



# Every Dollar Counts

## LEARNING SERIES

Session 2: Cracking the Code -  
Alabama's Funding Formula

# Speaker Introductions



**Corinn O'Brien**  
A+ VP of Policy

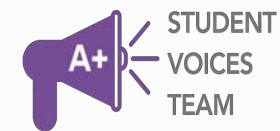


**Jason Meadows**  
A+ Advocacy &  
Partnership Director

# A+ Education Partnership is building an Alabama where every child has access to a world-class education, regardless of circumstance.



With one foot in the statehouse and one foot in the schoolhouse and communities, we partner with families, educators, state leaders, and our community to advocate on behalf of **ALL** Alabama public school students.





# Every Dollar Counts

LEARNING SERIES

Seven-part virtual learning series  
from 3-4 pm

Thursday, **May 16**

Thursday, **May 30**

Thursday **June 13**

Thursday, **June 27**

Thursday, **July 11**

# Today's Objectives

## Participants will:

Understand how the current formula funds and impacts Alabama districts and the challenges districts face in funding the remainder of district needs.



# Today's Takeaways

- 1) Alabama's current funding formula is outdated, inadequate, inequitable, inflexible, and not transparent.
- 2) Alabama needs a new student-weighted formula that would better serve the needs of its students.

# Questions

This series is all about **learning.**

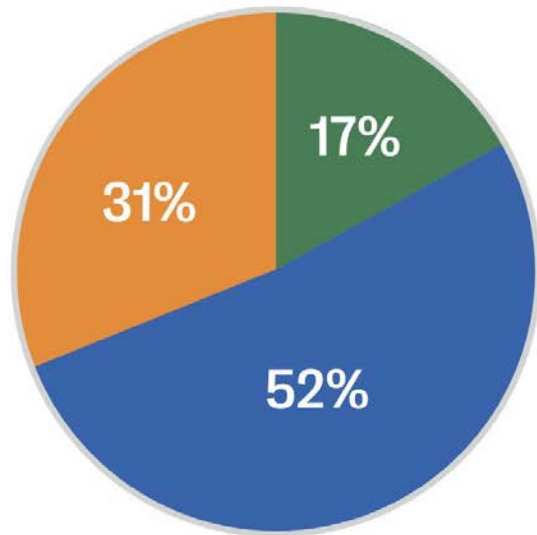
Please submit any questions that come up as we go!



# Cracking the Code: Alabama's Funding Formula



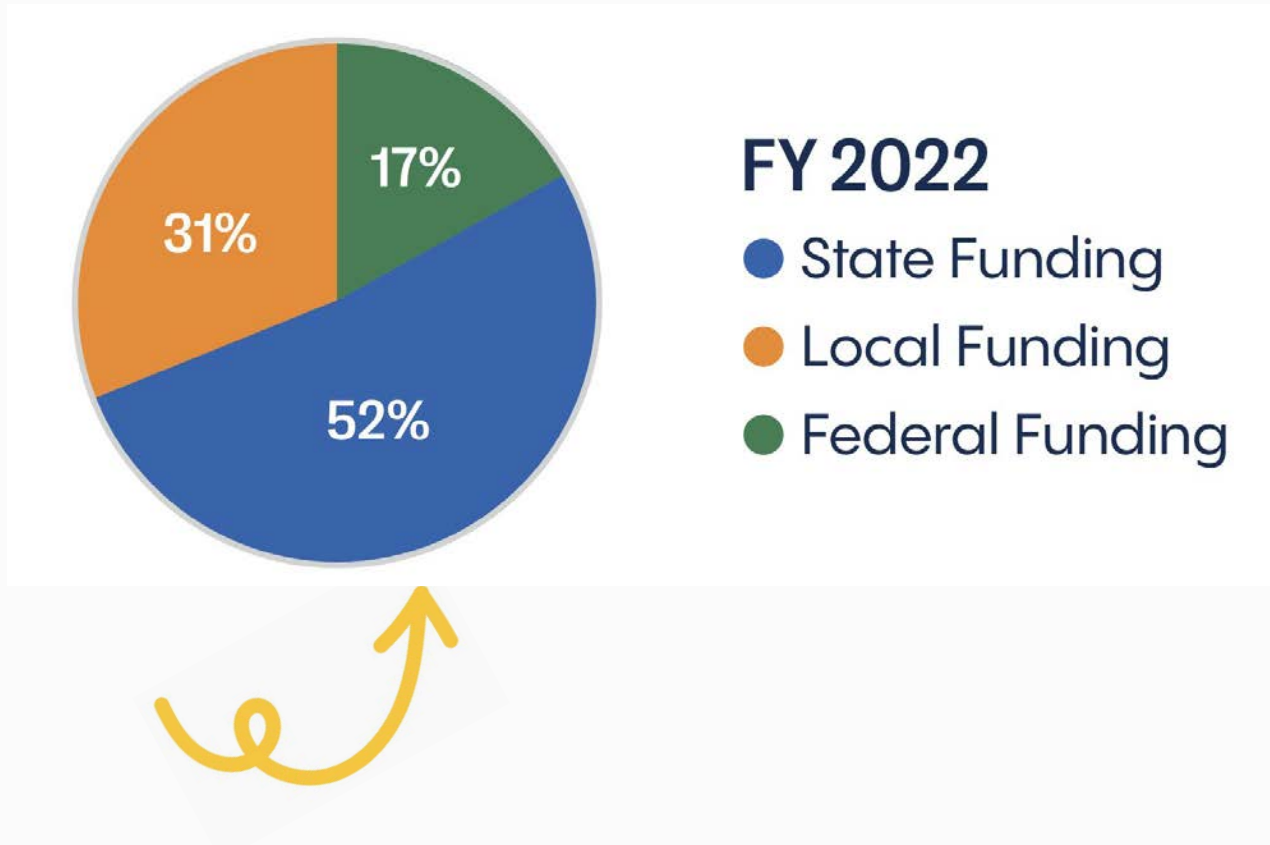
# Public schools receive money from three main sources.



**FY 2022**

- State Funding
- Local Funding
- Federal Funding

# We are going to talk about our state funding formula today.



# Alabama has two budgets.

## General Fund



**Approx. \$3 billion  
in Fiscal Year 2024**

## Education Trust Fund



**Approx. \$8.79 billion  
in Fiscal Year 2024**

# Education Trust Fund

**Approx. \$8.79 billion  
in Fiscal Year 2024**



**Department of Early Childhood  
\$194 million**

**K-12 Education: Local Boards  
\$5.1 billion**

**K-12 Education: State  
Department of Education  
\$534 million**

**Higher Education  
Approx. \$2.25 billion**

# The Foundation Program is a line item located within the Local Boards Section of the Education Trust Fund.

**Approx. \$8.79 billion  
in Fiscal Year 2024**



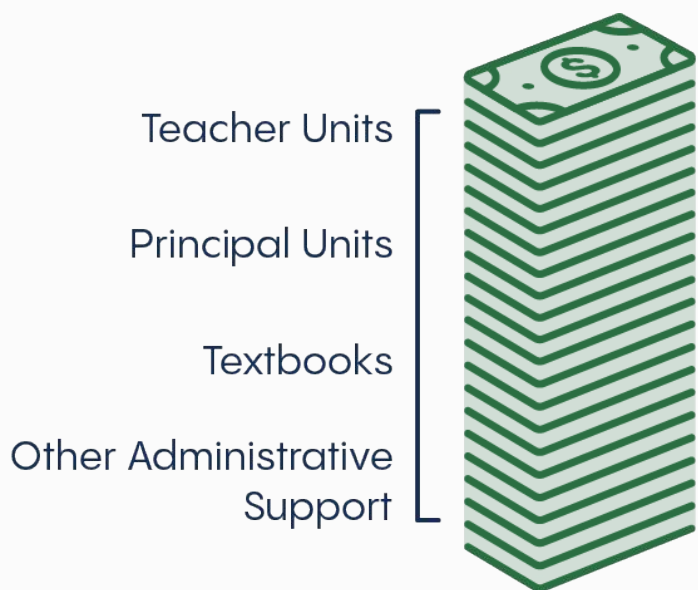
Department of Early Childhood  
\$194 million

**K-12 Education: Local Boards  
\$5.1 billion**

K-12 Education: State  
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\$534 million

Higher Education  
Approx. \$2.25 billion

# Alabama currently has a Resource-Based Funding Formula called the Foundation Program.

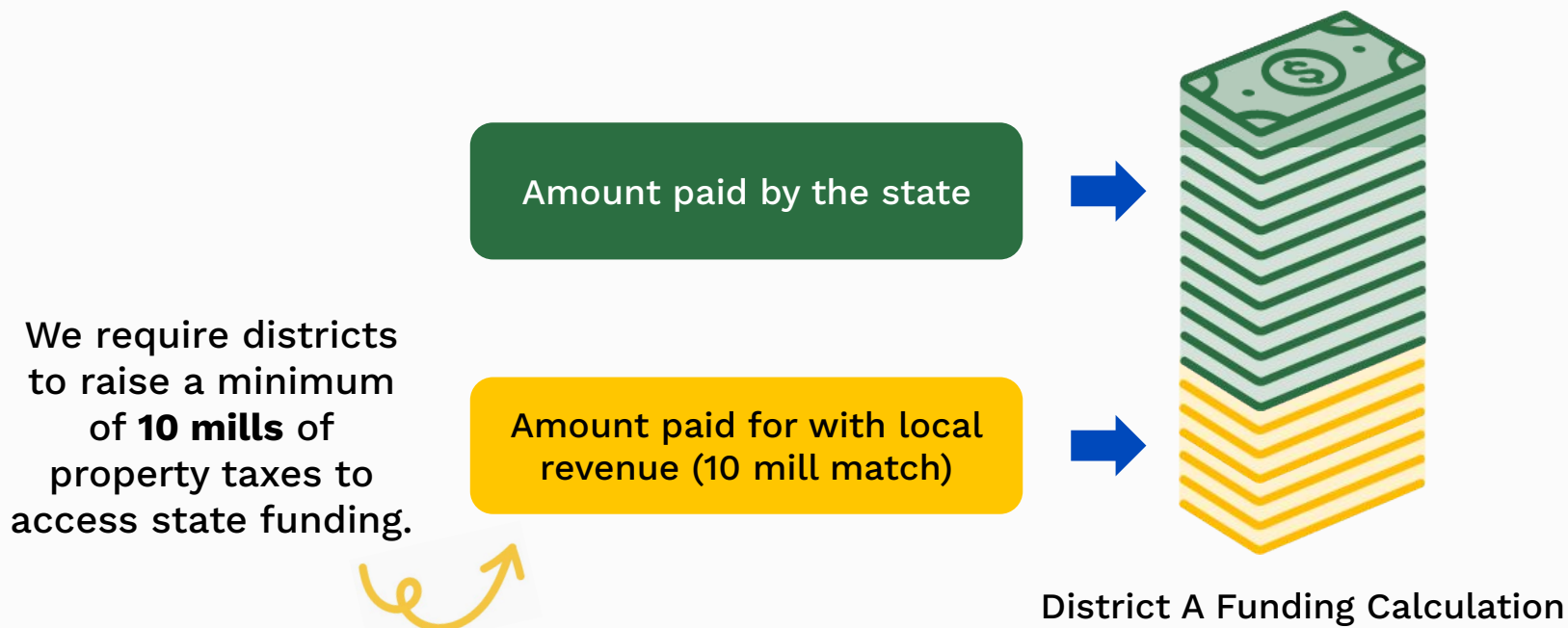


Based simply on the the cost to provide resources, like teachers, principals, and materials.

Schools are allocated units, which are based on Average Daily Membership (ADM) and ratios that are set by law.

So, if a school has X number of students, they receive X number of teachers, textbooks, etc.

# The Foundation Program requires that districts contribute local dollars to access state funding.



# Mills are the unit of property taxes.

A mill rate of 1 means you pay \$1 in taxes for every \$1,000 of your property's assessed value.

Each mill is worth a different amount of money because they are based on property values.

Property in wealthy communities is worth a lot more than property in lower wealth communities, which is a significant equity challenge.



Home value:  
\$100,000

**1 mill = \$100**

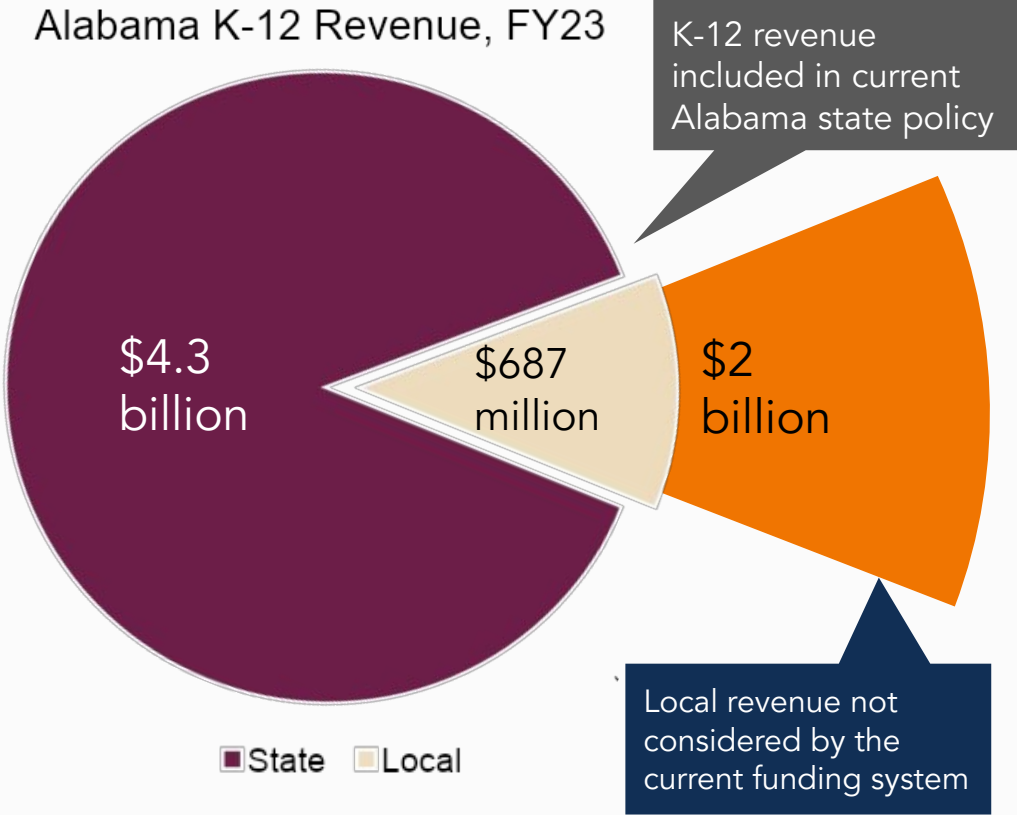


Home value:  
\$500,000

**1 mill = \$500**



# Districts can also raise their local property taxes above this minimum requirement.



**The Foundation Program has not been updated since 1995.**



The background is a dark red color with a pattern of small white stars in the upper left corner and a large, dark red curved shape on the right side.

# Alabama's Current School Funding Formula



# Vision

Bellwether envisions a future where *all* young people have access to an **equitable** and excellent education, and live lives **filled with opportunity**.

We're a nonprofit that has helped more than 600 education organizations, schools, districts, and charter networks across the country address their most pressing issues and achieve their goals.

# Our work in state education finance aims to change the status quo, state by state

## Current state

Outdated, inequitable, and/or inadequate school funding formulas, created over the course of decades of political compromise, intentionally complex and opaque, understood by a select few with disincentives to change.

## Bellwether's Role

We will equip state advocates and leaders with deep understanding of their states' ed finance systems, and compelling data-driven analysis of what various policy proposals could achieve via:

- Field-facing publications,
- Trainings for state-level advocates, and
- Capacity-building in specific states,

which will enable them to effectively plan and push for effective, equitable change.

## Future state

More states across the country enact adequate, equitable, transparent funding formulas that set the conditions for higher levels of student success, especially for students and communities who need resources most.

# Bellwether's work with A+ Education blends capacity-building, policy development, and strategic thought partnership

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Since May 2023, we've been working with the A+ team to:

- Align on principles that should underpin an exemplar funding system, considering the Alabama context and the priorities of various stakeholders
- Deeply analyze Alabama's current funding system and develop perspectives on the challenges a new state education finance system should address
- Develop policy options to address those challenges and testing them against guiding principles as well as practical and political feasibility



# State of Alabama's Funding Policy

# Bellwether's framework for assessing state finance policies considers four principles:

## ADEQUACY

- Is there enough funding in the system to enable schools to meet the state's educational mandate?
- Does the policy fulfill and protect the state's constitutional responsibilities to oversee an education system that can serve every child?

## EQUITY

- Does the policy allocate greater resources toward groups of students with greater educational needs?
- Does it differentiate between wealthy and less-wealthy communities to ensure that limited state dollars are used where they are needed most?

## RESPONSIBILITY

- Does the policy make clear the locus of decision-making for funding and budgeting, and split local and state responsibilities appropriately?

## TRANSPARENCY & ACCOUNTABILITY

- Are the policies clear on how funding is calculated and allocated?
- Are formulas only as complex as they need to be?
- Does reporting of revenue and expenditures create a feedback loop between student needs and state funding?

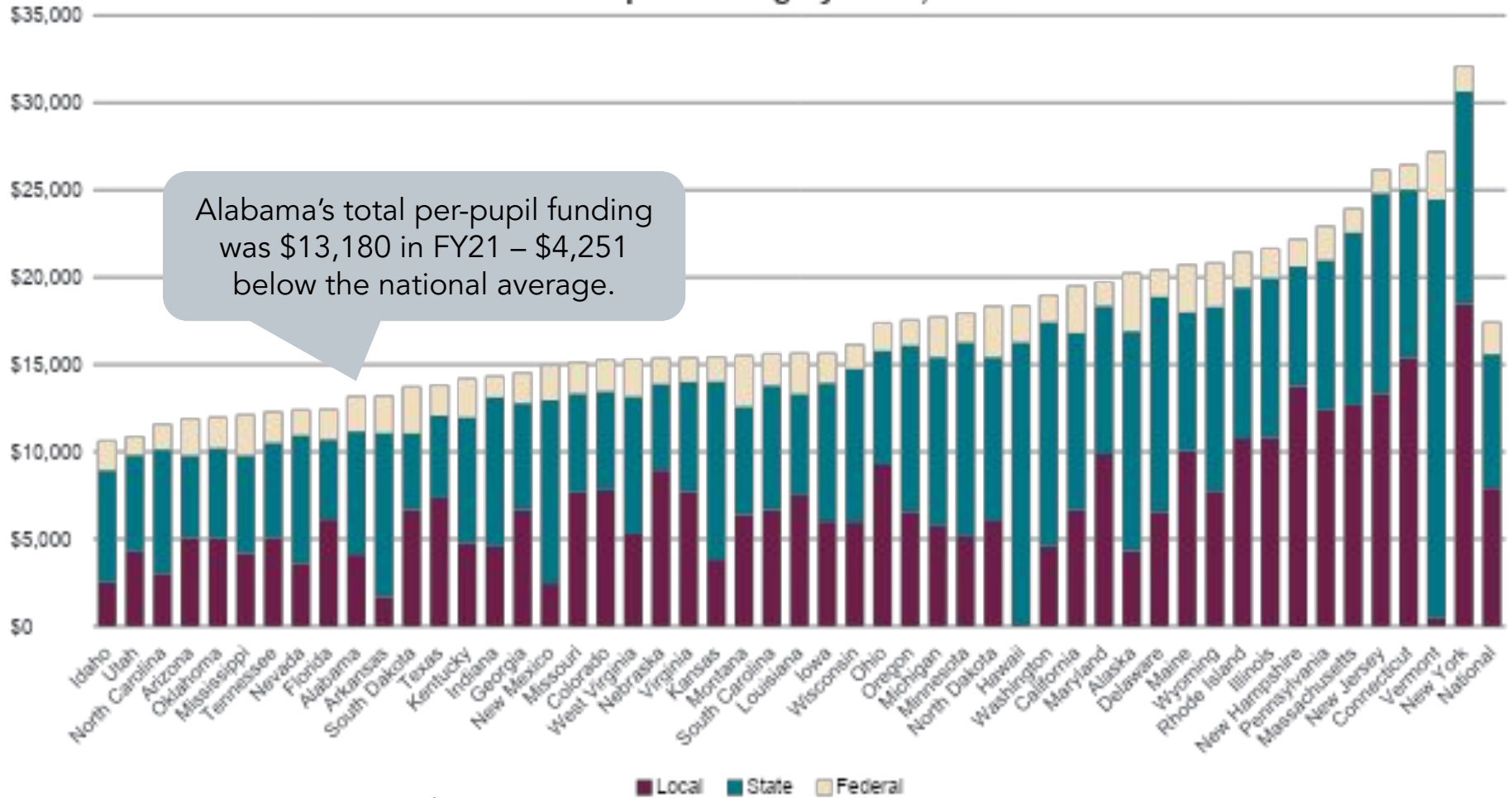


# Alabama's faces challenges in each of the four principles we consider when assessing state school finance policy

| Principle                     | Evaluating Alabama's current system across each principle  |
|-------------------------------|--|
| Adequacy                      | <ul style="list-style-type: none"><li>• Inflation adjusted per-pupil revenues have decreased over time, leaving schools with less buying power for resources and labor</li><li>• Alabama ranks 41<sup>st</sup> in the country for per-pupil funding</li></ul>  |
| Equity                        | <ul style="list-style-type: none"><li>• Minimal additional funding for students with disabilities</li><li>• No correlation between rates of student poverty and additional state aid</li><li>• EL funding isn't tied to individual student need</li></ul>  |
| Responsibility                | <ul style="list-style-type: none"><li>• There is no flexibility in how districts spend Foundation Program funding</li><li>• The current school finance system is complex and requires significant legislative tinkering to adjust with few clear levers for policymakers to address changing needs</li><li>• Only a small fraction of local revenue is accounted for in state policy</li></ul> |
| Transparency & Accountability | <ul style="list-style-type: none"><li>• Foundation Reports includes revenues, but how those revenues (e.g. at-risk) are calculated is not clear to local districts and the public</li><li>• No clear mechanisms of accountability for state policymakers to address funding inequities</li></ul>   |

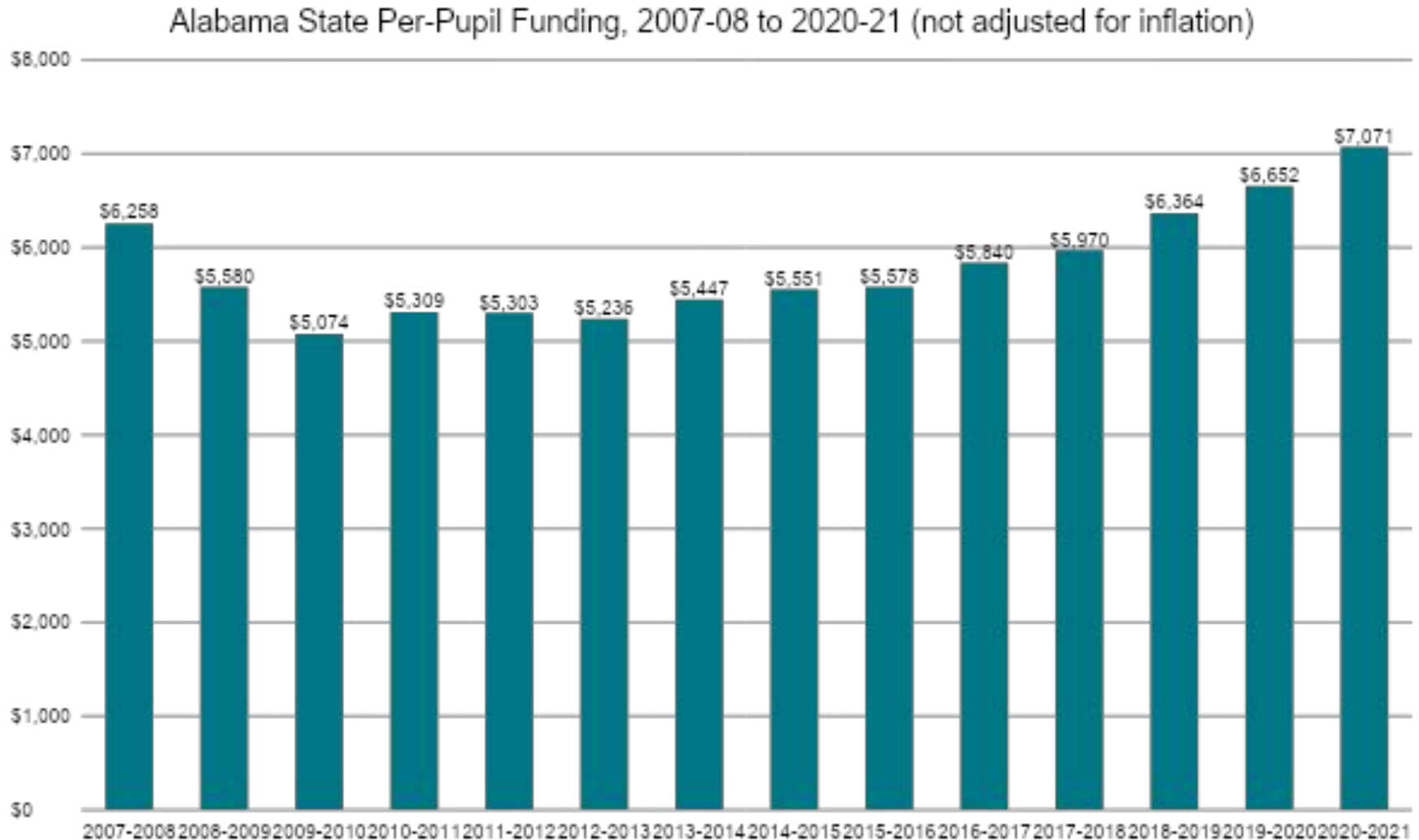
Alabama ranks 41st nationally in total (state, local, and federal) funding & is below national per-pupil funding

Total Per-Pupil Funding by State, FY 2021

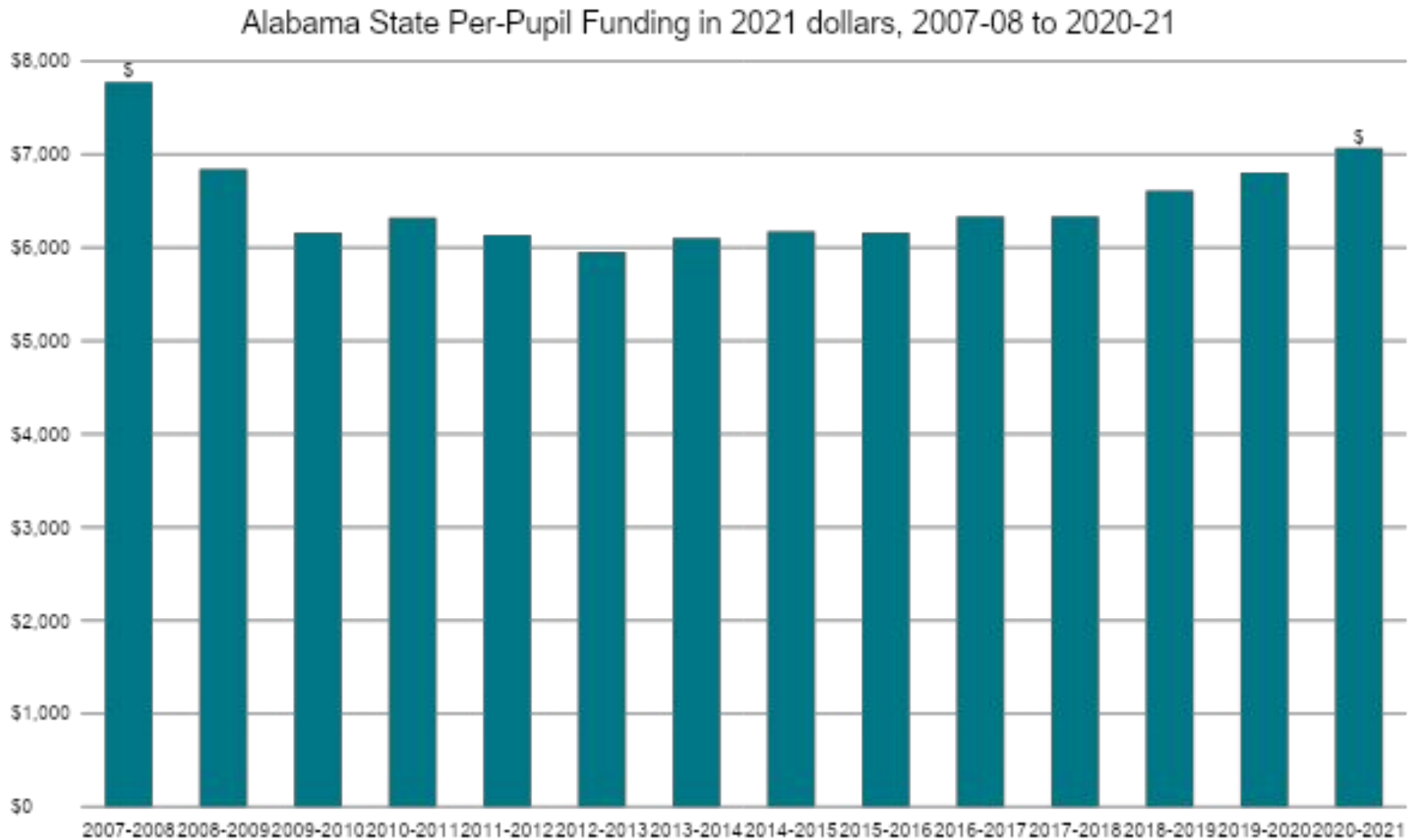


Source: U.S. Census Bureau Annual Survey of School System Finances, FY 2021

In raw dollars, state per-pupil funding in Alabama *increased* by more than \$800 per pupil from 2007-08 to 2020-21...



But after adjusting for inflation, Alabama's state per-pupil funding *decreased by more than \$700* from 2007-08 to 2020-21



Source: [U.S. Census Bureau](#); All calculations have been adjusted for inflation using the Consumer Price Index and converted into constant 2021 U.S. dollars.

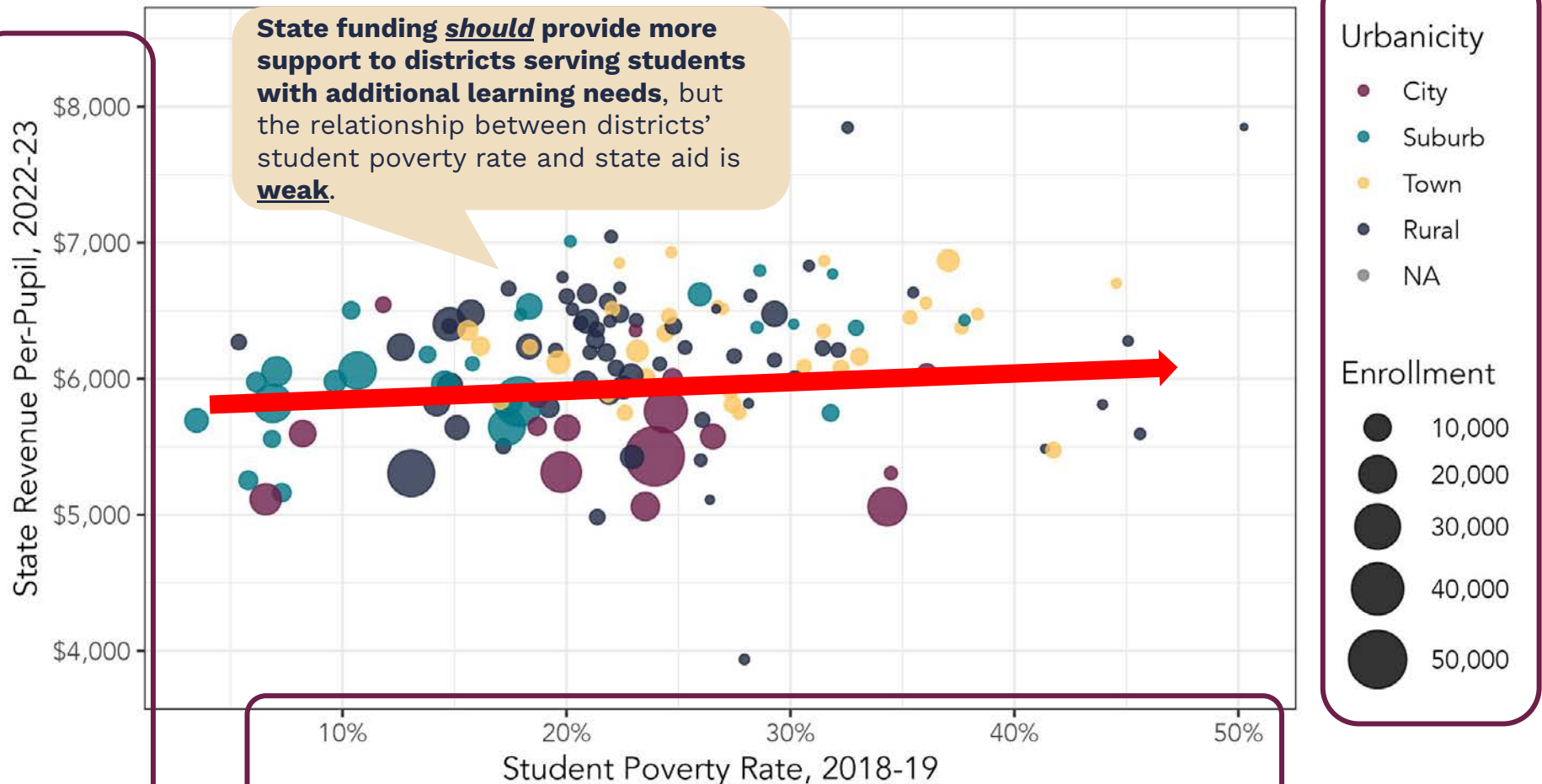
# Our current formula only provides a very small adjustment (2%) for student learning needs – just **\$139** per student

The funding streams highlighted in tan represent \$6,962 per-pupil. The additional funding streams for student learning needs highlighted in purple are equivalent to approximately 2% of that amount – just \$139 per-pupil.

| Funding Source                             | 2022-23 Amount  | Combined funding                                |
|--|-----------------|---|
| Foundation Program (State and Local)       | \$4.9 billion   | \$5 billion                                     |
| School Nurses Program                      | \$49.6 million  |   |
| Technology Coordinator                     | \$20.4 million  |   |
| At Risk                                    | \$20.9 million  | \$103.5 million<br>(2% of funding in tan rows)  |
| English Language Learners Program          | \$16.2 million  |   |
| High Needs Special Education Grant Program | \$17.4 million  |   |
| Gifted and Talented                        | \$9.8 million   |   |
| CTE/Dual Enrollment                        | \$39.2 million  |   |
| Transportation and Fleet Renewal           | \$405.7 million | \$621.2 million<br>(13% of funding in tan rows) |
| Capital Purchases/Debt Service             | \$215.5 million |   |

As a result, state revenue per-pupil has little relationship with student poverty across Alabama districts

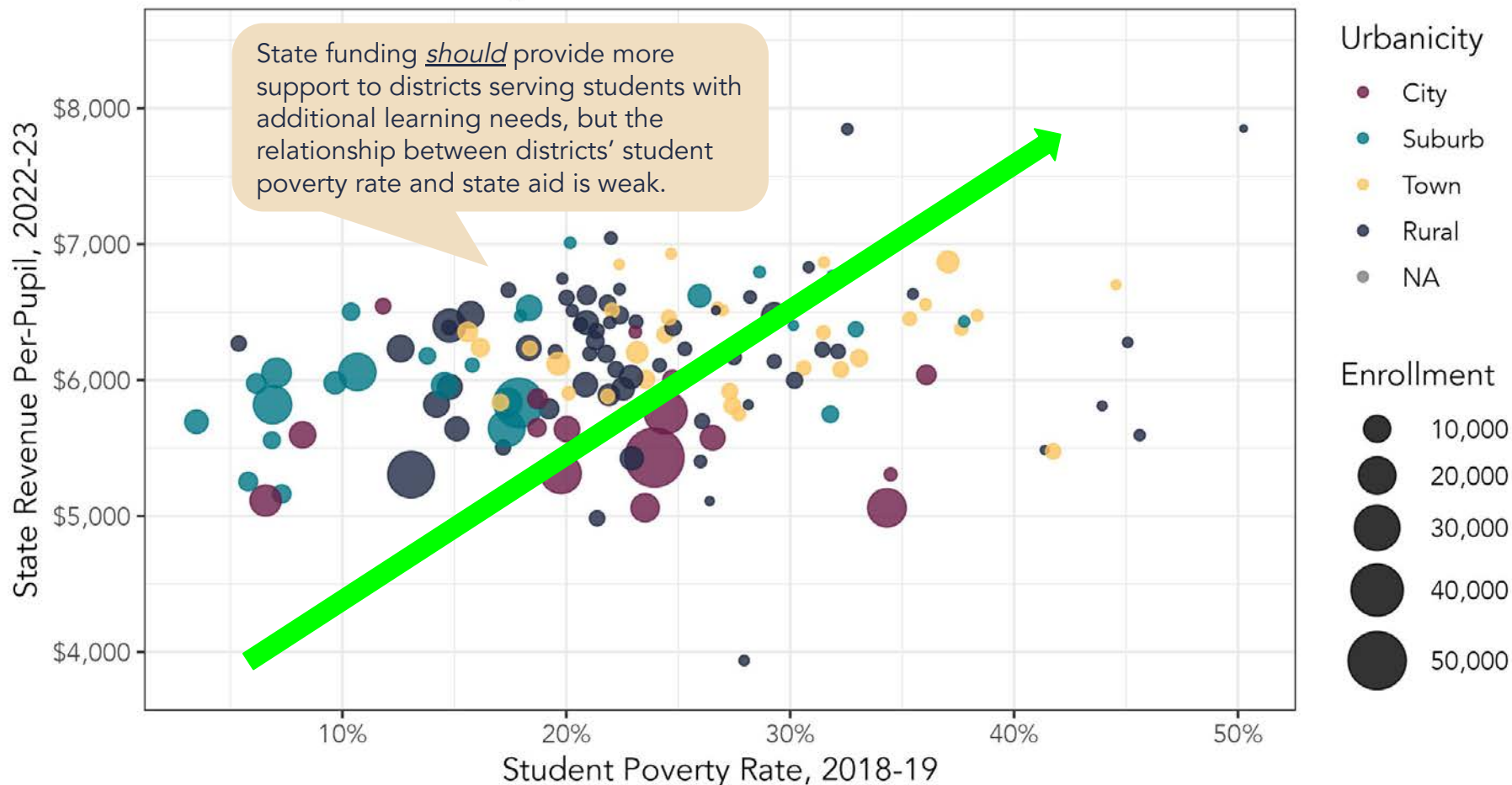
State Revenue Per-Pupil and Student Poverty Rates



Revenue sources included: Foundation program, state school nurses program, technology coordinators, and at-risk funding. Data on district-level special education, English learner, and gifted revenue are not yet available. Sources: EdBuild and Alabama Department of Education

We would want to see a more positive relationship between districts' student poverty rate and state aid.

### State Revenue Per-Pupil and Student Poverty Rates



Revenue sources included: Foundation program, state school nurses program, technology coordinators, and at-risk funding. Data on district-level special education, English learner, and gifted revenue are not yet available. Sources: EdBuild and Alabama Department of Education

# Today's Takeaways

- 1) Alabama's current funding formula is outdated, inadequate, inequitable, inflexible, and not transparent.
- 2) Alabama needs a new student-weighted formula that would better serve the needs of its students.



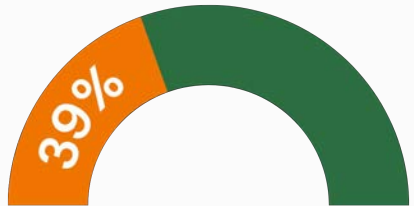
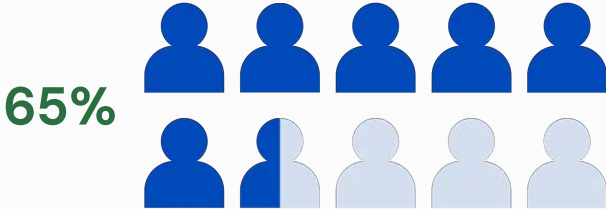
# **Cracking the Code: Why Funding Matters to Alabama Students**

# Why Funding Matters: Economically Disadvantaged Students



Alabama has one of the **highest rates of students of economically disadvantaged backgrounds** in the entire country.

In the 2022–23 school year, **65% of enrolled students directly qualified for a free or reduced-priced lunch** under the National School Lunch program.



Only **39%** of **economically disadvantaged students** were **proficient in ELA** (2023 ACAP)

**\$50–60**



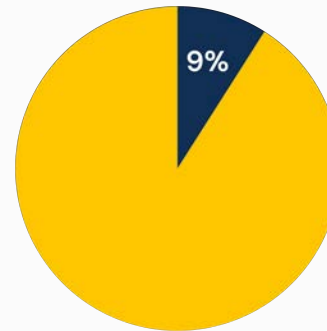
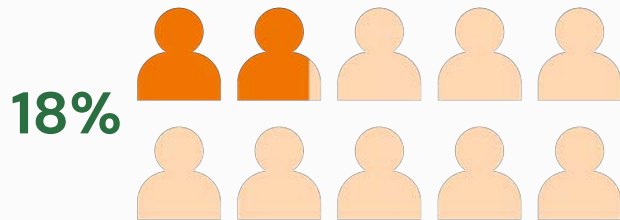
extra per student

On average, the state spends an additional **\$50–60 for each student who qualifies for free or reduced-price lunch and/or score a 1 or 2 on the ACAP test each year.**

# Why Funding Matters: Students with Disabilities



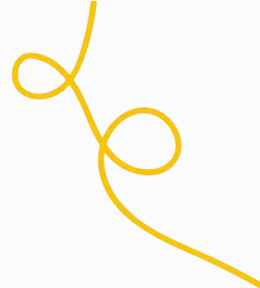
In the 2022–23 school year, **18% of Alabama students had a disability.**



**Only 9% of students with disabilities were proficient in Math.**

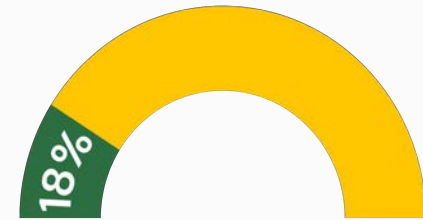
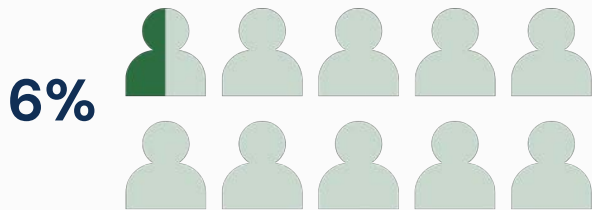
**Our current funding formula assumes that only 5% of a district's students have disabilities** and, based on that number, provides minimal additional funding for those students. However, 18% of Alabama students have a disability. This means that the state is underfunding support for students with disabilities.

# Why Funding Matters: English Language Learners



This is the fastest growing subpopulation of students in Alabama, with 42% growth since 2018.

In the 2022–2023 school year, approximately **41,430 of Alabama’s public school students had limited English proficiency.**



Only **18%** of **EL students** were **proficient in ELA** (2023 ACAP)

**\$341**



extra per student

On average, the state spends an additional **~\$341 per each EL student** through the English Language Learners Program grant program.

# Why Funding Matters:

## Students in Public Charter Schools

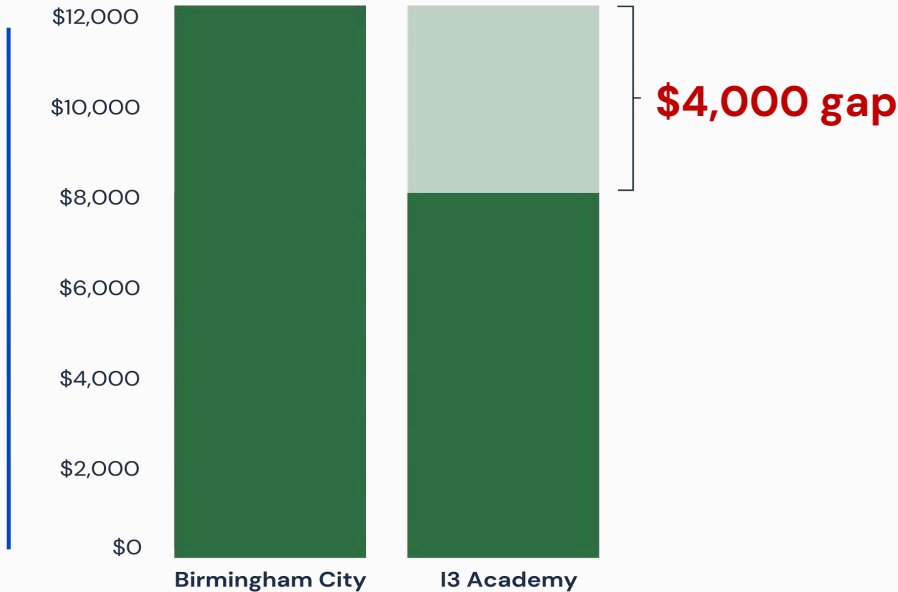
**5,632**

students are enrolled  
in a public charter school

**82%**  
qualify for free/  
reduced-price  
lunch

**76%**  
of students are  
Black

**6%**  
of students are  
Hispanic



Public charter schools receive all federal and state funding, but **they do not receive any local revenue**. This results in as much as a **\$4,000 gap** between charter & district schools funding.

# Why Funding Matters: Rural Students

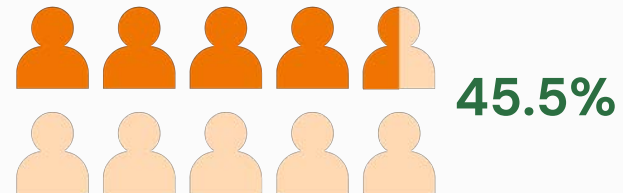


Instructional spending is lower for Alabama's rural students than **in all but five other states.**

**\$0** Additional funding for rural students



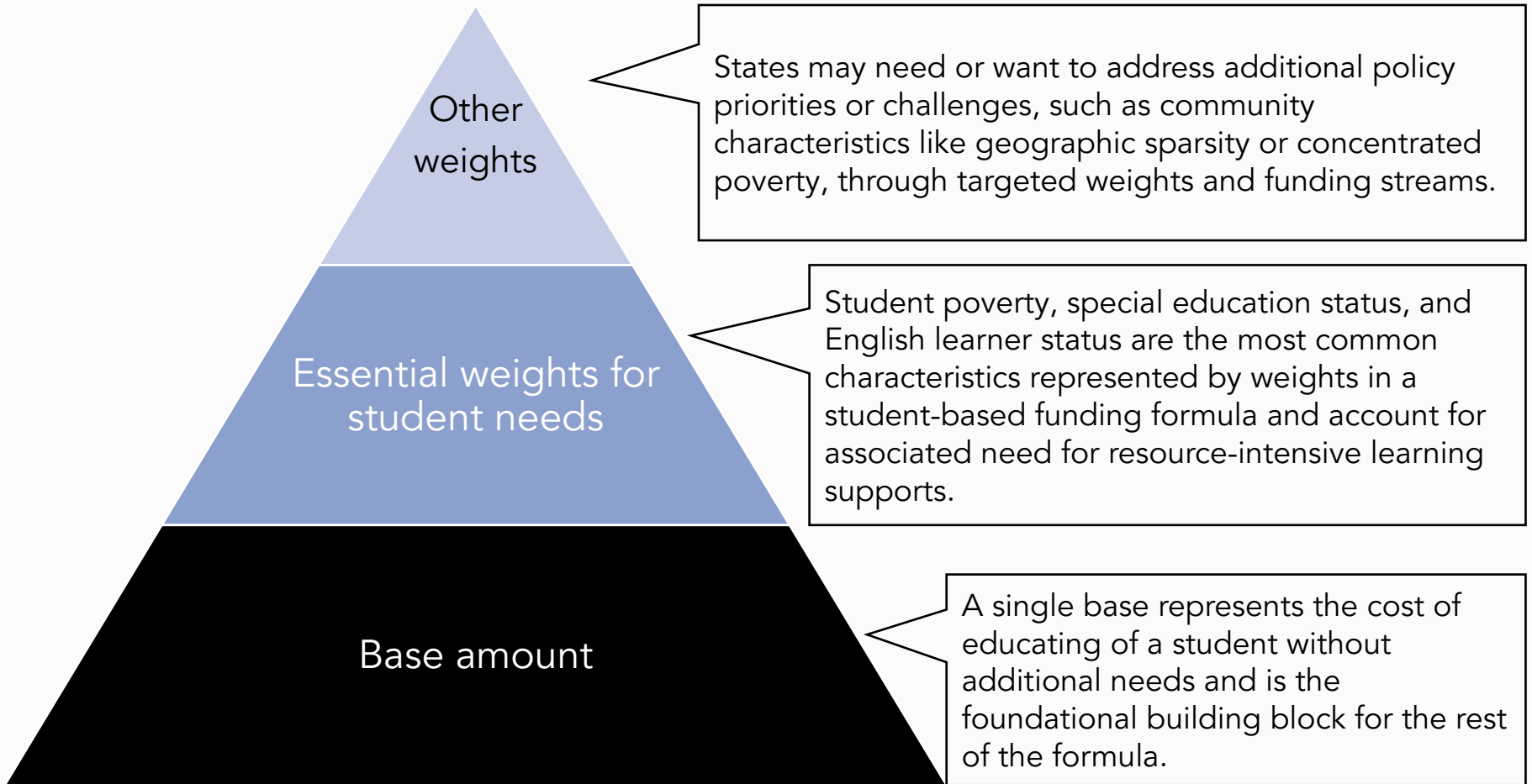
**Almost half** of Alabama students are in rural areas, one of the **largest rural school populations in the nation.**



Alabama's NAEP performance for rural students is the **third lowest in the U.S.**

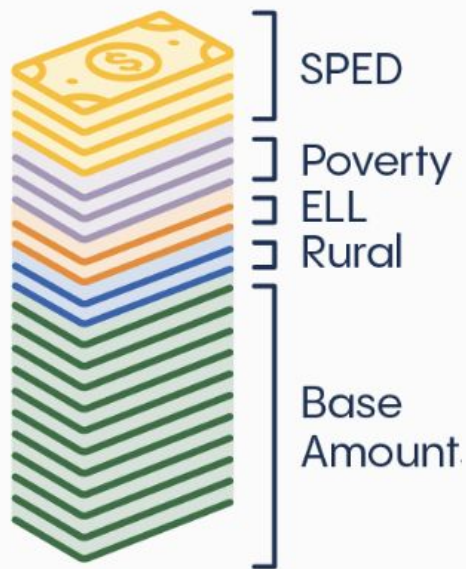
# Cracking the Code: What's the Solution?

# Student Weighted Formula





# Alabama needs a Student Weighted Formula.



In a student weighted formula, school districts receive a base amount of funding for the number of students enrolled.

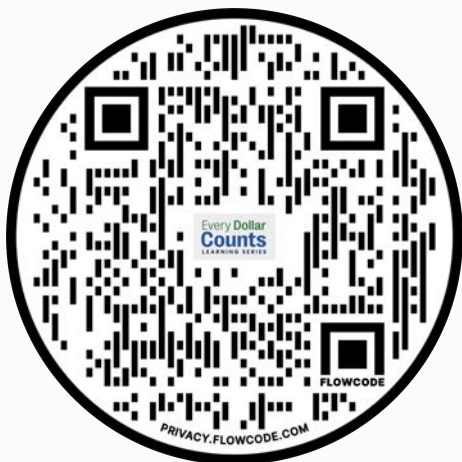
Districts also receive additional funding through weights based on characteristics of enrolled students, such as low income, disability, and/or status as an English learner.

**41 states use a student-weighted formula.**

# Final Takeaways

- 1) Alabama's current funding formula is outdated, inadequate, inequitable, inflexible, and not transparent.
- 2) Alabama needs a new student-weighted formula that would better serve the needs of its students.

Please take the survey and let us know what you think!



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