-24 (combined funding for EL and low-income students).	Direct certification in benefits programs
Florida	Multiple Support Levels as multiplier to base amount	No specific funding for low-income students	
Georgia	Additional weights based on disability category.	No specific funding for low-income students	
Kentucky	An additional weight is applied for qualifying students based on Low/Medium/High incidence categories	Additional weight of 15%	Free and reduced lunch eligibility
Louisiana	Additional weight of 150% for each qualifying student.	Additional weight of 22%	Direct certification in benefits programs

K-12 FUNDING 2024 – SPECIAL EDUCATION AND LOW-INCOME STUDENTS

SREB STATE COMPARISONS

State	Special Education (Dollar amount or weight)	Low Income	
		Low Income Amount (Dollar amount or weight)	Student Identifier
Louisiana	Additional weight of 150% for each qualifying student.	Additional weight of 22%	Direct certification in benefits programs
Maryland	Additional weight of 92% (2023-24) and 99% (2024-25).	Single weight: Additional weight of 87% (2023-24) and 86% (2024-25).	Multiple - Free and reduced lunch eligibility and direct certification in benefit programs.
Mississippi	Special education teacher units are determined by the ratios in grades Pre-K, K-2, 3-12	Additional weight of 5%	Free lunch eligibility
North Carolina	The percentage of students with disabilities are multiplied up to a maximum of 13% are multiplied by a funding factor. Factor not specified in state policy.	The state funds classroom teachers based on the number of disadvantaged students in the district and a teacher to student ratio. The ratio amount of FTEs the state pays for varies based on local wealth. The state funds the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:	Multiple - Free and reduced lunch eligibility or direct certification in benefit programs
Oklahoma	The state assigns the following additional weights (percent plus up) for the specific disabilities	Additional weight of 30%	Free and reduced lunch eligibility

K-12 FUNDING 2024 – SPECIAL EDUCATION AND LOW-INCOME STUDENTS

SREB STATE COMPARISONS

State	Special Education (Dollar amount or weight)	Low Income	
		Low Income Amount (Dollar amount or weight)	Student Identifier
South Carolina	Additional weight of 160%	Additional weight of 50%	Direct certification in benefit programs
Tennessee	Additional weights provided depending on type of special education services received by the student	Economic disadvantage - additional weight of 25%.	Multiple - Economically disadvantaged: direct certification in benefit programs, foster care, homeless, migrant, runaway.
Texas	Additional weights depending student placement.	Additional weights based on the rating of the economically disadvantaged census block group that the student lives.	Multiple - US Census data at the census block level, which includes median household income, average education attainment, percentage of single-parent households, rate of homeownership, and other economic criteria.

K-12 FUNDING 2024 – SPECIAL EDUCATION AND LOW-INCOME STUDENTS

SREB STATE COMPARISONS

State	Special Education (Dollar amount or weight)	Low Income	
		Low Income Amount (Dollar amount or weight)	Student Identifier
Virginia	<p>Resource allocation: Funds minimum number of licensed, full-time equivalent special education instructional teachers and aides. State appropriated \$429.1 million in 2023-24 fiscal year.</p> <p>Reimbursement: State reimburses portion of costs. State appropriated \$90.8 million in 2023-24 fiscal year.</p>	<p>Prevention, Intervention, and Remediation: Pupil-teacher ratios shall be applied to the estimated number of eligible students to determine the number of instructional positions needed for each school division. The pupil-teacher ratio applied for each school division shall range from 10:1 to 18:1 based on three-year average failure rates for English and math Standards of Learning assessments. State appropriated \$125.9 million in 2023-24 fiscal year.</p> <p>At-Risk Add-On: Weight varies between 1-36% in additional basic aid per free lunch student based on the percentage of students eligible for free lunch. State appropriated \$340.2 million in 2023-24 fiscal year.</p>	<p>Multiple - Prevention, Intervention, and Remediation: Free lunch eligibility (three year average) and performance on statewide assessments.</p> <p>At-Risk Add-On: Free lunch eligibility.</p>
West Virginia	State appropriated \$34.1 million (2023-24).		



QUESTIONS?