



Alabama Superintendents Academy

Preparing Diverse & Effective School System Leaders

Alabama School Finance Handbook

Meeting the Requirements of Alabama
Code Sections 16-1-38 and 16-13A-3

The University of Alabama Superintendent's
Academy is a collaborative effort of the Alabama
State Department of Education and The
University of Alabama College of Education

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Preface

This edition of the finance manual for Alabama superintendents is the second to be written following the original manual written by Dr. Ira Harvey and last published in 2005 (available on the uasa.ua.edu website). Rather than updating that manual, the authors opted to keep Dr. Harvey's original manual intact and to offer instead a new manual as a second reference; however, Dr. Harvey's work is cited on many occasions.

Key authors for the manual include **Dr. Andre` L. Harrison, Dr. Peter Jones, and Dr. Andrew Pendola.**

Dr. Andre` L. Harrison currently serves as the Vice President of Accreditation Services for Cognia, the world's largest accrediting agency and continuous improvement network, and he has over three decades of experience in the field of education. Dr. Harrison has supported institutions throughout the United States and other countries across the world during their continuous improvement journey. Prior to serving in his current role, he served as Senior Director for the Central Region (Midwest, Southeast Territories) for Cognia, a Regional Director for Advance Education (AdvancED) | Measured Progress Southeast Region, and as the Alabama State Director and Lead Evaluator for AdvancED. Dr. Harrison is also a member of the Auburn University College of Education National Alumni Council where he currently serves as the Chair of the Academic Affairs Committee. Before joining AdvancED, he served as superintendent, chief of staff, deputy superintendent, assistant superintendent, director of curriculum and instruction, principal, teacher, and library media specialist for the Elmore County Board of Education in Wetumpka, Alabama; he also has more than 25 years of experience as an adjunct university instructor. He is currently serving as an adjunct assistant professor of Educational Leadership for the University of Alabama. Dr. Harrison has a passion for supporting institutions, as a thought leader, during their continuous improvement journey. His areas of expertise include educational leadership, board governance, finance, human resources, and school improvement. He is a published author in the areas of leadership and board governance, curriculum and instruction, and school finance.

Dr. Peter Jones is an associate professor in the Department of Political Science and Public Administration at the University of Alabama at Birmingham. Broadly, his research focuses on the public budgeting processes and financial management of local and state governments. He also studies K-12 public schools and considers the financial ramifications of various public policy issues. His work has appeared in *Policy Studies Journal*, *American Review of Public Administration*, *International Journal of Public Administration*, *Public Financial Management*, *Urban Governance*, *International Journal of Public Sector Management*, and the *Journal of Public Affairs Education*. Dr. Jones is also Associate Director of the Pilot University Wide Interdisciplinary Research Center for Social Science and Justice Research, and he co-leads the Alabama Chapter for Scholars Strategy Network (SSN), a national organization of university-based scholars who are committed to using research to improve policy and strengthen democracy. He previously served on the Public Affairs Research Council of Alabama Roundtable and the Alabama State Advisory Committee to the United States Commission on Civil Rights.

Dr. Andrew Pendola is an associate professor in the Educational Leadership program in the Department of Educational Foundations, Leadership, and Technology at Auburn University. Prior to joining the faculty at Auburn, Dr. Pendola served as an 8th grade history teacher and received his doctorate in Educational Theory and Policy from the Pennsylvania State University. Dr. Pendola's research focuses on the intersection of educator labor markets, school policy, finance, and equity. Specifically, he examines large scale patterns of recruitment and retention to address issues surrounding effective placement, workplace satisfaction, and educator shortages. He currently teaches graduate courses on school law, budgeting, politics, leadership ethics, and equity.

I authored one chapter and shared editing responsibilities for the manual with **Dr. Amanda Cassity**. Dr. Cassity is a principal coach for the Alabama State Department of Education and was an adjunct professor at UA for eight years. Now retired from K-12, Dr. Cassity was a director of curriculum and instruction for the Tuscaloosa County School System. Prior to that she was a high school principal. In 2014 Dr. Cassity was awarded the University Council for Educational Administration's (UCEA) Excellence in Educational Leadership Award for her commitment and support for improved preparation of school leaders.

As is true with any published work, the minute it is written it becomes dated. While attempts have been made to provide current information, the reader is encouraged to check the Alabama State Department of Education website and to review current legislation for the most recent information. If the manual is used in digital format, some links are provided and are functional. Others may require the user to copy paste the link into a browser or to conduct a search for the document referenced.

The manual is a good starting place for information about school finance in Alabama. We hope to revise and update the manual annually to keep it current. We also hope to add chapters we acknowledge are missing – special education, child nutrition, federal programs, and capital planning to name a few.

Dr. Brenda Mendiola
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CHAPTER 1: PUBLIC EDUCATION SCHOOL FINANCE IN THE STATE OF ALABAMA

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Introduction

Overview

This manual section will cover a brief history of public education and school finance in Alabama. Next, the funding structure for public schools in Alabama, including key laws, regulations, and requirements related to school finance, will be addressed. It is important to note that the majority of the information found within this section of the manual will reference Chapter 13 within Title 16: [Education of The Code of Alabama 1975](#), key sections and chapters of *The Alabama State Board of Education State Department of Education Administrative Code (The Alabama Administrative Code)*, and updates as well as other financial laws and regulations related to effective school finance practices in Alabama. While this section will introduce a great deal of information relating to school finance and public education in Alabama, other sections within the manual will expand upon the key topics introduced in this section. In certain places, there will be notices (statements) to inform readers that certain information will be **discussed further or expanded on** in a later section of the manual to ensure readers and participants fully understand the purpose and information about the topics or areas within the manual.

Brief History

In his 1915 book, *History of Public Education in Alabama*, Weeks references Pickett's earlier research that the first school in Alabama was established by John Pierce in 1779. In addition, in *A History of Educational Finance in Alabama*, Harvey (1989) also notes Pickett's reference to Pierce, affirming that the first American school in Alabama was established in 1779 at the Boat Yard on the Tensas Lake. According to [The Journal of Geography](#) Volumes 15-16 - Page 255, the French applied the spelling ' Tensas ' to a river in southern Alabama, which was formerly spelled Taensa and now Tensaw. Later, Gilmore (2011) states in her research on "Remembering the Public's Role: Early Public Education in Alabama" that the first school in Alabama traces back to 1799 "in Tensaw, Alabama, on Boatyard Lake in what is now Baldwin County" (Gilmore, 2011). Weeks (1915), Harvey (1989), and Gilmore (2011) provided slightly different perspectives on the year of the first school in Alabama, yet they concur that it was during the late 1700s on or near the Tensaw River where John Pierce established the first school.

Both Weeks (1915) and Harvey (1989) add that the first school in Alabama was started by wealthy families in the Tensaw area. The school was "primitive" and taught the basics: reading, writing, and arithmetic through a word-of-mouth method (Weeks, 1915; Harvey, 1989). During that time, approximately 2,000 people were living in the area (Gilmore, 2011). John Pierce had taught in Indiana before heading south, so he had experience with educating children; however, he was not just an itinerant teacher; he was a member of the community and later became the postmaster for several years (Gilmore, 2011). It is important to note that people in Alabama created the first schools to serve their communities, no matter how small or primitive they might have been (Gilmore, 2011).

During this time, Alabama was not a state of its own but part of the Mississippi Territory. In the early 1800s, the legislature chartered two academies in the area that would eventually be the State of Alabama: the Washington Academy at St. Stephens and the Green Academy at Huntsville; the schools were given tax-exempt status. In addition, Washington Academy was allowed to raise \$5,000 through a lottery, and Green Academy was allowed to raise \$4,000. According to Harvey (1989), the first “state” appropriation of funds was \$500 to Green Academy in Huntsville on December 13, 1816 (Harvey, 1989).

In 1819, when Alabama gained statehood, it was like many other southern states and used a “top-down” approach to develop its educational system. In 1821, the state university (currently the University of Alabama) was established by a legislative act; however, it was not until 1854 that a statewide system for public schools was available within the state. Those people in the township whom others perceived qualified to teach were allowed by their commissioners to open schools. The commissioners were elected by the citizens every five years to manage the public schools. Public education was not free as we know it today. These institutions were tuition-based, and the funds were used to help pay and/or supplement teachers’ salaries (Gilmore, 2011; Harvey, 1989). According to Gilmore, “Although many argue that public education in Alabama began in 1854 when the state took formal responsibility, the schools in the first half of the 19th century were also public. They were created by citizens in local communities for the betterment of their children and ultimately the betterment of their neighborhoods” (2011). In addition, some felt that the establishment of a statewide public school system created an unintended consequence that resulted in centralized administration of the schools and loss of local control. William Perry, the first state superintendent of education, believed it was an “absolute necessity of state control” to improve public schools in Alabama. Curriculum and textbooks were determined at the state level, and new rules required county superintendents to report back to the state on the quality of instruction. The state superintendent also decided how the schools should be administered. Many of the decisions that had been made at the community level were now centrally decided (Gilmore, 2011).

As Alabama continued to develop its economy and social order, much attention was given to education; however, the concept of universal free public education was not comparable within this social order. According to Harvey’s (1989) research, four classes of individuals existed, and each was treated differently. The education of men and boys for getting work in businesses or as professionals was limited to private schools or apprenticeships in commerce and law. Daughters of the planter class were educated through private education as well. The White people who were considered lower class were left to attend public schools, which, at the time, were considered by many to be indigents (Harvey, 1989.) Enslaved people and other African Americans who were considered “free” were prohibited from obtaining any type of education. It would not be until after the Civil War and into the late 1800s that schools for African Americans would start to open and receive funding through mostly private donors. In 1867, with support from the American Missionary Association, the Lincoln Normal School began educating African Americans from surrounding Perry County, Alabama. In 1870, the school became known as the Lincoln Normal University for Teachers and is currently Alabama State

University in Montgomery, Alabama (Encyclopedia of Alabama, 2022). In addition, the Calhoun School, a school for African Americans post-Civil War, was founded in 1892 by two White females, Ms. Charlotte Thorne and Mabel Dillingham, from Hampton Institute in Hampton, Virginia, who worked with the legendary educator Booker T. Washington, to start a private boarding school in Calhoun, Alabama, in Lowndes County. It was not until 1943 that the school became part of the Lowndes County Board of Education, and it is now Calhoun High School (Ellis, 1984). Both institutions have been recognized for their long-standing history in providing quality educational programs and opportunities for their students (Ellis, 1984; Encyclopedia of Alabama, 2022). In addition to these institutions, several other institutions began to open to support the education of African Americans within the State of Alabama during the post-Civil War era.

Events that occurred decades before Alabama became a state, to a significant extent, determined the nature of the state's financial support for public education from 1819 to 1927. Between those times, public education was considered woefully underfunded, with no system of equalization of educational opportunities for the citizens of the state. It would not be until 1927 that the leaders of the state government established the Special Education Trust Fund to generate a system of funding for public schools in Alabama. While it is now called the Education Trust Fund (ETF) and has been amended by state leaders over the years, it is still considered the main source of public education funding in Alabama (Flowers, 2021; Harvey, 1989, 2001.) During the fiscal year 2022, the ETF generated over 4.7 billion dollars for K-12 public schools in Alabama (Hanson, 2022).

General Overview of Public Education Budgetary Structure

Education Trust Fund (ETF)

Many states have one General Fund Budget. Alabama is one of few states in the United States that has two budgets - an education budget and a general fund budget. Prior to creating a funding structure or budget for teaching and learning, education in Alabama was vastly underfunded. At that time, many of the schools were one-room buildings with no air conditioning and heated by wood-burning stoves. Students walked to school because the state provided no school buses or any form of transportation (Flowers, 2021).

In 1927, Governor Bibb Graves and the legislature created the Special Education Trust Fund (SETF) for the primary purpose of lengthening the minimum school term and creating a standard for equalizing educational opportunities and funding in the state. The Alabama Special Education Trust Fund was established and set apart as a trust fund for educational purposes. Governor Graves and the legislature earmarked two tax revenue sources for this new education budget. Most funds from the SETF came from state sales and income tax, a new tax system created by the federal government (Flower, 2021; Harvey, 1989).

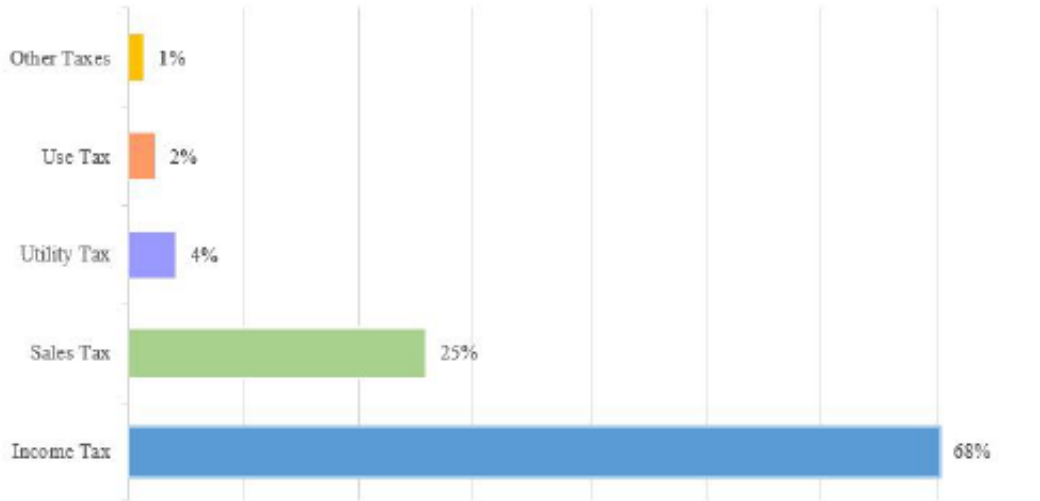
In 1995, the Legislature passed a law that became effective in the fiscal year (FY) 1997 that removed the word “special” from the Trust Fund (SSA, 2011). The *Code of Alabama 1975*, Section 16-13-16 references where the “Alabama Special Education Trust Fund” was changed to the “Education Trust Fund.” Also, all laws, rules, regulations, and legal references related to the Alabama Special Education Trust were to be changed to the Education Trust Fund during the next printing of the *Code of Alabama 1975*. The primary purpose of this section of the *Code of Alabama 1975* was not to redirect the deposit or expenditures of any funds for public schools and colleges or create new funds for these institutions. Rather, the intent was simply to rename the primary education trust fund of the state from the “Alabama Special Education Trust Fund” to the “Education Trust Fund.”

According to the Alabama Department of Finance Executive Budget Office, the ETF is the largest operating fund of the State of Alabama. Revenues generated to fund the ETF are used to support the maintenance and development of public education in Alabama, debt services, capital improvements associated with educational facilities, and other functions related to educating the state’s citizens. The following programs are supported by funds generated through the ETF: K-12 education, public library services, performing and fine arts, various scholarship programs, the state’s education regulatory departments, and two- and four-year colleges and universities. In addition, funding from the ETF is also allocated to non-profit agencies that provide educational services to individuals in Alabama, including arts, disease counseling and education, and youth development. Twelve tax sources are allocated to the ETF with the largest taxes from individual and corporate income, sales, utilities, and use.

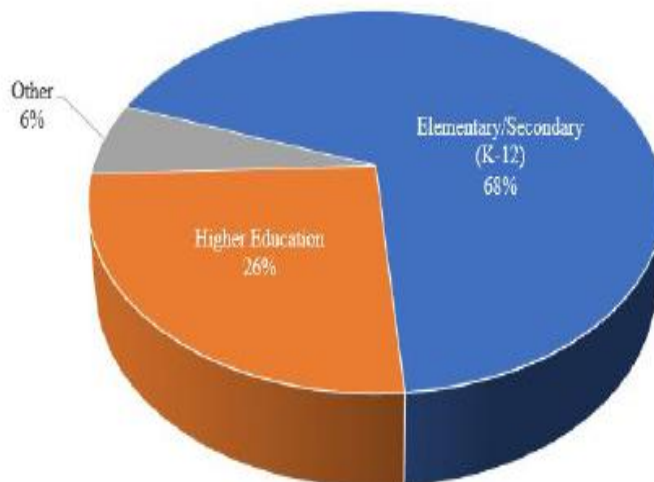
- **Income tax** is a type of tax that governments impose on income generated by businesses and individuals within their jurisdiction.
- **Sales tax** is a type of tax on sales or receipts from sales.
- **Utility tax** is a privilege tax on every utility (e.g., electricity, domestic water, natural gas, telegraph, and telephone service).
- **A use tax** is similar to a sales tax; however, it targets purchases made outside of a given tax jurisdiction. Use taxes are levied on goods or services bought in one state or municipality that are then transported to, consumed in, or resold in another municipality or state. In addition, they are seen as an excise tax applied as a companion to the sales tax on storage, use, or other consumption within the state on items purchased outside Alabama. They are due on or before the 20th of the month.

Education Trust Fund
Fiscal Year 2023

Where Your State Tax Dollar Comes From



Where Your State Dollar Goes



**EDUCATION TRUST FUND SUMMARY
FISCAL YEARS 2020 THROUGH 2025**

	ACTUAL				ESTIMATED	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Balance to Begin Year	34,438,145	60,536,098	1,330,783,131	2,907,418,790	2,518,997,462	1,449,405,959
Net Receipts	7,439,571,740	8,643,813,063	10,419,531,598	10,430,960,185	10,248,000,000	10,175,000,000
Transfer from Budget Stabilization Fund	301,665,743					
Total Receipts	<u>7,741,237,483</u>	<u>8,643,813,063</u>	<u>10,419,531,598</u>	<u>10,430,960,185</u>	<u>10,248,000,000</u>	<u>10,175,000,000</u>
Total Available	<u>7,775,675,628</u>	<u>8,704,349,161</u>	<u>11,750,314,729</u>	<u>13,338,378,975</u>	<u>12,766,997,462</u>	<u>11,624,405,959</u>
Less:						
Expenditures and Encumbrances	7,067,766,578	7,161,304,012	7,559,612,323	8,031,714,204	9,141,889,776	9,348,506,169
Supplemental Appropriations	32,030,721	72,262,018	415,223,019	2,433,692,309	651,202,906	400,869,013
Transfer to Repay Budget Stabilization Fund	301,665,743					
Balance at End of Year	<u>374,212,586</u>	<u>1,470,783,131</u>	<u>3,775,479,387</u>	<u>2,872,972,462</u>	<u>2,973,904,780</u>	<u>1,875,030,777</u>
Transfer to Budget Stabilization Fund	71,603,334)	75,000,000	117,681,460		111,698,094	113,175,915
Transfer to Adv. and Tech. Fund	242,073,154)	65,000,000	750,379,137		1,000,000,000	668,115,022
Transfer to Ed. Opportunities Res. Fund)			353,975,000	412,800,727	267,246,009
Balance Carried Forward	<u>60,536,098</u>	<u>1,330,783,131</u>	<u>2,907,418,790</u>	<u>2,518,997,462</u>	<u>1,449,405,959</u>	<u>826,493,831</u>

**EDUCATION TRUST FUND
NET RECEIPTS
FISCAL YEARS 2020 THROUGH 2025**

REVENUES	ACTUAL				ESTIMATED	
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Beer Tax	22,313,700	23,444,102	22,347,817	22,597,380	22,800,000	23,000,000
Court Costs	0	8,526	59,439	52,486	55,000	57,000
Hydroelectric Tax	508,205	1,152,767	575,509	557,070	600,000	605,000
Income Tax	4,657,167,331	5,643,876,383	7,182,568,355	7,032,093,932	6,862,074,002	6,750,000,000
Insurance Premium Tax	30,993,295 (1)	0 (2)	0 (2)	0 (2)	0 (2)	0 (2)
Mobile Telecom Tax	9,804,424	7,854,608	7,876,761	8,089,747	7,900,000	7,979,000
Sales Tax	2,084,997,958	2,320,781,188	2,479,655,623	2,592,614,517	2,560,514,703	2,586,119,850
Store & Passenger Bus Licenses	108,040	114,195	113,521	113,768	113,000	113,000
Use Tax	171,835,154	189,176,846	224,561,281	240,194,522	242,989,384	247,849,172
Use Tax - Remote Sellers	11,862,145	13,021,155	15,838,365	18,567,402	19,495,772	20,470,560
Use Tax - Simplified Sellers	46,259,499	64,247,692	77,625,560	92,232,440	99,998,411	105,998,315
Utility Tax	388,005,781	379,592,951	406,487,071	421,950,642	429,746,735	431,341,669
Unclassified	14,705	4,630	0	43,234	0	
SUBTOTALS	7,423,870,237	8,643,275,043	10,417,709,302	10,429,107,140	10,246,287,007	10,173,533,566
Miscellaneous Transfers and Reversions	15,701,503	538,020	1,822,296	1,853,045	1,712,993	1,466,434
TOTALS	7,439,571,740	8,643,813,063	10,419,531,598	10,430,960,185	10,248,000,000	10,175,000,000
EXTRAORDINARY ITEMS:						
Transfer from Budget Stabilization Fund	301,665,743	0	0	0	0	0
SUBTOTALS	301,665,743	0	0	0	0	0
GRAND TOTALS	7,741,237,483	8,643,813,063	10,419,531,598	10,430,960,185	10,248,000,000	10,175,000,000

Footnotes:

- (1) Capped at FY 1992 level as provided by Act 93-679
- (2) Insurance premium tax deposited to General Fund per Act 2019-392

Source for charts: Executive Budget Report <https://budget.alabama.gov/wp-content/uploads/2024/02/State-of-Alabama-Budget-Report-2025-FINAL-v2.pdf>

To review the complete Education Trust Fund Budget appropriations for FY25 and previous years for the State of Alabama, please click the following link:
<https://budget.alabama.gov/education-trust-fund-appropriations/>

Rolling Reserve Act

The Rolling Reserve Act, created by Act 2011-3, establishes the maximum amount that may be appropriated from the Education Trust Fund in any fiscal year. The appropriations shall not exceed the fiscal year appropriation cap, or the secondary spending limit, whichever is less. The fiscal year appropriation cap shall be equal to the sum of (1) the total of recurring revenues deposited into the ETF in the last completed fiscal year preceding the date on which the fiscal year appropriation cap is calculated and an amount equal to the amount in (1) multiplied by the

average annual percent of change in the recurring revenues deposited into the ETF for the 15 most recently completed fiscal years preceding the date on which the fiscal year appropriation cap is calculated, excluding the highest and lowest years from the calculation. In addition, if the new recurring revenue measures are enacted that will be deposited into the ETF or if existing revenue sources are amended to increase the amount of money deposited into the ETF for the first time during the year for which the cap is being calculated, then 95 percent of the amount projected in the enacted fiscal note accompanying the legislative act creating the new recurring revenue shall be added or subtracted as a part of the fiscal year appropriation cap. If a recurring revenue source to the ETF is removed or reduced during the year for which the cap is being calculated, the negative impact, based on the enacted fiscal note, of the removal or reduction of the recurring revenue shall be included in the calculation of the fiscal year. Nonrecurring revenue shall be added or subtracted as a part of the fiscal year appropriation cap for the fiscal year in which the nonrecurring revenue is deposited into the ETF. The Alabama Finance Director and the Legislative Services Agency – Fiscal Division must certify their computation of the cap prior to the third day of each Regular Legislative Session as required by Amendment 803 to the *Constitution of Alabama 1901*.

The Act further requires that revenues received in excess of the appropriation cap be used first to pay back any outstanding transfers from the Education Trust Fund Rainy Day Account until the account has been repaid in full. Any remaining funds shall be transferred to the ETF Budget Stabilization Fund, the ETF Advancement and Technology Fund, and the Educational Opportunities Reserve Fund.

Budget Stabilization Fund

The Budget Stabilization Fund is an amount up to 1 percent of the previous fiscal year's Education Trust Fund appropriations that is transferred from the ending balance of the Education Trust Fund to the Budget Stabilization Fund annually until the Fund reaches 7.5 percent of the previous year's appropriations from the Education Trust Fund. Any monetary interest that accrues to this fund will be retained by this fund. Funds in the Budget Stabilization Fund are used for the following: (1) to prevent proration in the Education Trust Fund and (2) to provide emergency funding for repairs from damages to a public school from a natural disaster in which the governor declared a state of emergency. (§ 29-9-4, *Code of Alabama 1975*)

Advancement and Technology Fund

According to the Advancement and Technology Fund, after the required transfer into the Budget Stabilization Fund, the remaining ending balance in the Education Trust Fund is transferred to the ETF Advancement and Technology Fund to be appropriated through an independent supplemental appropriation bill. It is important to note that the balance of the fund must equal or exceed \$10 million in order to be appropriated. These funds are allocated to K-12 entities and higher education institutions and can be used for the following: (1) repairs or deferred maintenance of public education facilities; (2) classroom instructional support under the Foundation Program; (3) insuring facilities; (4) transportation for K-12 local boards of

education; (5) the acquisition and or purchase of education technology and equipment; and (6) school security measures. Funds are divided between public schools and institutions of higher education in accordance with the percentage split. (§ 29-9-4, *Code of Alabama 1975*)

Educational Opportunities Reserve Fund

The Educational Opportunities Reserve Fund (EORF) is a new fund created to offset a reduction in revenues to the ETF that could negatively impact funding for budgeted obligations from the ETF for the current fiscal year, to fund unanticipated obligations, to sustain required programmatic increases, to provide funding to maintain prior year appropriation levels, or for start-up or transitional support for initiatives that provide access to enhanced educational opportunities to public K-12 or higher education students in the state. No funds from the account may be appropriated until the balance in the account is at least three hundred million dollars.

Funds are not added to the EORF until any unpaid Rainy Day Fund balance is paid and transfers to the ETF Budget Stabilization Fund are made (up to one percent of the previous year's ETF total appropriations until the fund reaches 10 percent of the previous year's appropriations). Of the remaining funds, 50 percent goes to the Advancement and Technology Fund, 20 percent is put into the new EORF, and 30 percent remains in the ETF. Transfers to the EORF will be made on or before May 31 of each fiscal year beginning with the fiscal year ending September 30, 2024.

Education Trust Fund Rainy Day Account

The Education Trust Fund Rainy Day Account Amendment 803 to the Constitution of Alabama 1901 established the current Education Trust Fund Rainy Day Account within the Alabama Trust Fund through oil and gas capital payments. The maximum amount available for withdrawal equals 6.5 percent of the ETF appropriations for the prior fiscal year less any amounts previously withdrawn that have not been repaid. The Account's repayment deadline is six years.

Budget Planning Process at the State Level

State of Alabama Budget Calendar
(Fiscal Year October 1 to September 30)



The above budget calendar represents a typical budget year for the State of Alabama. The start date for the Regular Legislative Session is based on which year it is in the quadrennium. The first year is on the 1st Tuesday in March. The second and third year are on the 1st Tuesday in February. The fourth year is on the 2nd Tuesday in January.

Source: Executive Budget Report <https://budget.alabama.gov/wp-content/uploads/2024/02/State-of-Alabama-Budget-Report-2025-FINAL-v2.pdf>

Legislative Process

Once the Executive Budget is received and introduced by the Legislature, it is referred to the House of Representatives and Senate finance committees to review and amend the budget. During the review process, the legislature will hold budget hearings in the Joint Committee to hear from agencies regarding their funding needs in the new fiscal year. After budget hearings are complete, each finance committee will review the Education Trust Fund, along with other accompanying appropriation bills. The House Ways and Means and Senate Finance and Taxation Committees will amend the governor's budget and present it to the legislature for approval. If the House and Senate cannot agree on the proposed budget, it is referred to a Conference Committee made up of delegates from the House and Senate. This committee will debate any differences, come to a compromise, and again present the budget to the legislature for approval (*State of Alabama Final Budget Report, 2022*)

According to the *Code of Alabama 1975*, the legislature must consider the budget recommended by the governor, including proposed goals and policies, tax rates, revenue changes, and long-range program plans. The Legislature may adopt alternatives from the recommendations made by the governor but ultimately must pass a balanced budget, which means that any authorized expenditures shall not exceed estimated revenues (§ 41-19-9, *Code of Alabama 1975*).

The budget must be passed by a majority of the members present in each legislative body and presented to the governor for approval. If the governor disapproves of the changes made to the budget, he or she may veto and return it to the house of origin. In Alabama, the governor has the power to accept or reject any item of an appropriation bill without vetoing the entire bill. If this occurs, the vetoed item of the appropriation bill is returned to the House of Origin for reconsideration by the legislature while the remainder of the bill becomes law. The legislature may overrule the items vetoed by the governor with a majority vote of each house. If the governor fails to return a bill to the house in which it originated within six days after it was presented to him or her (except for Sundays), it becomes law without his or her signature unless recess prevented the return. The bills that reach the governor fewer than five days before the end of the session may be approved by him or her within ten days after adjournment. Any bills not approved within that time do not become law. This is known as a "pocket veto," which is the most conclusive form of veto for the legislature, which, having adjourned for the session, has no chance to reconsider the vetoed measure (*State of Alabama Final Budget Report, 2022*).

After the budget is passed by the legislature, the budget becomes an act and appropriates spending authority to the agencies listed in the act to operate the state government for the next fiscal year.

Proration

Proration, as the term is commonly used, relates to reductions of appropriations and not the restriction of allotments. For many educational leaders and other stakeholders of the education community, proration is a term they dislike hearing during a fiscal year because it means that their school system will not receive the full budget allocation they have been “promised” by the state to operate their annual budget, even though they have made the necessary plans and developed a state-approved budget for that year. Once a school system learns the amount of funds it will lose due to proration, the system must determine where reductions will be made within its operation budget based on proration laws (Harvey, 2001).

Proration occurs for one of two reasons: (1) income or revenue estimates were overly optimistic, or (2) expenditure or appropriation estimates were overly optimistic (too much income was expected or planned expenditures were too great). Should a fund’s estimated budget resources available during the year be insufficient to pay appropriations in full, the governor is directed to restrict allotments to ensure no deficiencies or overdrafts occur in several state funds at the end of the fiscal year (Code of Alabama 1975, Section 41-4-90). The governor must restrict allotments by statute until the end of the fiscal year. The governor's responsibility in the process is to delay paying a full allotment (a share of the appropriation, which could be 1/12) until there are adequate funds in the state treasury, a cash management responsibility. To do otherwise would result in issuing warrants for funds that are unavailable. In addition, were the governor to do otherwise, funds might not be available toward the end of a fiscal year to meet payroll for salaries of constitutional officers, which would be unconstitutional. The governor's actions only delay a final accounting to the end of the fiscal year. At this point, the constitutional duty of the comptroller prorates appropriations (Harvey, 2001).

Amendment No. 26 to the *Constitution of Alabama of 1901* provides that no warrants shall be drawn on the State Treasury unless sufficient revenues are available. In such instances, any expenditure from any funds that have insufficient revenue shall be prorated so that only available revenues are expended. Calculation and implementation of proration are the responsibility of the state comptroller. Any appropriations not paid at the end of the fiscal year become invalid. Violating the provisions of Amendment 26 is a crime and grounds for impeachment.

In the event proration of the Education Trust Fund is declared by the governor, each local school system shall nevertheless insure that at least 80 percent of its allocation per teacher for materials and supplies shall be expended according to the provisions of this section. No portion of a teacher’s materials and supplies money shall be withheld until and unless the governor officially declares proration of the Education Trust Fund (*Code of Alabama 1975, Section 16-1-8.1*) (Harvey, 2001).

The most recent occurrences of proration in the Education Trust Fund:

EDUCATION TRUST FUND		
Fiscal Year	Proration % without the RDA Transfers	Proration % after RDA Transfers
1979	3.0%	
1980	6.1%	
1981	3.6%	
1986	4.2%	
1991	6.5%	
1992	3.0%	
2001	6.2%	
2003(1)	4.4%	0%
2008(2)	6.5%	0%
2009(3)	18.0%	11%
2010	9.5%	
2011	3.0%	

⁽¹⁾ In FY 2003, \$179,993,229 was transferred to the Education Trust Fund from the Education Trust Fund Rainy Day Account and \$54,250 was transferred to the Education Trust Fund from the Proration Prevention Account in order to offset proration for state education agencies.

⁽²⁾ In FY 2008, \$439,372,515 was transferred to the Education Trust Fund from the Proration Prevention Account to completely offset proration in the Education Trust Fund.

⁽³⁾ In FY 2009, \$437,390,828 was transferred to the Education Trust Fund from the Education Trust Fund Rainy Day Account and \$129,590 was transferred to the Education Trust Fund from the Proration Prevention Account in order to reduce proration in the Education Trust Fund to 11%.

⁽⁴⁾ In FY 2010, \$161,565,874 was transferred to the State General Fund from the General Fund Rainy Day Account in order to reduce proration in the State General Fund to 10%.

Source: The Alabama Legislature: Budget Fact Book 2022

For additional information on the Overview of the State of Alabama Budget Process, search for the most current year of the State of Alabama Final Budget Report and The Alabama Legislature Budget Fact Book.

Sources of Funding for K-12 Public Schools

As we all know, there are three major sources of revenue for the financial support of public schools in Alabama: local, state, and federal governments. State and local funds are considered the basic revenue source for Alabama public schools. In this section, we will explore the funding sources for Alabama public schools regarding funding from the federal, state, and local governments.

The funding distribution below denotes the percentage of revenue from the federal, state, and local governments for Alabama K-12 public schools.

Federal	State	Local
10.7 %	56.7%	32.5%

SOURCE: 2020 Annual Survey of School System Finances.

Federal Funds

When the federal government first started providing aid to schools, it was to encourage and advance schooling for expanding the population. This change later began with the *Morrill Act of 1862* for higher education, and the *Smith Hughes Act* in 1917, which was for vocational education for elementary and secondary institutions. At that time, most federal aid was categorized, meaning there was an incentive to win cooperative action for a special purpose. Today, most federal aid to education is still categorical; therefore, receiving funding from the federal government is based on certain conditions.

Superintendents are held accountable for overseeing and managing the system's budget operations, so it is important to remember that federal aid MUST supplement- not supplant- state and local funding. Also, there must be a maintenance of effort; states and local governments cannot reduce funds devoted to an area upon receipt of federal funds for that purpose. Finally, there must be comparability, meaning that areas funded with federal aid at one school should not be made available with state funding at another (Brimley et al., 2012).

In addition to the information above, it is important to note that federal aid is used for the purpose or priority of improving education at the elementary and secondary levels. *The Elementary and Secondary Education School Act* was passed in 1965 and was later reauthorized as the *No Child Left Behind Act*. Title I, Part A of *Every Student Exceeds Act* (ESEA) authorized federal aid to local school systems for the education of disadvantaged and low-income students for supplementary education and related services. According to Brimley et al. (2012), Title I is the largest federal assistance program, providing services to more than 90 percent of all school systems across the United States. In addition to supporting educational improvements through Title I, our state receives additional federal funding to support other programs within K-12 school systems, such as the Child Nutrition Program (CNP), which the federal government largely funds.

In the State of Alabama, schools that select to receive federal funding are funded through a formula grant process. Alabama receives approximately 10-14 percent of school funding from federal sources. (The chart below shows the breakdown of federal aid received by the State of Alabama to improve education within elementary and secondary schools for FY2022 related to the different federal Title Programs and COVID-19 Relief Funds. Above all, Alabama K-12 institutions received a total of \$914,928,000 from the federal government, or \$1,198 per student during FY22 (Hanson, 2022). **In a later section, you will learn more about developing and managing federal funds provided to your school system to support continuous improvement in education.**

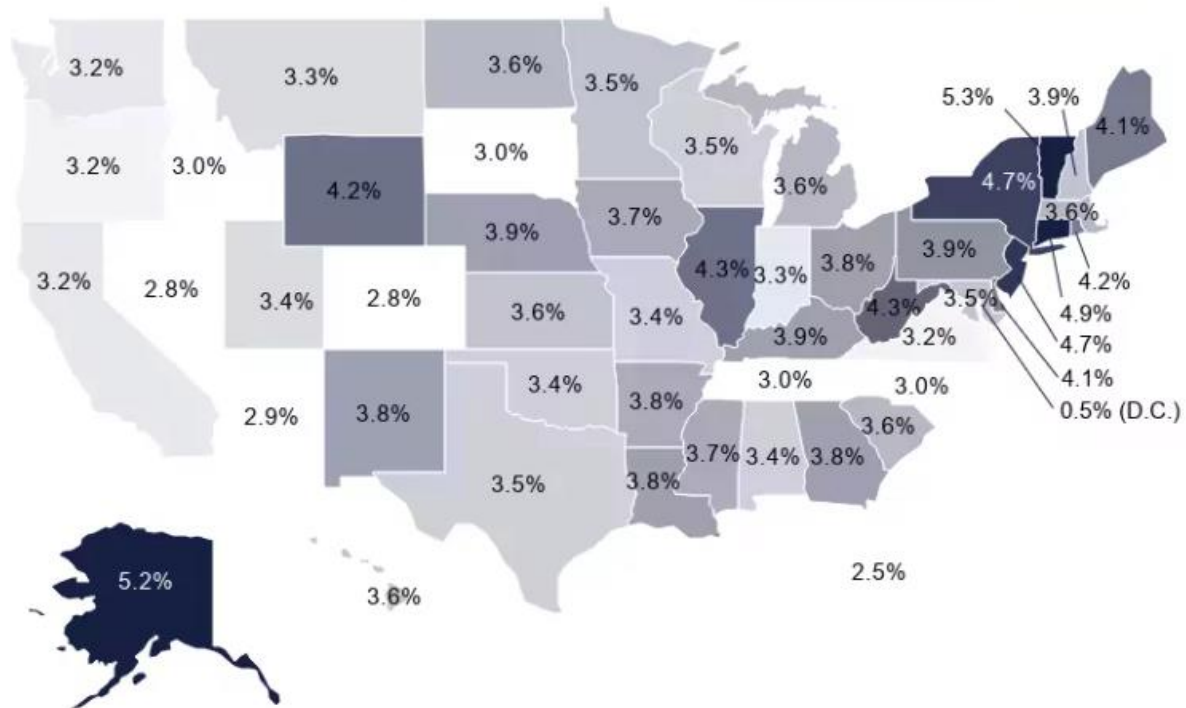
ALABAMA FEDERAL ALLOCATIONS FOR TITLE PROGRAMS AND COVID RELIEF FY22			
Funding Type	Purpose		State Allocation
Title I-A	Low-income families		266,382,292
Title I-C	Migrant Education		2,154,910
Title I-D	Neglected or Delinquent		504,947
Title II	Improving Teacher Quality		34,244,461
Title III	Language Instruction for LEP students		3,838,917
Title IV-A	21 st Century Community Learning Center programs		19,901,921
Title V	Rural Education		3,718,141
ESSER I	COVID-RELIEF		216,947,540
GEER I	COVID-RELIEF		21,352,384
ESSER II	COVID-RELIEF		899,464,932
ARP ESSER (ESSER III)	COVID-RELIEF		2,021,518,529
		TOTAL	3,490,028,974

Source: Alabama State Department of Education, Federal Programs Section.

State Funds

Within the State of Alabama, most of the funding to support and/or operate K-12 public education is done through revenue generated by the state. As stated earlier, while other state taxes play a key role in funding public education, the main sources of revenue come from state income tax and sales tax generated through the Education Trust Fund (ETF).

Public K-12 Spending as a Percentage of State Taxpayer Income



Source: U.S. Public Education Spending Statistics, 2022

In addition to the information above, state aid to fund public schools is primarily appropriated through a foundation program approved by the Alabama Legislature in 1995 (ALA. CODE § 16-13-230, 1975) from the E. The Foundation Program provides several funding sources for K-12 school systems, such as staff positions, resources, materials, etc. In addition, the state provides funding for transportation, capital improvement, at-risk programs, and professional development for classroom teachers. In FY2022, Alabama spent over 4.7 billion dollars on K-12 education, or \$6,366 per student (Hanson, 2022). More information to explain the importance of and key details about the Foundation Program and State Funding in Alabama K-12 public schools is to follow in other sections.

Local Funds

There are 146 school systems serving 748,274 students in 1,478 public schools in Alabama (Quick Facts, 2022). (Most of the local revenue comes from property tax. The property tax is strictly limited by the *Alabama Constitution of 1901*, and each local tax levy requires specific authorization by the Constitution. It is important to note that a local referendum is necessary to levy any property tax. According to Harvey (1989, 2001), the most common local taxes are excise, franchise, and privilege license taxes, which can be levied for school purposes by a majority of votes of the county commission or city council. Sales tax is the most representative of this type of tax. Also, the county commission or city council can make appropriations from property or sales tax levies specifically for public schools or any local government revenue source (Harvey 1989, 2001).

According to research data on public education finance statistics, Alabama spent over 2.8 billion dollars on K-12 education, or \$3,813.00 per pupil, during the fiscal year 2022 (Hanson, 2022). Another section will explain local revenue sources and their importance in Alabama K-12 public school funding.

Resources and/or Additional Readings (If links do not work, use your browser to search for the topics/sites below).

- Federal Uniform Guidance (2 CFR 200):
<https://www.dol.gov/agencies/eta/grants/resources/uniform-guidance>
- FAQs for Governor’s Emergency Education Relief & Elementary and Secondary School Emergency Relief Programs:
<https://www.ed.gov/media/document-2>
- [States Using Federal Aid to Support Teachers](#)
- U.S. Spending Public Education Statistics:
<https://educationdata.org/public-education-spending-statistics><https://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2022301>
- Revenues and Expenditures for Public Elementary and Secondary Education (Fiscal Year 2022)
<https://nces.ed.gov/pubs2024/2024301.pdf>
- [Elementary and Secondary School Revenues and Spending Increased in Most Areas: U.S. Census Bureau](#)
<https://www.census.gov/library/stories/2021/10/elementary-and-secondary-school-revenue-and-spending-increased-most-areas.html>
- [Per Pupil Amounts for Current Spending of Public Elementary-Secondary School Systems by State: Fiscal Year 2020](#)[Public School Expenditures](#)

Overview of the Alabama Foundation Program

Purpose

According to the National Center for Education Statistics, several states (States with Foundation Programs) use some form of a funding system similar to the Alabama Foundation Program to fund public education across the nation. As stated earlier, support for public education in Alabama is primarily done through a foundation program that the legislature approved in 1995 (§ 16-13-230, *Code of Alabama, 1975*). The foundation program's theory was to equalize educational opportunities for public K-12 institutions in the state. It was adopted into law (§ 16-13-239, *Code of Alabama, 1975*) to replace the 1935 Foundation Program (also known as the Minimum Foundation Program) to begin operating during the fiscal year of 1995-1996 after being challenged in the courts in 1993 by the Liability Order of the Montgomery County Circuit Court in *Ace v. Hunt*, 624 So.2d 107 (Ala. 1993). The order declared public education funding in Alabama unconstitutional (Harvey, 2012; SSA, 2011).

The Foundation Program is annually funded during the state's fiscal year of October 1 through September 30 through appropriations of a combination of state and local funds. The equity is done through a mandated 10.0 mill equivalence in local property tax, which the local school system had to commit to in order to participate in the Foundation Program. If a local school board fails to provide an amount of local tax support for its respective local board of education in an amount equivalent to the mills of ad valorem tax as required by law, the Foundation Program Fund allocation for the local board of education, as the case may be, shall be reduced by an amount equal to the difference between the amount of tax support actually provided and the amount of tax support required by law (§ 16-13-238, *Code of Alabama, 1975*).

Again, the idea behind this new method for funding K-12 schools was that schools with fewer funds or resources to operate their systems would have the necessary elements to offer a solid foundation program (SSA, 2011). The Foundation Program has become one of the most *popular* terms for funding K-12 public education in Alabama. Many school finance experts in Alabama have acknowledged that the Foundation Program has become a key component when discussing how school finance works in funding K-12 education because of its significance and essential role in financing Alabama public schools.

Framework

The framework for the Foundation Program to fund K-12 public education was also created by the state legislature. Through the Foundation Program, school systems are provided with the following:

- A minimum number of teaching units based on set divisors for elementary, middle, and high school.

- Units for principals, assistant principals, library media specialists, and school counselors based on their student population. These units are also called instructional support units.
- Other Current Expense (OCE) funding, which is mainly for operational purposes and staff within operations.
- Basic financial support for classrooms: textbooks, technology, professional development, library enhancement, and classroom materials and supplies (SSA, 2011).

It is important to note that the Foundation Program does not include all the state funds provided to K-12 public schools. Additional categorical aid (funding) to school systems includes but is not limited to, transportation, school nurses, and technology coordinators.



State Department of Education

FY2025 State Totals
FY 2025 ENACTED

STATE TOTALS	FY 2025		FY 2024		Change
Total ADM	720,468.45		726,266.93		-5,798.48
Foundation Program Units					
Teachers	41,831.80		42,173.41		-341.61
Principals	1,359.00		1,356.00		3.00
Assistant Principals	1,013.00		824.00		189.00
Counselors	1,448.00		1,458.00		-10.00
Librarians	1,369.00		1,367.50		1.50
Career Tech Directors	241.50		240.25		1.25
Career Tech Counselors	73.00		71.00		2.00
Total Units	47,335.30		47,490.16		-154.86
Foundation Program (State and Local Funds)					
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)	0		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
State Funds					
Foundation Program ETF	4,640,763,761		4,488,432,021		152,331,740
School Nurses Program	89,556,877		65,571,473		23,985,404
Salaries - 1% per Act 97-238	0		0		0
Technology Coordinator	22,724,474		20,871,392		1,853,082
Transportation Operations	385,850,573		380,799,955		5,050,618
Fleet Renewal (\$7,581 /bus)	52,771,341	(\$7,581 /bus)	51,573,543		1,197,798
Current Units	2,000,000		2,000,000		0
At Risk	21,217,734		22,492,734		-1,275,000
Board Of Adjustment	750,800		750,800		0
Career Tech O and M	8,000,000		8,000,000		0
ETF Subtotal	5,223,635,560		5,083,198,886		140,436,674
Capital Purchase	215,000,000		215,000,000		0
Debt Service	532,864		532,864		0
PSF Subtotal	215,532,864		215,532,864		0
Total State Funds	5,439,168,424		5,298,731,750		140,436,674
Local Funds					
Foundation Program (10 Mills)	796,806,740	(10 Mills)	714,958,840		81,847,900
Capital Purchase (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

More details regarding the Foundation Program will be shared within a later section of this manual.

Education Finance Accountability: Alabama School Fiscal Accountability Act and Other Essential Financial Laws

Financial Accountability for Local Boards of Education

Each local board of education within the State of Alabama must be considered fiscally sound. Based on the analysis of the financial integrity of each local board of education, as provided in subsection (a) or (b) of Section 16-13A-2, *Code of Alabama 1975*), if a local board of education is determined to have submitted fiscally unsound financial reports, the State Department of Education shall provide assistance and advice. During that time, if the State Superintendent of Education determines that the local board of education is in an unsound fiscal position, a person or persons shall be appointed by the State Superintendent of Education to advise the day-to-day financial operations of the local board of education. If, after a reasonable time, the State Superintendent of Education determines that the local board of education is still in an unsound fiscal condition, a request shall be made to the State Board of Education for the direct control of the fiscal operation of the local board of education. If the request is granted, the State Superintendent of Education shall present to the State Board of Education a proposal for implementing management controls necessary to restore the local school system to a sound financial condition.

Once the approval of the State Board of Education is granted, the State Superintendent of Education can appoint an individual to be the chief financial officer to manage the fiscal operation of the local board of education until the system's financial condition is restored. The chief financial officer shall perform his or her duties in accordance with rules and regulations established by the State Board of Education in alignment with applicable Alabama law. Any person appointed by the State Superintendent of Education to serve as the chief financial officer to manage the fiscal operation of a local board of education shall be required to give a bond with a surety company authorized to do business in Alabama and shall not be required to receive approval of the local superintendent to expend funds.

The chief financial officer shall serve at the pleasure and under the direction of the State Superintendent of Education. The State Superintendent of Education, directly or indirectly through the chief financial officer, may direct or approve such actions that, in their judgment, may be necessary to do the following:

- prevent further deterioration in the financial condition of the local board;
- restore the local board of education to financial stability; and
- enforce compliance with statutory, regulatory, or other binding legal standards or requirements relating to the fiscal operation of the local board of education.

Nothing in [Chapter 13A: The Alabama School Fiscal Accountability Act](#) or this section shall be construed to deprive any employee of any procedural or substantive right that would otherwise be guaranteed to the employee under the United States Constitution and the laws of the State of Alabama (*Code of Alabama, 1975*).

Alabama School Fiscal Accountability Act

The *Alabama School Fiscal Accountability Act* (School Fiscal Accountability Act (Act No. 2006-196).pdf) was signed into law on March 9, 2006, to create a new chapter within Title 16 (16-13A-1) of the *Code of Alabama 1975* for the purpose of the local school system's fiscal management. In addition, the act was created to clarify the fiscal responsibilities of the state superintendent, local superintendents, and chief school financial officers selected to fulfill the fiscal responsibilities for local school boards and allow intervention for school boards found to be in an unsound financial condition.

It would require local school boards to do the following:

- Adopt certain fiscal management policies complying with general acceptance of accounting practices and procedures;
- Provide for the appointment, duties, and responsibilities of the local custodian of funds as the chief school financial officer;
- Require certain monthly and annual reports to be provided to local boards;
- Establish audit procedures for local boards of education;
- Form standards for reserve funds;
- Determine authority relating to expenditures of funds;
- Establish criminal penalties for knowingly withholding or providing inaccurate financial information;
- Create standards for school board liability for misappropriation of school system funds; and
- Require bonding for certain board employees.

To review the *Alabama Fiscal Accountability Act* in its entirety by section, please visit the following sections of the Code of Alabama:

- Section 16-13A-1 Fiscal management policies.
- Section 16-13A-2 Financial oversight by State Superintendent of Education; appointment and duties of Chief Education Financial Officer; internal audits of schools and school systems.
- Section 16-13A-3 Financial training of local superintendents of education.
- Section 16-13A-4 Appointment; removal of chief school financial officer; qualifications.
- Section 16-13A-5 Supervision, fiduciary responsibility of chief school financial officer; duties.
- Section 16-13A-6 Required reports.
- Section 16-13A-7 Audits.

- Section 16-13A-8 Authority to expend funds.
- Section 16-13A-9 Reserve funds.
- Section 16-13A-10 Penalties for failing to comply with the chapter.
- Section 16-13A-11 Liability.
- Section 16-13A-12 Bonding.
- Section 16-13A-13 Publication of budget and financial information.

Other Key Financial Laws

Alabama Competitive Bid Law

The Alabama Competitive Bid Law (§ 16-13B-1, et seq. *Code of Alabama 1975*) applies to county and city boards of education regarding the competitive bidding of certain contracts. With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39 (Public Works), all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving forty thousand dollars (\$40,000) or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of forty thousand dollars (\$40,000) or more, made by or on behalf of any city or county board of education, except as hereinafter provided, shall be made under a contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder (*Code of Alabama, 1975*). Note: Act 2023-135 increased the threshold to **\$40,000**. It also provides a mechanism to increase the competitive bid minimum yearly starting in 2027 based on the Consumer Price Index (CPI).

- Bidding process
 - Determine goods or services that need to be bid.
 - Develop timeline/specifications.
 - Advertise and send bid packets to vendors on the list.
 - Bid document/specifications, bid date, time, and location.
 - Contact information of the person to call for the question. Most often, it is the Chief School Finance Officer (CSFO).
 - Conduct pre-bid conference.
 - Send out bid addendum if needed.
 - Accept sealed bids at date/time/location as specified.
 - Open bids in public.
 - Evaluate bids to determine the lowest responsible bidder.
 - Approve bid/award contract by the board.

Exceptions to Competitive Bidding Requirements (Section 16-13B-2 *Code of Alabama 1975*)

Exceptions to competitive bidding requirements.

(a) Competitive bids shall not be required for **utility services** for county or city boards of education, the rates for which are fixed by law, regulation, or ordinance, and the competitive bidding requirements of this chapter shall not apply to

1. The purchase of **insurance**;
2. Contracts for securing services of attorneys, physicians, architects, teachers, superintendents of construction, artists, appraisers, engineers, consultants, certified public accountants, public accountants, or other individuals possessing a high degree of **professional skill** where the personality of the individual plays a decisive part;
3. Contracts of employment in the regular civil service;
4. Contracts for fiscal or financial advice or services;
5. Purchases of products made or manufactured by the blind or visually handicapped under the direction or supervision of the **Alabama Institute for Deaf and Blind** in accordance with Sections 21-2-1 to 21-2-4, inclusive;
6. Purchases of maps or photographs from any federal agency;
7. Purchases of manuscripts, books, maps, pamphlets, or periodicals. (*Act 2022-80*)
8. The selection of paying agents and trustees for any security issued by a public body;
9. Existing contracts up for renewal for sanitation or solid waste collection, recycling, or disposal and those providing the service;
10. Purchases of computer and word processing hardware when the hardware is the only type that is compatible with hardware already owned by the entity taking bids and custom software.
11. Contractual services and purchases of commodities for which there is only one vendor or supplier and contractual services and purchases of personal property, which by their very nature are impossible to award by competitive bidding;
12. Contractual services and purchases of products related to, or having an impact upon, security plans, procedures, assessments, measures, or systems, or the security or safety of persons, structures, facilities, or infrastructures;
 - a. 2022 Legislative Action Taken
 - i. **Act 2022-80**
 - b. “Purchases of manuscripts, books, instructional materials, maps, pamphlets, or periodicals, or the electronic version thereof. The exemption for the purchase of instructional materials shall only include those purchases from a current vetted and approved list published by the State Department of Education.” (§ 16-13B-2(a)(7), *Code of Alabama 1975*.)
 - i. **Act 2022-264**
 - c. This bill adds a new provision to the bid law (§ 16-13B-2.1, *Code of Alabama 1975*): It authorizes the local board of education (BOE) and other public educational entities to purchase goods or services related to the Child Nutrition Program without advertising or bidding during an emergency or unanticipated event affecting public health or safety or causing supply chain disruptions, upon

the recommendation of the State Superintendent of Education and approval of the Department of Public Accounts.

13. Purchases, leases, or lease/purchase of goods or services made as a part of any purchasing cooperative sponsored by the National Association of Counties, its successor organization, or any other national or regional governmental cooperative purchasing program. Such purchases, leases, or lease/purchase may only be made if all the following occur:
 - a. The goods or services being purchased, including those purchased through a lease/purchase agreement or lease, are available after a competitive bid process approved by the Department of Examiners of Public Accounts for each bid.
 - b. The goods or services are either not at the time available to local boards of education on the state purchasing program or are available at a price equal to or less than that on the state purchasing program.
 - c. The purchase, lease, or lease/purchase is made through a participating Alabama vendor holding an Alabama business license if such a vendor exists.
14. Purchases of unprocessed agricultural products as defined in subsection (b) of Section 16-1-46 and the cost of the food purchased is equal to or less than the federal simplified acquisition threshold set in 2 C.F.R. §200.88.
15. Purchase of goods or services other than voice or data wireless communication services from vendors that have been awarded a current and valid general services administration contract. Prices paid for the goods or services may not exceed the lowest competitively bid price for these goods or services, other than voice or data wireless communication services, and may not exceed the price on an existing state purchasing program.

(b) This chapter shall not apply to the following:

1. Any purchases of products where the price of the products is already regulated and established by state law;
2. Purchases made by individual schools of the county or municipal public school systems from moneys other than those raised by taxation or received through appropriations from state or county sources;

(c) The city and county boards of education shall establish and maintain such purchasing facilities and procedures as may be necessary to conduct the intent and purpose of this chapter by complying with the requirements for competitive bidding in the operation and management of each city and county board of education.

(d) Contracts entered into in violation of this chapter shall be void, and anyone who violates this chapter shall be guilty of a **Class C felony**.

Emergencies

- Section 16-13B-3
- Must affect public health, safety, or convenience, be declared in writing by the awarding authority, and such action and reasons should be immediately made public by the awarding authority.

- Contracts may be let to the extent necessary to meet the emergency without public advertisement.
- **Must still follow other bid law requirements.**

While key sections of this law have been discussed within the information above, to review the sections of the law in their entirety, see the following:

- Section 16-13B-1 Applicability; local preference zone; joint agreement; bid bond.
- Section 16-13B-2 Exceptions to competitive bidding requirements.
- Section 16-13B-3 Emergency action.
- Section 16-13B-4 Notice of proposed purchase; bids; reverse auction procedures.
- Section 16-13B-5 Collusive agreements.
- Section 16-13B-6 Advance disclosure of bid terms.
- Section 16-13B-7 Defaulting bidder; award to second lowest responsible bidder; preferences; sole source specification; life cycle costs; rejection of bids; lease-purchase contracts.
- Section 16-13B-8 Bond requirement.
- Section 16-13B-9 Assignment of contract.
- Section 16-13B-10 Conflict of interests; violations.
- Section 16-13B-11 Action to enjoin execution of contract.

Alabama Public Works Law

The Alabama Public Works Law (§ 39-2-1(1), *Code of Alabama 1975*) applies to any governmental board, commission, agency, body, authority, instrumentality, department, or subdivision of the state, its counties, and municipalities. This term includes, but shall not be limited to, the Department of Transportation, the State Building Commission, the State Board of Education, and any other entity contracting for public works. This term shall exclude the State Docks Department, and any entity exempted from the competitive bid laws of the state by statute.

In addition, Public Works (§ 39-2-1(6), *Code of Alabama 1975*) applies to any construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.

Within section § 39-2-2(a), *Code of Alabama 1975*), before entering into any contract for a public work involving an amount in excess of one hundred thousand dollars (\$100,000), the awarding authority shall advertise for sealed bids. In addition, “No public work, as defined in this chapter, involving a sum in excess of one hundred thousand dollars (\$100,000) shall be split into parts involving sums of one hundred thousand dollars (\$100,000) or less for the purpose of evading the requirements of this section.” Under section (§ 39-2-2(b), *Code of Alabama 1975*), an awarding authority may let contracts for public works involving one hundred thousand

dollars (\$100,000) or less with or without advertising or sealed bids. Note: The threshold increased to **\$100,000** in 2023 (ACT 2023-497).

Persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise are excluded from the operations regarding contracts related to this title § 39-2-2(d)(1), *Code of Alabama 1975*).

Regarding *advertising requirements*, public works involving an amount above one hundred thousand dollars (\$100,000.00) shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper for general circulation in the county or counties in which the improvement is to be made. The advertisement shall

- A. briefly describe the improvement
- B. state that plans and specifications for the improvement are on file for examination in a designated office of the awarding authority
- C. state the procedure for obtaining plans and specifications
- D. state the time and place in which bids shall be received and opened and
- E. identify whether prequalification is required and where all written prequalification information is available for review (§ 39-2-2(a), *Alabama of Code 1975*).

In addition, sealed bids shall be solicited by sending a notice by mail to all persons who have filed a request in writing with the official designated by the awarding authority that they be listed for solicitation on bids for the public works contracts indicated in the request (§ 39-2-2(b), *Code of Alabama 1975*).

It is important to note that the *awarding of the contract* shall be granted to the lowest responsible and responsive bidder unless the awarding authority finds that all the bids are unreasonable or that it is not in the interest of the awarding authority to accept any of the bids. A responsible bidder is one who, among other qualities determined necessary for performance, is competent, experienced, and financially able to perform the contract. A responsive bidder is one who submits a bid that complies with the terms and conditions of the invitation for bids (§ 39-2-6, *Code of Alabama 1975*). Also, *Act 2021-439* amends the Public Works Law to authorize local boards of education to negotiate with the lowest bidder when two or more bids are received and all bids exceed available funding for the contract. This part of the law was effective on August 1, 2021.

According to the Public Works Law, in case of an emergency for which a delay in remedying would cause an emergency for which a delay in remedying would cause immediate harm to a person or public property, contracts may be let to the extent necessary to meet the emergency without *public advertising or bidding* ACT 2023-497. If the emergency affects public health, safety, or convenience, as declared in writing by the awarding authority, setting forth the nature of the danger to public health, safety, or convenience that would result from delay, contracts may be let to the extent necessary to meet the emergency without public advertisement; however, if emergency action is taken under these provisions, the reasons the

action is taken must be made public in writing by the awarding authority. (§ 39-2-2(e), *Code of Alabama 1975, revised Act 2023-497*).

It is important to note that the Alabama Department of Finance and Real Property Management Division of Construction Management increases the threshold for projects not subject to approval by the Division of Construction Management (DMC) from \$500,000 to \$750,000, including HVAC and roofing. The Act-2022-367, effective October 1, 2022, requires LEAs to submit documents to the Division of Construction Management for the sole purpose of reviewing and inspecting them for compliance with the *Americans with Disabilities Act (ADA)* and fire and safety compliance (Act-2022-367).

In addition, Act-2021-476 removes the DMC oversight from K-12 public education construction projects that cost less than \$500,000 or for HVAC system renovation/repairs or roof maintenance and repairs; establishes a study group to make building code and safety requirement recommendations to the Governor, Speaker of the House and Senate President Pro Tempore by December 1, 2021; and completely removes DCM oversight of the Alabama Community College System construction projects (*effective February 1, 2022, for K-12 public schools and August 1, 2021, for Alabama Community College System.*)

While key sections of this law have been discussed within the information above, to review the sections of the law in their entirety, review the following:

- Section 39-2-1 Definitions.
- Section 39-2-2 Advertisement for and opening of sealed bids for public works contracts; violations; exclusions; emergency actions; sole source specification.
- Section 39-2-3 Fees to be paid to the Department of Transportation for proposals, plans, and specifications; deposit for bid documents; furnishing of plans and specifications to building exchanges, etc.
- Section 39-2-4 Filing of guaranties by bidders; prequalification procedures and criteria; responsibility of prequalified bidders; revocation of prequalification; rejection of bidder.
- Section 39-2-5 Return of proposal guaranties to bidders generally; disposition of proposal guaranty when award not made within 30 days of the opening of proposals.
- Section 39-2-6 Award of contract; powers of awarding authority; availability of plans, etc.; disqualifying activities; life cycle costs.
- Section 39-2-7 Effect of errors and discrepancies of prices in bids.
- Section 39-2-8 Execution of contracts and furnishing of performance bonds, etc., generally by bidders awarded contracts.
- Section 39-2-9 Approval of bonds, etc., and completion of execution of contracts by awarding authorities.
- Section 39-2-10 Issuance of proceed orders by awarding authorities, etc.
- Section 39-2-11 Proceedings upon failure of successful bidders to execute contracts and furnish bonds, etc.; death of a low bidder; effect of failure of awarding authorities to complete execution of contracts and issue proceed orders; withdrawal of low bid upon discovery of mistake.
- Section 39-2-12 Partial and final payments of contractors by awarding authorities.
- Section 39-2-13 Promulgation of rules and regulations by awarding authorities.

- Section 39-2-14 Registration of out-of-state contractors required; deposit; surety bond.

When you have questions regarding this the *Alabama Competitive Bid Law* or *Public Works Law*, always consult with or seek advice from your:

School board attorney,
Chief School Finance Officer,
State Examiners of Public Accounts
Office of the State Attorney General
Alabama Ethics Commission
Alabama State Department of Education

As superintendents, these are processes by which you want to ensure that you have followed the law and the essential steps. Again, when in doubt, please seek assistance.

Local Board of Education Compensation

This law allows local board of education members to receive reasonable compensation for their services, not exceeding the amount of \$900.00 a month unless it is set higher by a local act approved by a majority vote of the members during an annual board meeting. It is important to note that according to the law, compensation shall be paid in addition to actual travel or other necessary expenses incurred in attending meetings and other transacting business of the local school board. The compensation, actual travel expenses, and other necessary expenses incurred shall be paid as other ordinary and necessary expenses of the local school board. An individual member of the local board of education may refuse to accept all or any portion of the approved compensation.

Finally, the law states that any local board of education member that is not in compliance with the continuing education and training requirements that were developed pursuant to Section 15-1-41.1 of the *Alabama Code of 1975* shall be held in escrow by the local board of education until the member meets the requirements of the law. In the event that a board member resigns or leaves his or her position as a board member with compensation remaining in escrow, those remaining funds shall then revert to the local board of education.

CHOOSE (Creating Hope and Opportunity for Our Students' Education) Act

The CHOOSE Act was signed into law on March 7, 2024. The law makes refundable income tax credits known as education saving accounts (ESAs) available to support the success of every k-12 student within the State of Alabama. The law will require the Alabama Department of Revenue to establish a framework and funding for ESAs that can be used by eligible families to cover tuition, fees, and other qualified education expenses at approved education service providers (ESPs) in Alabama.

These ESAs will be available beginning in the 2025-2026 academic year in the amounts of the following:

- Up to \$7,000 per participating student enrolled in a participating school

- Up to \$2,000 per participating student not enrolled in a participating school (students that participate in individual or group homeschool programs or co-ops, non-participating schools, or other similar programs); capped at \$4,000.

According to the Alabama Department of Revenue, the following will take place during the academic year beginning:

Year 1: Academic Year 2025-2026, the credits will be awarded as follows:

For participating students, whose family have an adjusted gross income not exceeding 300 percent of the federal poverty level for the preceding tax year:

- The first 500 ESAs awarded for participating students* with special needs
- Second priority goes to participating students* who are dependents of active-duty service members enrolled in or assigned to a priority school
- Remaining awarded for participating students* whose family have an adjusted gross income not exceeding 300 percent of the federal poverty level for the preceding tax year

*Priority goes to siblings of participating students

Year 2: Academic Year 2026-2027, the credits will be awarded as follows:

For participating students whose family has an adjusted gross income not exceeding 300 percent of the federal poverty level for the preceding tax year:

- The first 500 ESAs awarded for participating students* with special needs
- Second priority goes to participating students* previously awarded in the prior academic year
- Next priority goes to participating students* who are dependents of active-duty service members enrolled in or assigned to a priority school
- Remaining awarded for participating students* whose family have an adjusted gross income not exceeding 300 percent of the federal poverty level for the preceding tax year

*Priority goes to siblings of participating students

Year 3: Academic Year 2027-2028 and beyond, the credits will be awarded as follows:

- The first 500 ESAs awarded for participating students* with special needs
- Second priority goes to participating students* previously awarded in the prior academic year
- Next priority goes to participating students* who are dependents of active-duty service members enrolled in or assigned to a priority school
- Remaining credit awarded for participating students* regardless of adjusted gross income

*Priority goes to siblings of participating students (Alabama Department of Revenue, 2024)

Local Education Agency (LEA) Annual Budget)

LEA Annual Budget Overview

Within the State of Alabama, each county and city school system is required to develop an annual budget and conduct required public hearings related to the budgeting process (§ 16-13-140), *Code of Alabama 1975*).

- (a) There shall be a budget system for the public schools of each county and city for the purpose of promoting economy and efficiency in the finances of the public schools.
- (b) The State Department of Education shall prepare proposed annual budget forms for each local board of education and shall make the forms available to each local superintendent of education by August 1 of the first year of each legislative quadrennium and by July 1 of each subsequent year of each legislative quadrennium for use with public hearings. The forms shall be clear, uniform, and concise to promote the general public's understanding of the budget process.
- (c) Each local board of board shall hold at least two open public hearings during scheduled board meetings at a time and place convenient for the public. The board will also publicize the date and time of each hearing in the local media.
- (d) On or before October 1 each year, each local board of education shall prepare and submit to the State Superintendent of Education the final annual budget adopted by the local board of education; the budget shall be prepared and submitted according to the classifications and items specified on forms provided therefor and in accordance with the regulations of the State Board of Education.
- (e) It is important to note that no local board of education, or superintendent thereof, shall approve any budget for the operation of the school for any fiscal year that shall show expenditures in excess of income estimated to be available by the various state and other officials, as required in Sections 16-13-141 and 16-13-142, plus any balances on hand, except under conditions set forth by the laws of the state governing the issuance of school warrants.

Strategic Thinking and Planning During the Budget Process

When developing a system budget, school leaders and others within the educational community of the system need to consider the method of “strategic thinking” in the budget planning process to ensure they are maximizing potential uses of their resources and effectively aligning their system’s priorities and resources to support successful student outcomes and educator effectiveness. Strategic thinkers excel at problem-solving, decision-making, and developing realistic action plans to achieve specific goals or priorities (MasterClass, 2021). Strategic thinking helps guide strategic planning. From a school finance standpoint, when these two processes are implemented successfully, they help to ensure that the system allocates

human, material, and fiscal resources in alignment with the system's identified needs and priorities to improve student performance and organizational effectiveness.

In addition, strategic budgeting allows flexible forecasting for complex spending and revenue goals. School systems must consider these strategies to allocate funds better and achieve specific long-term goals. Therefore, when developing a budget, system leaders must be strategic in their thinking and planning to ensure that their annual budget supports the priorities within their strategic plan or continuous improvement, which, when executed, supports successful student outcomes and organizational effectiveness.

Budget Planning Process

When planning for the annual operating budget, it is important to note that the school system is planning for the budget for the next academic year because the system is currently operating on the annual budget based on a year in the rear, meaning that your annual budget for the fiscal year has already been approved for that year and will go into effect October 1 of that academic school year. For example, if you are starting the year 2022-2023, your annual budget has already been approved from the previous year of 2021-2022 and will be effective October 1 of that academic year and end on September 30. The annual budget for which you will be guiding the planning process will be for the next school year (2023-2024). The chart below will also show the school year and the annual operating budget for that year:

School Year	Annual Approved Operation Budget
2023-2024	2022-2023
2024-2025	2023-2024
2025-2026	2024-2025
2026-2027	2025-2026

Before implementing this timeline and activities, consider the following:

- These are suggested timelines and activities; therefore, consider adjusting them to meet the needs of your school system.
- It will be important to ensure that you follow your system's policies and procedures and state mandates and regulations regarding budgeting and other matters, especially those related to human resource management.
- During open meetings, be sure to utilize effective communication strategies when discussing budget information so that you do not send the wrong message about your system's upcoming budget, especially related to human resource matters. Try to keep the information regarding the possible revenue sources and expenditures as factual as possible. Also, consider timely communication techniques. For example, a superintendent might consider discussing information regarding the projected Average Daily Membership (ADM) for the upcoming school year instead of teaching units because the calculations used to determine teaching units and other state-funded

positions could change during the Alabama Legislative Session. Remember, most of the work is related to *strategic thinking* and *planning when developing the annual budget*.

Sample Timeline and Activities

AUGUST-SEPTEMBER

- Once school starts, monitor student attendance for Average Daily Membership (ADM).
- Hold system leadership discussions on annual priorities.
- Close the previous fiscal year's annual budget while preparing to implement a new budget for the academic school and start the planning process for developing the annual budget for the next academic school year.

OCTOBER

- **Implement and manage the new annual budget approved in the prior year on October 1. Then, the planning process for the new annual operating budget for the next academic year will start. Below are suggested activities to support you and your system during this process.**
- Establish annual priorities.
- Determine potential revenue sources and expenditures to support priorities.
- Begin preliminary planning for local, state, and federal revenue sources for the next school year.
 - Collaborate with the Chief School Financial Officer (CSFO) and other key executive leadership team members to determine preliminary calculations for the State Foundation Program (based on current year ADM).

NOVEMBER

- Share findings of preliminary calculations and related potential revenue sources with key staff and the board.
- Collaborate with the State Department of Education, *School Superintendents of Alabama* (SSA), and other state organizations regarding budget advocacy meetings and updates and encourage your board and other leaders to do the same.
- Develop alternative plans based on information received regarding your budget and/or your priorities from state and/or local association meetings.
- Conduct individual planning meetings with principals and department heads regarding their budget priorities.
 - Share preliminary Foundation Program calculations and other possible revenue regarding their schools with them.

DECEMBER

- Have principals and other leaders reflect on the information shared during November meetings and begin the strategic planning process for their schools.

JANUARY

- Continue ongoing meetings with principals and other leaders.
 - Based on changes in possible revenue sources and the experience of the principals and leaders, you may have to prioritize these meetings to support your

leaders based on their knowledge and experience as leaders; in short, some may need additional time and support than others.

- Continue participating in local/state association meetings to seek knowledge and information regarding the state's legislative priorities for the upcoming budget.

FEBRUARY

- Begin collaborating with state organizations to determine priorities and/or needs for the state's upcoming education budget.
- Collaborate with the State Department of Education and SSA regarding key legislative sessions and other key meetings.
 - Attend or send a representative when possible.
- Conduct follow-up meetings with principals and key department heads regarding their budgets.

MARCH

- Continue to monitor legislative priorities. Discuss your recommendations regarding the education budget for the upcoming fiscal year with local/state legislative representatives.
 - As needed, update board members, executive leadership team, principals, and department heads.
- Consider the fiscal impact of potential legislative action on your district.
 - Adjust priorities and/or develop alternative plans as needed.
- Continue follow-up meetings with principals and key leaders about their budgets.

APRIL

- Continue attending state meetings and monitoring the legislative session and its work committees.
- Finalize key budget plans with schools and other leaders regarding staff needs.
 - If you know that the legislature has committed to fully funding staff based on the previous calculations, collaborate with principals and leaders to determine potential high-priority positions to fill.
- Begin posting for teaching positions in late April, especially for the shortage areas such as mathematics, science, and special education.

MAY

- Continue finalizing the preliminary budget based on potential revenue sources.
- Continue follow-up meetings with your board, principals, and key leaders.
- Once the Legislative Session ends, you should receive your final Alabama State Department of Education Budget allocation information for the upcoming fiscal year.
- With your executive leadership team, assist principals and department heads with the hiring process for new or vacant positions.
 - If you have questions regarding the hiring process, consult your legal counsel.

JUNE

- Continue supporting principals and department heads in the hiring process.
- Provide regular updates to your board regarding personnel during board work sessions or meetings.

- A crucial point to note is that by this time, you should know most, if not all, of the positions in your system that need to be filled for the upcoming year due to staff resignations and other reasons from the current year.
- Finalize the annual budget and priorities for the upcoming year involving your board, key leaders, and principals.

JULY-AUGUST

- Facilitate a district leadership discussion on annual priorities.
- Conduct a board work session(s) to discuss the potential annual budget and priorities for the upcoming year.
- After work sessions and/or other meetings, meet with the CSFO, executive leadership team, and other key district leaders to start finalizing your annual budget in preparation for the required budget hearings.
- Continue the hiring process for vacant staff positions.
- Review all requirements for the annual budget approval process with the CSFO.
- Ensure everyone knows his or her role and responsibility regarding the annual budget approval process.
- Support principals and department heads in preparing for the opening of the new school year.

SEPTEMBER

- Conduct meetings with the executive leadership team and staff who will be involved in the system's annual budget hearing prior to the hearing; clarify roles and responsibilities regarding preparation and/or presentation during the hearing.
 - Be sure to consider ALL guidelines referenced within this section regarding preparing for the budget hearing (e.g., notice of hearing).
- Collaborate with the Chief School Financial Officer to complete the district's annual budget.
 - Provide public notice of two budget hearings.
 - Conduct the required budget hearings.
 - Review/revise the annual budget after the hearings, if necessary.
 - Present the annual budget for local board approval.
 - Submit the board-approved annual budget to the State Superintendent of Education for approval.

OCTOBER

- Implement and manage your new annual budget accordingly for the new fiscal year.

Budget Hearing

Regarding the public hearing, in addition to the notice, each hearing date and time shall be posted in a conspicuous place at the local board of education offices, the county courthouse, the main municipal building, and at each affected school.

In addition, according to Section § 16-13-140, *Code of Alabama 1975*, the following information is essential in ensuring your system implements the correct process and/or steps for the budget hearing:

- It is recommended that the proposed budget be available 24 to 48 hours prior to the meeting.
- Each local board should seek input from the public concerning the budget and allocation of resources.
- After at least two public hearings, the local board will develop its final budget and have copies available to the public.
- The proposed budget should reflect the total amount of resources available to the board from all funding and revenue sources.
- The projected enrollment and the total proposed expenditure by each board and for each school should be available at the public hearings.
- The proposed budget should clearly delineate the number of teachers, librarians, counselors, administrators, and other support personnel projected to be employed at each school.
- The proposed budget should clearly list each school's operating costs by category or function.
- The proposed budget should delineate by school the operating resources earned, including, but not necessarily limited to, those items contained in the Instructional Support Program of the Foundation Program, designating the amount of funds earned at each school per item based on average daily membership.

Within the same section of *The Code of Alabama* as referenced above regarding the guidelines to develop and implement an annual budget, the following steps have been outlined for county and city school systems within the State of Alabama:

(d) On or before October 1 of each year, each local board of education should prepare and submit to the State Superintendent of Education the final annual budget adopted by the local board of education, which the budget shall be prepared and submitted according to the classifications and items specified on forms provided therefore and in accordance with the regulations of the State Board of Education.

(e) No local board of education, or superintendent thereof, should approve any budget for the operation of the school for any fiscal year which shall show expenditures above the income estimated to be available by the various state and other officials, as required in Sections 16-13-141 and 16-13-142, plus any balances on hand, except under conditions set forth by the laws of the state governing the issuance of school warrant.

For resources to support the development of your system's annual budget, the LEA Accounting Resource Page on the state department website has detailed instructions, checklists, and other resources to assist your system.

Financing School Facilities

The Need

Over the years, limited studies have provided information outlining the critical need for revenue to meet the updated building construction and renovation requirements. Almost three

decades ago, a survey was conducted on school facilities and their condition across America. The 1995 Department of Education survey to examine capital outlays in the United States educational systems was the first conducted since 1965. The General Accounting Office (GAO) presented the result to Congress. The results revealed that schools were in great need of repair. The report found that one-third of the nation's schools needed extensive repair or replacement, costing \$112 billion to help bring the schools into good overall condition. Five years later, a U.S. Department of Education report concluded that \$127 billion was needed to bring the nation's schools into good operating condition. In 2008, a study conducted by the American Federation of Teachers for each state showed that it would take approximately \$254.6 billion to improve school infrastructure across the country (Brimley et al., 2012). Fast forward to the year 2020. According to the *2022 Annual Survey of School System Finances*, U.S. school districts spent \$84,214,427 on capital outlay improvements. That same year, Alabama spent \$957,663 (numbers are in thousands), according to the survey results available at <https://www.census.gov/data/tables/2022/econ/school-finances/secondary-education-finance.html>.

Public-School Funds for Capital Improvements

According to Chapter 290-2-.04 of the *State Board of Education State Department of Education Administrative Code*, Public School Funds (PSF) shall be appropriated each year to provide funds for capital improvements of public school facilities; the PSF is funded from the 3.0 mill statewide property tax. It has often been stated that PSF is the oldest and most stable source of funding for Alabama schools, based on the *1901 Alabama Constitution*. According to School Superintendents of Alabama (SSA), these funds are usually used for major renovations such as roof repairs and structural upgrades; however, the amount of funds received by a school system is rarely adequate to be used for huge projects (SSA, 2011). [The 2023-2024 Department of Education Capital Plan Five-Year Report](#) lines the state-supported capital improvement projects and each budget.

In accordance with Alabama Acts 95-314, 2013-264, regarding capital improvement funds, PSF shall be appropriated based on a distribution method that provides the local school board of education with the ability to raise local revenues, has a variable to matching scale, and guarantees that each local board will receive the same amount based on its ADM in matched funds.

- (a) The ability of the local board shall be defined as the yield of one mill of district ad valorem tax per pupil based on the prior year's financial data and the prior year's first 20 scholastic days following Labor Day ADM.
- (b) The allotment of PSF funds for capital improvements shall be based on a guaranteed tax yield calculation matched to two times the maximum yield per mill per ADM. The number of mills guaranteed will depend on the amount of PSF available after the set aside in (a) above.
- (c) Suppose Z is the number of guaranteed mills. In that case, M is the maximum yield per mill over all local boards, Y is the yield per mill per ADM for a local board, and A is the prior year's first 20 scholastic days following Labor Day ADM. The local board shall

receive (Z*(2M-Y) * A) state PSF funds and must match with (Z*Y*A) local funds. The local matching funds may be used as debt service. PSF Capital Improvement Funds may be used to service a debt for capital improvements.

(d) PSF Capital Improvement Funds must be for capital improvements as identified in Alabama Legislative Act No. 2011-163.

Construction Requirements for Public Schools

The Alabama State Superintendent of Education must approve any new school or facility construction or renovation. The new construction shall take place only at the school that has been approved by the State Superintendent of Education (*Alabama Administrative Code* 290-2-2-.01). In addition, the local board of education must follow the Alabama Building Commission laws, rules, regulations, and applicable standard documents for elementary and secondary public-school construction when building a new school or performing any renovation.

Construction projects using funds other than Alabama Public School and College Authority bonds funds shall follow Bulletin 1983, Number 26, construction requirements for county and city public schools (*Alabama Administrative Code* 290-2-2.02).

Section 290-2-2-.03 of the *Alabama Administrative Code* explains the requirements for a school to be classified as an approved cost center, and section 290-2-2.04 provides guidance and key information regarding school site requirements as outlined with the *Alabama Administrative Code*.

Capital Project Guidelines from the Public Works Law

Please see the following guidelines below for capital projects related to the Alabama Public Works Law:

- Any building or land improvement on a school system campus should be approved by the board of education.
- Local board employees should oversee the project.
- The local board of education must follow federal, state, and local laws, building codes, procedures, and guidelines.
- The local board of education should follow the same process on all projects regardless of funding.
- By law, the board has the authority to contract.
- The local board of education should have a contract review process in place for the system and local schools.

Capital Outlay Plan

Each local board of education is required to have an approved comprehensive five-year capital outlay plan. The capital plan is to be updated or amended annually to ensure that each local board will have a plan that covers a full five-year period. The plan should include all projects, even projects where funding sources may not have been identified or are unknown at the time it is developed.

Financial Procedures for Local Schools

It is particularly important for the superintendent, the chief school finance officer, and finance administrators to ensure that proper finance and accounting procedures are developed, implemented, and followed in each local school and/or program within their district. The local school staff manages many different accounts and fund sources. In addition, the local school takes in actual “cash” money or checks daily from staff, students, parents, and other stakeholders regarding the vast amount of activities that take place on a local school campus. The principalship carries with it *the* full responsibility for ALL financial matters regarding their schools. Along with the principal, the system MUST ensure that other staff members managing school funds follow proper procedures that are outlined in local policies and procedures and federal and state law(s) (Paulk, 2022)

It is key for the system to provide and allow all staff members managing school funds, including but not limited to the system’s finance staff, local school bookkeepers, administrators, and teachers, to attend ongoing professional development training sessions related to effectively and efficiently managing school funds. In addition to school staff, training should be provided to parent organization sponsors as well. Proper staff development training in this area can prevent a system from having major ongoing financial issues. In addition, schools that succeed in these areas implement accountability strategies and procedures for managing funds (AASBO, 2016).

Local School Finance Resources

- [Financial Procedures for Local Schools](#)
- [ALSDE Presentation on Finance Procedures for Local School Finances](#)

More details regarding local school fiscal management will be shared in a later section of this manual.

Financial Audits for Alabama Public Schools

Law Requirement

According to (Section 16-13A-7 of The Code of Alabama 1975), the annual business and financial transactions of a local board of education shall be audited as early as possible after the end of the fiscal year. According to this section of the law, the audit of the system’s financial records and accounts should be conducted by the Department of Examiners of Public Accounts. The Department of Examiners of Public Accounts is to audit, review, and otherwise investigate each local board’s receipts and disbursements of funds in the same manner as audits are performed on other agencies and departments of the State of Alabama.

Like county boards of education, the local boards of city school systems are required to be audited annually; however, their audits are not required to be conducted by the Department of Examiners of Public Accounts. They may employ a certified public accounting firm or firms or use the Department of Examiners of Public Accounts. The Department of Examiners of Public Accounts or the certified public accounting firm or firms shall perform a yearly legal compliance

audit in accordance with Chapter 5 of Title 41, and if the compliance audit results in adverse findings by the Department of Examiners of Public Accounts or the certified public accounting firm or firms, the adverse findings shall be reported to the State Superintendent of Education. If the adverse findings involve misappropriation or theft, such findings shall also be reported to the appropriate district attorney and the Attorney General.

Additional key points to remember regarding this section of the law.

- A local board of education may request an audit of system funds under the control of the same local board by the Department of Examiners of Public Accounts whenever there is a permanent change in the position of the local superintendent of education or chief school financial officer.
- A local board of education, by majority vote, may unilaterally request an audit of any school or school system account under the control of the same local board by the Department of Examiners of Public Accounts if the board deems such action is in the best interest of the school system.
- The findings of audits conducted pursuant to this section shall be presented to the local board of education in a board meeting. The State Superintendent of Education shall be sent a copy of the audit to review and shall be notified of the time, place, and location of the meeting at which the findings will be presented to the local board of education. Audits are public records.

Conducting Internal Financial Reviews

Because of professional development activities and training sessions on developing policies and procedures regarding school finance and implementing best practices related to effective methods and/or ideas about managing school financial records and accounts, most school systems across Alabama are now being proactive to ensure their financial records and accounts are accurate and up to date prior to being audited by the Department of Examiners of Public Accounts or an accounting firm. As mentioned above, many of them have developed methods to conduct their own internal audits before being audited by one of the outside agencies. Some of the methods include, but are not limited to, the following:

- Attending local, state, and even national ongoing professional development training sessions on effective methods and proper procedures related to fiscal management of funds within a school system.
- Providing professional development training for staff and external stakeholders who manage accounts or funds within the system
- Customizing the professional development training sessions to the specific group of stakeholders (e.g., system leadership, school leadership, teachers, bookkeepers, club sponsors, and boosters).
- Developing a standard systemwide protocol to conduct ongoing internal audits of the local schools' financial records and accounts and provide guidance and support regarding areas for improvement through corrective plans to ensure such areas are addressed in a timely manner.

- Providing progress monitoring follow-up visits with the local schools for continuous support and ensuring the accuracy of their financial records and accounts.
- Using the same proactive steps above to progress monitor the system's financial records and accounts.
- Reporting findings when appropriate and updating school board members on how corrective actions have been taken to address areas of concern.

Alabama Department of Examiners and Public Accounts Updates

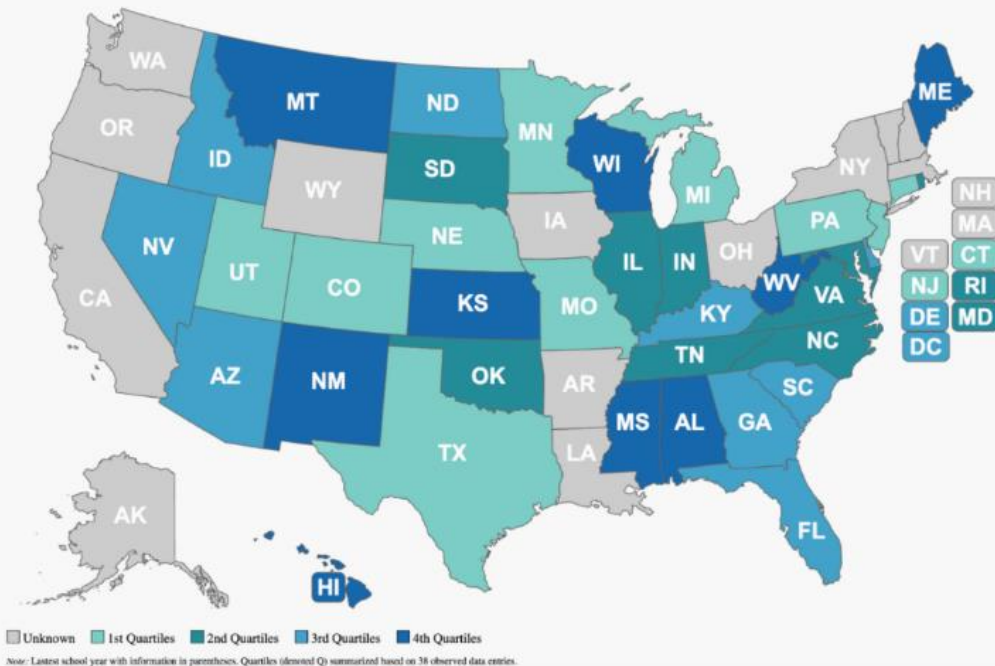
The Alabama State Department of Education (ALSDE) has provided this link for [State Examiners Update on Local School Finance](#) regarding information for K-12 public schools. This document displays the State Examiners of Public Accounts' presentation on local school finance. For more information and updates regarding the Department of Examiners of Public Accounts, please visit <https://examiners.alabama.gov/>. Public education finance leaders and others can find audit reports, resources, and other useful information about school finance on this site.

Human Resources and School Finance

Overview of Staff Funding Structure and Financial Implication

Most school systems' budgets are aligned to the cost of personnel, including salaries and benefits. Most often, the cost for staff can be approximately 70 percent of a school system's budget. It could be even higher depending on the system's available financial resources. According to figures published by the National Center for Education Statistics, before COVID-19, the U.S. spent almost \$657.5 billion on K-12 public schools in 2018-2019, with 81 percent of that money going toward education employee salaries and benefits (Antonucci, 2021). Due to COVID and the Great Resignation of 2021, these numbers will continue to increase with the school systems' efforts to raise teachers' salaries to retain them in the classroom. In September of 2021, a Report, Employers and the Great Resignation, found that 41 percent of employers still worry that resignations will remain high for staff who leave or do not return to work. In a more recent August 2022 report, the data revealed that many teacher vacancies seem to be localized in nine states nationwide; based on the findings, Alabama is one of those states. These teacher shortages are attributed to three primary areas: the decline of enrollment in teacher preparation programs, the lack of interest in the teaching profession, and the increased demand for teacher units because of federal COVID-19 dollars provided to school systems (McMurdock, 2022).

Relative Teacher Shortage: Vacancies by 10,000 students



Currently, in the State of Alabama, state leaders are making efforts to recruit and retain teachers with salary increases and other incentives. According to the Alabama FY22 State Minimum Salary Schedule, a beginning teacher’s starting salary was \$41,690 with a bachelor’s degree. In FY23, the state minimum salary schedule increased to \$43,358 with a bachelor’s degree. In addition, to retain more experienced teachers, the percentage of pay raises was also based on years of experience. For example, the longer a teacher remains in education, the more their pay increases based on a percentage aligned with the minimum state salary schedule for classroom teachers. On the FY22 Alabama Minimum Salary Schedule for Classroom Teachers with 27 years of experience with a bachelor’s degree, the maximum salary was \$54,981 with no more “step” raises after that point in his or her career. In FY23, the salary schedule rose to \$61,342 with continuous “step” raises up to 35 years of experience and \$66,424 for a 187-day contract.

For FY24 and FY25, Alabama teachers and other certificated staff within all city and county school systems and the Department of Youth Services School District received a two percent pay raise each fiscal year. A copy of the Alabama Minimum Salary Schedule for Classroom Teachers for FY24 and FY25 can be found on the Alabama State Department of Education website within the Administrative and Financial Division. In addition, for FY25, the salary schedule was adjusted for steps 0-2, bachelor’s degree ONLY-- raising the starting pay to \$47,600.00, which is equivalent to a 7.6 percent raise. Stipends were also provided within the FY25 education budget for special education teachers, principals, assistant principals (including Career and Technical Education principals), and speech pathologists. Please contact the

Administrative and Financial Division for additional information or questions related to the Minimum Salary Schedule for Classroom Teachers or stipends related to special education teachers, principals, assistant principals, and speech pathologists.

States provide public schools with information regarding positions funded by the state and, in most cases, how staff are earned by the school system for each school or cost center within that system. As stated earlier in this section of the manual, like the State of Alabama, most states use a “foundation” plan or program to allocate these essential positions. Guidance and technical assistance are also provided about how these positions are to be filled in relation to the provisions outlined in each state’s laws.

Above all, staffing a school system or school is a key component to the system's success and the schools within the system. In addition, when doing so, the superintendent, school board members, chief school financial officer, principals, human resources administrators, and other leaders must follow the proper steps in the hiring process and be strategic in their thinking and planning to optimize the use of every resource to hire the number of staff in key positions to promote the success of the system and more importantly - the success of every student within the system. Great teachers, school leaders, and support staff are the key to meeting the system’s priorities and ensuring successful student outcomes.

Years Credited for Teachers with Experience as a Paraprofessional or Teacher’s Aide

A teacher with at least four years of full-time experience as a paraprofessional or classroom teacher’s aide in a public school who is:

- issued a teacher’s certificate pursuant to the *Code of Alabama*, 1975 Section 16-23-25;
- and hired into a position requiring such certification, shall receive one year of experience credit on the local teacher salary schedule that has been established pursuant to Section 16-13-231.1 of the *Code of Alabama*, 1975 for every two years of full-time experience that he or she earned in a public school as a paraprofessional or classroom teacher’s aide prior to being hired as a certified teacher within the State of Alabama.

It is important to note that this applies ONLY to teachers hired into positions requiring teacher certification on or after June 1, 2024.

Instructional Support Teaching Units and Traditional Teaching Units

According to the *Alabama Administrative Code Chapter 290-2-.01*, *instructional support units* are staff positions allocated by the ALSDE through the Foundation Program to school systems and should be used to hire the following positions: principals, assistant principals, school counselors, library media specialists, career and technical education directors, and career and technical education counselors. Cognia (formerly known as Advance Education (AdvancED) and the accrediting agency for most public schools within the State of Alabama), standards or established guidelines are used to determine the number of *instructional support units* provided to each institution.

On the other hand, within that same chapter of the *Alabama Administrative Code*, traditional teaching units refer to classroom teachers; these units are to be used to hire teachers for grades K-12. The number of earned teaching units per school is determined by the Average Daily Membership (ADM) and the grade-level divisor approved by the State Legislature for the fiscal year. The divisor differs in number for earned teaching units from elementary, middle, and secondary levels.

Positions Funded by Other Current Expenses (OCE)

Other Current Expense (OCE) is a funding allocation for public school systems across Alabama from the Foundation Program. Its purpose is to provide funding for administrative costs, additional salary support for principals and other administrative staff, support personnel (e.g., school secretaries, custodians, cafeteria workers, and teacher aides) salaries above the allocation amount, fringe benefits for locally funded education personnel, additional teachers, and central office costs. Also, OCE is used by school systems to pay utilities, facility maintenance, travel, and any other expenses incurred in the normal day-to-day operations within a school system. It is important to note that OCE allocations to school systems are annually calculated based on an allocation “per earned unit.” The allocation itself changes annually based on funds available as determined by the Legislature (*Administrative Code, 290-2-1.01*, Harvey 2001; SSA, 2011).

Positions Funded by Federal Funds

Federally funded staff positions or teaching units are often used to supplement, but NOT supplant, positions within a system school and its individual schools. The federal supplement, not supplant provision, requires that federal funds be used to augment the regular educational program. They must not be used to substitute for funds or services that would otherwise be provided during the period in question. Depending on the school system’s need(s) for improving student performance and overall success and teacher quality, federal dollars can be used to fund a variety of staff positions, including, but not limited to, the following: teachers, teacher aides, instructional coaches, etc.

Locally Funded Staff Positions

Often, school systems will have to use local funds to hire staff. These positions are normally administrative but can also be support positions that were not funded, or at least not fully funded, by the state. In some cases, due to an increase in student enrollment or other unforeseen circumstances, school systems must hire teachers from local funds. However, systems work hard to be strategic in thinking and planning to avoid using local general funds.

Many systems cannot afford to hire positions above the state allocations if the system is to maintain an effective operating budget. Regarding teachers, the term “local unit” is used to describe any teachers employed by a school system above the allocation determined through the divisor system. These local units are often assigned in middle and high school to reduce

class size because the divisors are higher within the upper-grade levels. All salaries and benefits must come from additional local funds whenever school systems hire local units.

Salaries for Teachers, Non-Certified, and Administrative and Supervisory Positions

During each fiscal year, when a school system submits its final board-approved budget, the budget MUST contain a board-adopted salary schedule for all types of classifications of employee positions; the salary schedule must be at least 100 percent of the State Minimum Schedule as established by Sections 16-6B-8 and 16-13-231 within the *Code of Alabama 1975*. Regarding teaching positions, each teacher employed by the board shall receive at least 100 percent pay for the appropriate salary cell on the State Minimum Salary Schedule for that teacher's level of experience and degree (*Section 16-13-231.1, Code of Alabama 1975.*)

FY 2024 Foundation Program

**State Minimum Salary Schedule
Classroom Teachers**

Public School Experience - 187 Day Contract

Experience	Bachelor	Master	Specialist	Doctoral	Non-Degree
	BS	MS	ED. S.	DO	DO
0 years	44,226	50,857	54,839	58,818	44,226
1 year	44,226	50,857	54,839	58,818	44,226
2 years	44,226	50,857	54,839	58,818	44,226
3 years	48,643	55,939	60,317	64,702	48,643
4 years	48,643	55,939	60,317	64,702	48,643
5 years	48,643	55,939	60,317	64,702	48,643
6 years	50,776	58,390	62,977	67,530	50,776
7 years	50,776	58,390	62,977	67,530	50,776
8 years	50,776	58,390	62,977	67,530	50,776
9 years	52,309	60,154	64,879	69,570	52,309
10 years	52,831	60,755	65,527	70,265	52,831
11 years	53,360	61,363	66,182	70,967	53,360
12 years	53,894	61,977	66,844	71,677	53,894
13 years	54,433	62,596	67,513	72,394	54,433
14 years	54,977	63,222	68,187	73,118	54,977
15 years	55,527	63,855	68,870	73,850	55,527
16 years	56,082	64,493	69,558	74,588	56,082
17 years	56,643	65,138	70,254	75,334	56,643
18 years	57,209	65,789	70,957	76,086	57,209
19 years	57,781	66,447	71,667	76,847	57,781
20 years	58,359	67,111	72,383	77,616	58,359

Continued on Next Page

Source: Alabama State Department of Education, 2024

FY 2024 Foundation Program

**State Minimum Salary Schedule
Classroom Teachers**

Public School Experience - 187 Day Contract

Experience	Bachelor	Master	Specialist	Doctoral	Non-Degree
	BS	MS	ED. S.	DO	ND
21 years	58,943	67,783	73,107	78,393	58,943
22 years	59,532	68,461	73,837	79,176	59,532
23 years	60,127	69,145	74,576	79,967	60,127
24 years	60,729	69,837	75,322	80,767	60,729
25 years	61,336	70,535	76,075	81,575	61,336
26 years	61,949	71,240	76,836	82,391	61,949
27 years	62,569	71,952	77,604	83,215	62,569
28 years	63,195	72,672	78,380	84,047	63,195
29 years	63,827	73,399	79,164	84,888	63,827
30 years	64,464	74,133	79,955	85,737	64,464
31 years	65,109	74,874	80,755	86,593	65,109
32 years	65,761	75,623	81,563	87,459	65,761
33 years	66,418	76,379	82,379	88,335	66,418
34 years	67,082	77,143	83,202	89,218	67,082
35 years	67,753	77,914	84,034	90,109	67,753

The anniversary date of experience shall be used to determine the appropriate step for qualified public education experience.

An employee is entitled to pay for an advanced degree in the monthly pay period that begins after the State Superintendent recognizes the advanced degree. If the contract period has ended, the increase in pay will become effective with the first pay period of the next contract. The advanced degree must be earned from a regionally accredited institution.

Source: Alabama State Department of Education, 2024

Non-certified support, administrative and supervisory, and staff positions with extended contracts beyond the normal contract period of 187 days are determined and approved by the local boards of education and placed in the approved system salary schedules. Local boards try

to ensure that salaries for these positions are competitive with state and even national averages for each position.

Fringe Benefits

Fringe benefits costs shall be computed on salaries for foundation program units at rates established in the Education Trust Fund (ETF) Appropriations Act or as otherwise required by state or federal law. Fringe benefits are computed for the *Federal Insurance Contribution Act* (FICA), Medicare, health insurance (Public Education Employees' Health Insurance Plan {PEEHIP}), matching retirement, unemployment compensation, and leave (sick and personal). The total fringe benefits in the categories listed for all foundation program units at a school shall be the fringe benefits costs on foundation program units at each school. In Alabama, these benefit programs are administered at the state level, and applicable rates are approved annually by the Legislature. (*Administrative Code, 290-2-1.01*).



State Department of Education

FY2025 State Totals

FY 2025 ENACTED

Variables

Grade Divisors		Instructional Support	
Gr K	14.25	Teacher Materials	\$900.00
Gr 1	14.25	Technology	\$500.00
Gr 2	14.25	Library Enhancements	\$157.72
Gr 3	14.25	Professional Development	\$100.00
Gr 4	20.06	Textbooks	\$100.00
Gr 5	20.06	Common Purchase	\$100.00
Gr 6	20.06	Transportation	
Gr 7	19.70	Fleet Renewal	\$7,581
Gr 8	19.70	Trans Leave Rate	\$50
Gr 9	17.95	Trans Adjustment1	-\$87,199,533
Gr 10	17.95	Trans Adjustment2	\$0
Gr 11	17.95	Trans Adjustment3	\$0
Gr 12	17.95	Local Match	
Fringe Benefits		Foundation Program	10.00
Peechip	\$800	PSF	\$215,000,000
TRS Tier 1	13.57%	PSF Adjustment	\$0
TRS Tier 2	12.60%	Elementary Principal	
FICA	6.20%	Elementary Principal	.31
Medicare	1.45%	Middle Principal	.35
Unemployment Comp	0.1250%	Secondary Principal	.45
Sick Days	5	Unit Principal	.45
Personal Days	2	Elementary Asst Principal	.10
Amended Leave Rate		Middle Asst Principal	.10
Certified Leave Rate	\$120	Secondary Asst Principal	.10
OCE		Unit Asst Principal	0.1
OCE TRS Rate	13.16%	Elementary Counselor	.10
Oce Adjustment1	\$114,610,550	Middle Counselor	.00
Oce Adjustment2	-\$39,767,744	Secondary Counselor	.03
Other		Unit Counselor	.03
Contract Days FP	187	Career Tech Counselor	.03
Contract Days Support	182	Career Tech Director	.45
Contract Days Transportation	182		
Pay Raise % Support	0.02		
Pay Raise % Transportation	0.02		
(Foundation) <3	0.02		
<6	0.02		
<9	0.02		
<12	0.02		
<15	0.02		
<18	0.02		
<21	0.02		
<24	0.02		
<27	0.02		
27 +	0.02		

More guidance regarding the funding staff positions from federal, state, and local funding will be discussed in a later section of the manual.

Local Education Agency Personnel System (LEAPS) Reporting

LEAPS (Local Education Agency Personnel System) is an annual State data collection system. Each local school system must submit this information annually no later than on the third Friday of October. The data from this report are a combination of human resources and payroll information of all school system employees. This information is used mainly to calculate the foundation program salary portion of the LEA allocation. Some examples of data elements collected in LEAPS are staff demographics, highest degree, years of experience in the current LEA, years of experience in another LEA, years of experience in other public educational institutions, funding source, function area, and salary for full-time employees.

Important Federal and State Human Resources Laws for Public School Leaders

Federal

- Fair Labor Standards Act (FLSA)
- Family and Medical Leave Act
- Americans with Disabilities Act (ADA)

State

- Alabama Teacher Accountability Act
- Alabama Students First Act
- Alabama Assistant Administrative Officers Accountability Act

Additional State Human Resources Information

- Alabama Teacher Induction and Mentoring Manual
- Alabama Teacher Retirement System
- Alabama Public Education Employee's Health Insurance
- Alabama Public Education Defined Contribution Savings Plan
- Alabama Education Retiree's Trust Fund Funding Act of 2021

Public Charter Schools

The Alabama Public Charter School Commission was established in subsection (c) of Section 6 of Act 2015-3, Section 4(6), signed into law on March 19, 2015. The Commission serves as an appellate body in specific circumstances outlined in subsection (a) of Section 6 of the law. In addition, it has been established as an independent state entity to authorize high-quality public charter schools in accordance with Act 2015-3.

Public charter schools provide an educational program that may include any grade or grades from prekindergarten to grade 12. They may also include a specific academic approach or

theme. A charter school shall be open to any student residing in the state. Currently, there are two types of charter schools in Alabama: Conversion charter schools are existing public schools that are converted into charters and have independent school boards, and start-up charter schools are new public schools established by a non-profit organization (Griesbach, 2022).

In addition to the information above, a public charter school within the State of Alabama

- Has autonomy over key decisions including, but not limited to, decisions concerning finance, personnel, scheduling, curriculum, instruction, and procurement;
- Is governed by an independent governing board that is a 501 (c)(3) tax-exempt organization;
- Is established and operating under the terms of a charter contract;
- Is a school to which parents choose to send their students;
- Shall be responsible for meeting the requirements of LEAs under federal, state, and local laws, including those relating to special education (Alabama Public Charter Schools, Alabama Charter School Commission Resource Page August 2022).

In a recent article by Griesbach, it was noted that charter school enrollment continues to increase within the State of Alabama (2022). According to the article, Alabama has been seen nationally as a growth point for charter schools. Enrollment has increased by 65 percent within the state, mainly because new charter schools are opening in the last two years, and existing schools are adding more grades of students. During 2020-2021, Alabama had the second-highest charter school enrollment in the U.S., according to a study by the National Alliance for Public Charter Schools; however, most of the growth is due to new schools opening rather than students enrolling in existing schools across the state (Griesbach, 2022).

Alabama Public Charter Schools Laws, Resolutions, and Bylaws

- Act 2015 3
- House Resolution 312
- Public Charter School Rules and Regs
- Senate Resolution 110
- Specific State Laws Related to Act 2015 3
- APCSC Final Amended Bylaws (1)
- Alabama Public Charter School Commission's Bylaws
- Academic Framework
- Operational and Financial Compliance
- Permanent Rules and Regulations
- Guidelines
- Application Rubric
- ALSDE Legislative Report 2021

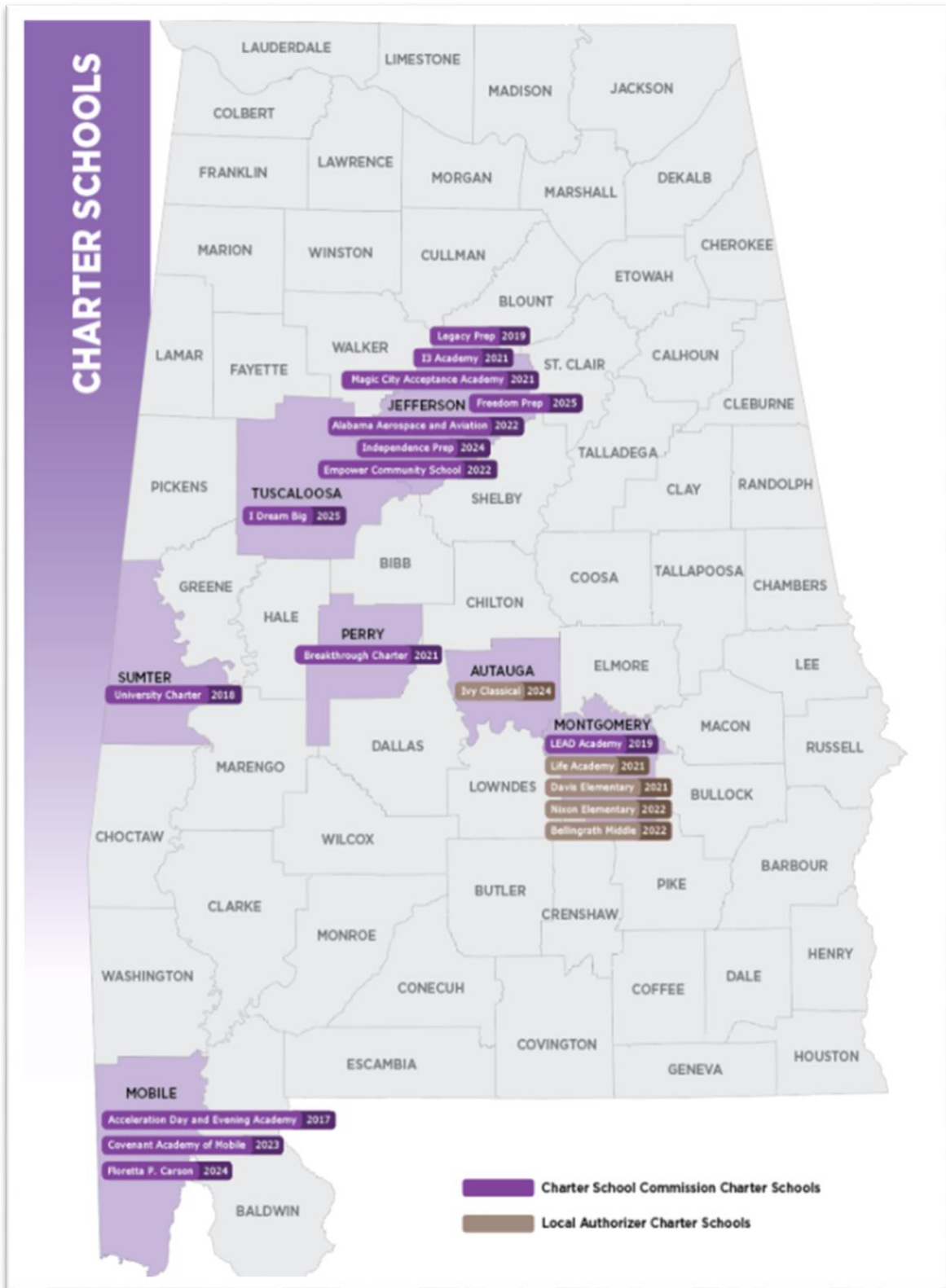
Funding for Public Charter Schools

- Guide To Funding for First Year Implementation 2019
- A Guide to State Allocations

List of Alabama Charter Schools

- ACCEL Day & Evening Academy
- LEAD Academy
- Legacy Prep
- University Charter School
- i3 Academy
- Breakthrough Charter School
- Magic City Acceptance
- Empower Community School
- Alabama Aerospace and Aviation High School
- Covenant Academy of Mobile

Alabama Charter Schools Map



Alabama State Department of Education Public Charter Schools Contact:

For further assistance, contact Ms. Logan Searcy, Executive Director, Alabama Charter School Commission, at lsearcy@alsde.edu (334) 694-4908.

Future Considerations for Alabama School Superintendents

Potential Future Implications for Public Education School Finance in Alabama Schools

- Revision of State Foundation Program by the State Legislature
- School voucher program supported by state funds for Alabama students approved by the State Legislature
- Expansion of charter schools and the long-term impact
- Revision of Public Education Finance Laws and Policies at the federal, state, and local levels
- Recruiting and retaining teachers, as well as finding teachers to fill positions in high-priority areas such as mathematics, science, and special education
- Financial support for public school education aligned to student performance outcomes
- Greater financial resources to meet the needs of the population of students who are English language learners (ELLs)
- Continued equity issues and adequacy concerns relating to school finance to create successful outcomes for all learners

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Additional Resources

1. [Understanding Alabama's Budget Process](#)
2. [A State Guide to Allocations-2023-2024](#)
3. Budget Hearing Requirements: <https://www.alabamaachievers.org/lea-accounting/>
4. Additional ALSDE Resources available on the ALSDE website (www.alabamashieves.org)
 - LEA Fiscal Accountability
 - LEA Accounting
 - LEA Auxiliary Services
 - Financial Reports and Data for Alabama Schools
 - Capital Plan Data for Alabama Schools
 - Supportive Data for Alabama Schools
5. [Bonds for Local Superintendents and Chief School Financial Officers](#)

CHAPTER 2: DISTRIBUTION OF STATE FUNDS

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Sources of State Funds for Public Education

State funding for public education in Alabama is issued mainly through the 1995 Foundation Program, which includes specific provisions for transportation and other miscellaneous services. The 1995 Foundation Program was approved by the state legislature after the 1935 Alabama Minimum Foundation Program was deemed unconstitutional. The Foundation Program combines state and local funds to provide Alabama schools with a set amount of funding per unit based on the number of students attending the school. It is the main source of revenue distribution for public schools.

Several additional sources of aid also come from state funds. The Public School Fund (or the Educational Fund) allocates a smaller amount of total aid mainly for capital outlay purposes. Other sources include at least an extra \$100 for students defined as 'at-risk,' additional salary supplements for math and science teachers, school nurses, technology coordinators, and at-risk support. The 1995 legislation also establishes public school transportation reimbursement through a categorical aid program from the Education Trust Fund. This program reimburses transportation for students living more than two miles from their school.

The Foundation Program is covered first, including its four main components: salaries, fringe benefits, instructional support, and other current expenses. Next, other funding programs are detailed, including provisions for school nurses and technology coordinators, transportation funding, capital purchases, and at-risk allocations.

Key Resources

Code of Alabama 1975 §16-13 (School Finances Generally).

<http://alisondb.legislature.state.al.us/Alison/CodeOfAlabama/1975/Coatoc.htm>

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Introduction to the 1995 Alabama Foundation Program

The 1995 Foundation Program (see: [Alabama Administrative Code 290-2-1-.01](#)) allocates aid based on the teacher unit, with other expenditures based on a per-student basis. Teacher units are 'earned' based on the number of students at the building level calculated as the average enrollment for the first 20 instructional days following Labor Day of the preceding school year. This is known as Average Daily Membership (ADM) and is weighted by grade level with adjustments for special education and career and technical education.

The funding for each unit is guaranteed by the Foundation Program; however, not all the funding comes directly from the state. The Foundation Program is a state equalization aid program, meaning that it combines a contribution from local taxes ('mills') with a state allocation to reach the base amount of total funding. In other words, the greater the local contribution (or 'effort'), the less state aid will be distributed to reach the base funding for each unit (and vice versa). In Alabama, local funds are required to be at a level of 10.0 mills of the local school district's *ad valorem* tax from the prior fiscal year, primarily based on property values, as noted above. This 10-mill amount is subtracted from the revenue that will be sent as part of the Foundation Program calculation.

This arrangement was designed to guarantee equal access to a minimum level (a 'foundation') of revenue to each school based on the size of its student enrollment while balancing local and state contributions. School systems located in areas with greater property tax capacity receive less funding from the state, and conversely, state aid is greater for less wealthy systems where local tax produces less revenue. For example, if a school system has a higher mill value than a school system with the same ADM, the system with the lower value of a mill would receive more state funding. This balancing generally results in equal unit funding even when the local tax contribution is different; however, school systems can contribute local funds over and above the required foundation level, so some systems can and do provide greater financial resources to schools, limiting the claim that the foundation program is equitable (Odden & Picus, 2008).

Calculating Pupils in the Foundation Program

As noted above, the amount of funds designated to each school is based on Average Daily Membership (ADM), which is the average number of students *enrolled* for the first 20 scholastic days after Labor Day. This system began in 2006 and replaced the prior systems where a less stable and representative measure of Average Daily Attendance was used. The timeframe of the first 20 days of instruction after Labor Day helps to capture a more stable period in the school year for student enrollment than the very start of the scholastic year. If extenuating circumstances occur (e.g., a natural disaster), the State Superintendent of Education may allow an alternate time window. Notably, it is the preceding year's ADM that is used to calculate the current year's funding allocation.

Basic Support Program

The distribution of Foundation Program funds is divided into four main categories: (1) salaries for foundation program units, (2) fringe benefits for foundation program salaries, (3) classroom instructional support, and (4) other current expenses for foundation program units. The total expense of these four areas is the base support amount provided by the Foundation Program.

Foundation Program Unit Calculation

The Foundation Program utilizes the teacher as the main unit of funding allocation. Regular teacher units are 'earned' at the building site based on student divisors at the grade level, based on that school's ADM. The following divisors are used for FY 24-25:

Grade	Divisors
K-3	14.25
4-6	20.06
7-8	19.70
9-12	17.95

So, for example, if a school has an ADM of 50 students in third grade and 50 students in fourth grade, 3.51 teacher units would be earned in third grade [$50 \div 14.25$], and 2.49 teacher units would be earned in fourth grade [$50 \div 20.06$].

Special Education and Career & Technical E Adjustment

These divisors include an adjustment for weighting special education and career and technical education (CTE), which is assumed to be distributed normally throughout each school. For special education, 5% of ADM is assumed to be eligible for special education services, and this 5% is weighted as 2.5 in all grades. Therefore, the divisor is adjusted by an increase of 12.5% (i.e., 5×2.5), meaning that the pre-special education unit allocation is multiplied by 1.125 to reach the current divisor. Another way of looking at it is that 88.89% of each teacher unit is partitioned for regular education, and 11.11% is partitioned for special education in each grade. Weights for special education are recommended annually by the State Board of Education.

Career & Technical Education Adjustment

Similar to special education, the grade level ADM divisors include an adjustment for Career and Technical Education (CTE). For the CTE adjustment, 7.4% of ADM is weighted by a magnitude of 1.4 in the seventh and eighth grades, and 16.5% of ADM is weighted by a magnitude of 2.0 in grades nine, ten, eleven, and twelve. Here, the state divisor would be multiplied by 1.1036 for grades seven and eight, and 1.33 for nine through twelve from the regular education program. Again, weights for CTE are recommended annually by the State Board of Education. Systems that do not have a state-approved CTE center will receive a pro-rata portion of CTE unit allocations to provide system-wide CTE.

Overall, it is important to recognize that these non-regular education funding partitions are already part of the grade-level ADM divisors used to calculate the number of teacher units. In addition, funds partitioned for non-regular education are not available to fund the regular classroom but should be spent on classroom teachers only.

Teacher Unit Allocations

Table 1 below shows *examples* of the proportion of teacher units partitioned for special education, CTE, and regular education across different grade levels and ADM amounts.

Table 1. Calculation of Regular Classroom Divisors Adjusted for Special Education and CTE by Grade Level FY2022-2023

1	2	3	4	5	6	7	8	10	11	12
Grade Level	Grade Divisor	ADM	Factor Percent Special Education	Calculated Special Education ADM	Factor Percent CTE	Calculated CTE ADM	Sum	Percentag	Percentag	Percentag
							Non-Regular & Regular ADM	e Teacher Unit Set Aside for Special Education	e Teacher Unit Set Aside for CTE	e Teacher Unit for Regular Education
K-3	14.25	14.25	12.5%	1.78	-	-	16.03	11.11%	-	88.89%
	14.25	50	12.5%	6.25	-	-	56.25	11.11%	-	88.89%
	14.25	200	12.5%	25.00	-	-	225.00	11.11%	-	88.89%
4-6	20.43	20.43	12.5%	2.55	-	-	22.98	11.11%	-	88.89%
	20.43	50	12.5%	6.25	-	-	56.25	11.11%	-	88.89%
	20.43	200	12.5%	25.00	-	-	225.00	11.11%	-	88.89%
7-8	19.7	19.7	12.5%	2.46	16.5%	3.25	25.41	11.11%	14.16%	74.73%
	19.7	50	12.5%	6.25	16.5%	8.25	64.50	11.11%	14.16%	74.73%
	19.7	200	12.5%	25.00	16.5%	33.00	258.00	11.11%	14.16%	74.73%
9-12	17.95	17.95	12.5%	2.24	33%	5.92	26.12	11.11%	24.81%	64.08%
	17.95	50	12.5%	6.25	33%	16.50	72.75	11.11%	24.81%	64.08%
	17.95	200	12.5%	25.00	33%	66.00	291.00	11.11%	24.81%	64.08%

Table 2. Calculation of Earned Teacher Units with Partitions for Special Education and CTE FY 2022-2023

1	2	3	4	5	6	7
Grade Level	Grade Divisor	ADM	Total Teacher Earned Units	Teacher Units Set	Teacher Units	Teacher Units for
				Aside for Special Education	Set Aside for CTE	Regular Education
K-3	14.25	14.25	1.00	0.11	-	0.89
	14.25	50	3.51	0.39	-	3.12
	14.25	200	14.04	1.56	-	12.48
4-6	20.43	20.43	1.00	0.11	-	0.89
	20.43	50	2.45	0.27	-	2.18
	20.43	200	9.79	1.09	-	8.70
7-8	19.7	19.7	1.00	0.11	0.14	0.75
	19.7	50	2.54	0.28	0.36	1.90
	19.7	200	10.15	1.13	1.44	7.59
9-12	17.95	17.95	1.00	0.11	0.25	0.64
	17.95	50	2.79	0.31	0.69	1.78
	17.95	200	11.14	1.24	2.76	7.14

Class Cap Sizes

While the ADM divisors suggest a student-to-teacher ratio, given the diverse types of classes and teachers (e.g., special education), class sizes themselves will vary. To maintain a set of standards, the following framework shows the recommended maximum classroom sizes:

Grade	Class Size
K-2	18-22
3-6	22-25
7-12	25-28

In addition, most of Alabama's institutions that Cognia accredits use the information within its [Educational Practices Reference Guide](#) as a reference and to determine the student-to-teacher ratio. The caps do not apply to courses such as physical education, music, typing, or ROTC, which are limited to 1,000 student contacts per week at the secondary level and unlimited at the elementary level. Administrators should check current state policy to determine if a waiver is needed when class size caps are exceeded.

Instructional Support Units

Instructional support units are earned for positions including principal, assistant principal, counselors, librarians, vocational directors, vocational counselors, and nurses. These units are added to a school's teaching units based on the ADM of a school and Cognia Accreditation Standards as outlined in the [State Guide to Allocations 2023-2024](#). Be sure to check annually for updates. The following schedule is used to determine the number of positions that will be funded:

Table 3. Instructional Support Standards

Position	ADM Ranges	Elementary	Middle	ADM Ranges	Secondary	Unit
Principal		1.00	1.00		1.00	1.00
Assistant Principal	1 - 249.99	0.00	0.00	1 - 249.99	0.00	0.00
	250 - 299.99	0.00	0.50	250 - 499.99	0.50	0.50
	300 - 749.99	0.50	1.00	500 - 749.99	1.00	1.00
	750 - 999.99	1.00	1.50	750 - 999.99	1.50	1.50
	1000 - 1249.99	1.50	2.00	1000 - 1249.99	2.00	2.00

	1250 - 1499.99	2.00	2.50	1250 - 1499.99	2.50	2.50
	Over 1500	*	*	Over 1500	*	*
Counselor	1 - 249.99	0.50	0.50	1 - 249.99	0.50	1.00
	250 - 499.99	0.50	1.00	250 - 499.99	1.00	1.00
	500 - 749.99	1.00	1.50	500 - 749.99	1.50	1.50
	750 - 999.99	1.50	2.00	750 - 999.99	2.00	2.00
	1000 - 1249.99	2.00	2.50	1000 - 1249.99	2.50	2.50
	1250 - 1499.99	2.50	3.00	1250 - 1499.99	3.00	3.00
	Over 1500	*	*	Over 1500	*	*
	1 - 249.99	0.50	0.50	1 - 249.99	0.50	1.00
Librarian	1 - 249.99	0.50	0.50	1 - 249.99	0.50	0.50
	250 - 499.99	1.00	1.00	250 - 499.99	1.00	1.00
	500 - 749.99	1.00	1.00	500 - 749.99	1.00	1.00
	750 - 999.99	1.00	1.00	750 - 999.99	1.00	1.00
	1000 - 1249.99	1.00	1.00+	1000 - 1249.99	1.00+	1.00+
	1250 - 1499.99	1.00	1.00+	1250 - 1499.99	1.00+	1.00+
	Over 1500	1.00	1.00+	Over 1500	1.00+	1.00+

* 1.00 FTE added for each additional 250 over 1,500 ADM

+ After employing one Library/Media Specialist, the school may employ a qualified Technology/Information Specialist to work in collaboration with the Library/Media Specialist

Note: * One FTE added for each additional 250 over 1500. + After employing one Library/Media Specialist, the school may employ a qualified Technology/Information Specialist to work in collaboration with the Library/Media Specialist. Table adapted from FY 2014 Instructional Support Standards – Cognia®

In summary, earned instructional support units are added to earned teacher units to determine a school campus's total number of earned units. Based on this number, the distribution of Foundation Program funds is divided into four main categories: (1) salaries for Foundation Program units, (2) fringe benefits for Foundation Program salaries, (3) classroom instructional support, and (4) other current expenses for Foundation Program units.

Fractional Units

Often, schools within a district will earn fractional units based on the outcome of the ADM and the divisors. The Alabama State Department of Education allows districts to use these units to fund staff positions earned as state units. For example, if a school earns .5 of a teaching unit, it may use funding from another funding source (federal, state, or local) to apply the additional funding needed to create another .5 unit to fully fund the teaching position. For additional guidance regarding the assigning of fractional units, please see Education under Budget Submission.

Salaries

Salary Matrix

Based on the above allocation of teachers and instructional support units, the Foundation Program uses a salary matrix to reimburse teachers' salaries based on educational attainment and year of service. The matrix is annually specified in the Education Trust Fund (ETF) Appropriations Act. This also includes extension increases for principals, assistant principals, counselors, career and technical education counselors, and career tech ed directors based on placement (i.e., elementary, middle, or high school). A sample of the first 10 years of experience salary matrix for 187-day employees from the FY2024 Foundation Program is provided in Table 4. The full schedule can be found at [this link](#).

Table 4. FY2024 Foundation Program Salary Schedule

<i>Years of Experience</i>	<i>Bachelor</i>	<i>Master</i>	<i>Education Specialist</i>	<i>Doctoral</i>
0	44,226	50,857	54,839	58,818
1	44,226	50,857	54,839	58,818
2	44,226	50,857	54,839	58,818
3	48,643	55,939	60,317	64,702
4	48,643	55,939	60,317	64,702
5	48,643	55,939	60,317	64,702
6	50,776	58,390	62,977	67,530
7	50,776	58,390	62,977	67,530
8	50,766	58,390	62,977	67,530
9	53,309	60,154	64,879	69,570
10	52,831	60,755	65,527	70,265

Each local board of education is required to construct a local salary matrix that uses the state as a minimum and may increase amounts if desired. To access an updated copy of the FY25

Foundation Program Minimum Salary Schedule and other essential information regarding this section, please visit the Administrative and Financial Division of the Alabama State Department of Education at: (<https://www.alabamaachievers.org/>)

Additions to the Salary Matrix

Several additions or adjustments to the minimum salary schedule are also funded by the state:

- An additional multiplier adjustment is made for school principals, assistant principals, counselors, career tech counselors, and career tech directors. For example, elementary principals are granted a 31% additional supplement, and elementary counselors are granted 10% as a state minimum salary allocation enhancement. See the State [Foundation Program Reports](#) for full details.

Table 5. Instructional Support Unit Salary Extension			
<i>Position</i>	<i>Extension</i>		<i>Extension</i>
Elementary Principal	0.31	Elementary Counselor	0.1
Middle Principal	0.35	Middle Counselor	0
Secondary Principal	0.45	Secondary Counselor	0.03
Unit Principal	0.45	Unit Counselor	0.03
Elementary Asst Principal	0.1	Career Tech Counselor	0.03
Middle Asst Principal	0.1	Career Tech Director	0.45
Secondary Asst Principal	0.1		
Unit Asst Principal	0.1		

- Teachers passing the National Board for Professional Teaching Standards test are paid an additional \$5,000 stipend that is added to the base salary matrix. Teachers qualifying for the [Teacher Excellence and Accountability for Mathematics and Science](#) (TEAMS) program are on separate increased salary schedules that are at least 5% higher than the traditional salary matrix. Each local board is allocated one position for math and one position in science for every 105 students in combined grades 6-12; the difference between the state minimum and TEAMS salary schedule is made up from the Education Trust Fund (ETF).
- TEAMS teachers in schools designated as hard-to-staff are eligible for a \$5,000 supplement.

Notably, pay raises awarded by the state legislature are not generally reflected in the state minimum salary schedule but via an additional multiplier from the ETF. Overall, schools will be reimbursed for the salary amount based on the state minimum salary schedule and any additions listed above.

Fringe Benefits

Fringe benefits include funding for programs such as the Teacher Retirement System, unemployment compensation, and leave. State allocations for these programs are computed on Foundation Program units and are either set at a fixed amount or a percent of matrix-based

salary at rates set annually by the legislature. FICA and Medicare are set by federal regulation, the Teacher Retirement System (TRS) and health insurance (PEEHIP) are set by each program’s board, unemployment compensation is set by the State Insurance Commission, and leave benefits assume two personal and five sick leave days for a total of seven days per teacher. Current rates for FY 25 are shown below. See also the [Foundation Program Report](#).

Table 6. Fringe Benefit Calculation Rates

Program	Rate
FICA/Medicare	7.65%
TRS Tier 1	13.5%
TRS Tier 2	12.60%
PEEHIP	\$800/month per unit
Unemployment Compensation	0.1250%
Leave	\$120.00 x 7 per unit

Classroom Instructional Support

Classroom instructional support funds are calculated for all Foundation Program units. They fall under the categories of student materials, technology, library enhancement, professional development, common purchase, and textbooks. Rates are determined annually by the legislature. These funds are more flexible than salary funds but must be budgeted and spent in accordance with the regulation specified by the legislature in Act # 2005-198. Below is a table showing the current rates for FY25. See also the [Foundation Program Report](#).

Table 7. Classroom Instructional Support Calculation Rates

Item	Amount	Multiplier
Teacher Materials	\$900.00	Per Unit
Technology	\$500.00	Per Unit
Library Enhancement	\$157.72	Per Unit
Professional Development	100.00	Per Unit
Common Purchase	\$100.00	Per Unit
Textbooks	\$100.00	ADM

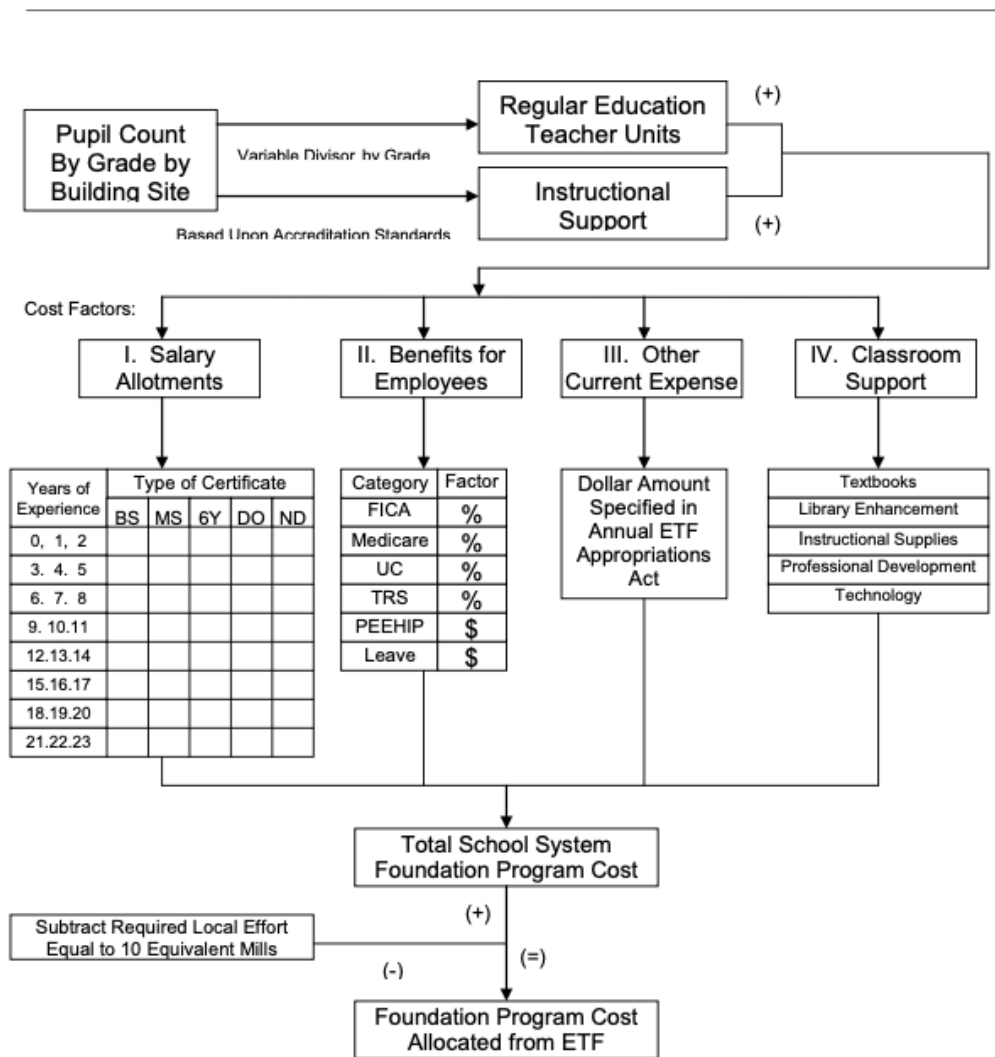
Other Current Expenses

Other Current Expenses (OCE) are aimed at providing funding for administrative costs, additional salary for administrative staff, support personnel, salary additions, additional teachers, fringe benefits, central office costs, utilities, maintenance, and any other costs that are normally part of school operation. It is a more flexible funding source than other items but must be used for the school's day-to-day operations. The amount is fixed and multiplied by the number of Foundation Program units in a system. It currently sits at \$25,225.00 per unit.

Total Distribution from the Foundation Program

The sum of the four factors above (salaries, fringe benefits, classroom instructional support, and other current expenses) represents the Foundation Program costs of a school. From this total cost, the local 10-mill match is subtracted. The remaining balance is then sent to each school system and distributed equally monthly. A simplified diagram of the foundation program allocation is presented below in Figure 1, adopted from Harvey, 2020, p. 338

Figure 1. Simplified Flowchart of Calculations for the Foundation Program



State Sponsored Funds

The Education Trust Fund also provides funding for several other categorical programs, including support for school nurses, a technology coordinator, pre-school support, at-risk support, capital purchase, and transportation. These are not part of the **Foundation Program** but come from other funding sources such as state aid or the Public School Fund. Each is dealt with in turn.

School Nurses & Technology Coordinator

From ETF appropriations, each school system is provided a school nurse based on a state minimum salary matrix (Act No 2021-342, starting at \$70,111 in FY22), with an additional allocation per ADM basis to provide for additional nurses or supplies and equipment used by

nurses. Similarly, each school system is provided funds (\$60,966 in FY 22) for a District Technology Coordinator. Please see the [Foundation Program Report for the minimum salary matrix of the most recent school nurse and technology coordinator.](#)

Transportation

The ETF provides funding to operate transportation services (see Alabama Administrative Code [290-2-4](#)) based on the size of a school system’s transportation needs. The amount reimbursed is determined for each local board of education and is calculated based on adding the number of students transported on approved routes with a set amount per pupil transported. This generally applies to students who live two miles or more from a school center, with exceptions for physically disabled students and waivers for situations where safety may be an issue. Funding is divided into operations and fleet renewal.

Operations

The pupil count helps to determine the number of buses running, which allocates funding for each route plus a 20% spare amount. This includes funding for qualified buses, salaried positions, coding, benefits, fuel, and operational costs. The following schedule is used for determining the amount earned for position salaries. Positions besides supervisor and mechanic are flexible, so positions earned may be allocated to the individual system’s needs. In addition, transportation positions earn fringe benefits based on salary at levels set by the authorities used for teacher fringe benefits, which differ from teacher units only in that personal and sick leave are compensated at \$50/day instead of \$120. The fuel allocation is calculated by dividing the annual route miles by the MPG of the Bus Fleet. This generates a total number of gallons of fuel needed, reimbursed at a level set by the legislature.

Table 8. Funded Transportation Positions, with Minimum and Maximum Salaries

Position	Bus Ratio	Additional	Minimum	Maximum
Supervisor	1/40*	No Additional	\$64,383	\$107,126
Secretary	1/40*	Second @ a00, additional every 100	\$33,354	\$50,449
Assistant Supervisor	1/200	Additional every 200	\$81,838	\$103,763
Mechanic	1/22*	2@33; additional every 22	\$42,968	\$61,836
Shop Foreman	1/55	Additional every 88	\$55,327	\$77,327
Parts Specialist	1/100	Additional every 250	\$36,613	\$52,428
Shop Assistant	1/22*	2@33; 3@55; 4@77; additional every 88	\$26,919	\$42,648
Route Specialist	1/75	Additional every 100	\$46,214	\$77,215
Bus Driver	1/1	NA (Midday \$50 x 180 days X # of buses)	\$14,090	\$18,543
Utility Worker	1/40*	Additional every 40	\$14,018	\$18,217
Bus Aide	IEP	Not Funded	-	-
Nurse	IEP	Not Funded	-	-

* Proportional allocation for systems earning less than one position. Supervisor and Mechanic are required positions.

Fleet Renewal

School systems are allocated funds necessary to keep the fleet in good working conditions. The legislature is provided with a Fleet Renewal budget based on a standard passenger bus with a 10-year depreciation schedule. The legislature determines an allocation that is multiplied by the number of eligible buses that are less than 10 years old and run both morning and afternoon routes. These funds can be spent on new bus purchases or debt payments for new buses. See the chapter on Transportation for more detailed information about Transportation.

Capital Purchase

An allocation from the Public School Funds is used to cover the cost of capital improvements to public school facilities (see [290-2-1.04](#)). School systems should develop and maintain a comprehensive and long-term Capital Plan to ensure that the facility, technology, and equipment needs are met. The Public School Fund will designate an amount representing the annual estimated statewide total of 3.0 mills of ad valorem taxes collected for education. The funds are allocated using a formula based on the system's ability to raise local revenue and utilizes a variable matching scale that ensures each local board receives the same ADM in matched funds.

At-Risk

School districts may be eligible for an appropriation of At-Risk Funds as part of the ETF budget. These funds are intended for students who are at risk of dropping out of school or performing at an academic level below grade placement (see [290-2-1-.05](#)). The goal is to move students identified as At-Risk out of the category, and systems should use these funds to provide special programs to support At-Risk students and provide services for a minimum of two years after exiting the At-Risk category.

To calculate the number of at-risk students at the school level, the number of free and reduced-price lunch students at the end of the first 20 days of instruction after Labor Day is divided by the school ADM of the same period. Then, the number of students scoring as not proficient (levels 1 or 2) is divided by the number of students assessed for the grades that are included in the state-approved test. The two ratios computed are averaged, and the result is multiplied by the total ADM for the school. This number is used to identify the number of at-risk students for each school. (Schools without grades assessed will have zero students as 'not proficient'). The at-risk total from all schools in the local system is then used to compute its at-risk allocation.

To receive At-Risk Funds, each school system must [submit a plan](#) for providing services that improve the amount and quality of instructional time with learning opportunities, such as after-school programs, summer programs, tutoring, alternative education programs, and/or school safety initiatives. Funds may also be used to train parents, staff, and teachers to work with at-risk students and/or to provide services that meet the specific or targeted needs of at-risk students. Funds will also require a year-end summary of activities for evaluation.

Requirements for Receiving & Spending State Funds

Receiving Funds

Following *Alabama Administrative Code* 290-2-1, local boards of education are required to meet the following criteria from the State Board of education:

- Provide budgets and financial statements that meet the reporting requirements of the State Department of Education,
- Maintain a supplemental inventory of equipment items not classified as fixed assets,
- Reconcile bank statements on a timely basis,
- Maintain accounting records and follow accounting and internal control procedures that comply with generally accepted accounting principles,
- Provide the annual accountability reports required by the [Code of Ala. 1975, §16-6B-7](#),
- Be audited in accordance with state laws, federal laws and regulations, and the audit standards issued by the State Department of Education,
- Provide attendance data, personnel data, and other information necessary to calculate the cost of the Foundation Program and other state funds. The State Superintendent establishes procedures for collecting this information,
- Provide monthly financial reports, monthly check register reports, and other information for the local boards of education as required by Act No. 2006-196.

The State Superintendent can withhold state funds from a local board of education that fails to provide the data necessary to calculate the cost of the Foundation Program and other state funds or that fails to successfully complete other reporting requirements.

Penalties

Penalties can be brought against local school boards for the following:

- Failure to operate schools the minimum 180 full instructional-day term, or hourly equivalent thereof,
- Deficit spending (pursuant to [Code of Ala. 1975, §16-13-144](#)). The State Superintendent may waive all or part of the penalty if the school system has made a substantial effort to remove the deficit and agrees to develop an approved financial plan,
- Assigning a teacher to teach a subject for which the teacher does not hold proper certification as defined in Rule 290-3-2-.02(2)(d). The penalty will be a minimum of \$500 per teacher per year,
- Failure to notify parents in a timely fashion of the options available for a parent of a student enrolled in or assigned to attend a failing school as required by Act No. 2013-265.

Requirements for Spending Funds

The local education agency should spend Foundation Program funds under the following conditions, per the [*Alabama Administrative Code 290-2-1*](#):

- Providing a school year of at least 180 full instructional days, or the hourly equivalents,
- Providing the equivalent of at least 10 district mills of local ad valorem tax support,
- Adopting a salary schedule for certificated personnel that reflects at least 100% of the state minimum salary schedule per cell as well as 100% of the state minimum salary schedule adjusted for extended contracts for career and technical education personnel,
- Meeting federally mandated maintenance of effort requirements,
- Spending all calculated salaries for foundation program units for instructional salaries,
- Continuing operations at all career and technical education centers in existence in FY95 and paying a pro-rata share of the cost of any CTE center providing service to more than one school system,
- Distributing foundation program allocated funds based on current-year student population and programs needed to serve the current-year students.

Conclusion

The totals of the programs described above constitute the majority of fund distribution to local education agencies, which then distribute the funds to individual schools. Below is an overview of the state's fund distribution, detailing the total amount for FY25.



State Department of Education
 FY2025 State Totals
 FY 2025 ENACTED

STATE TOTALS	FY 2025		FY 2024		Change
Total ADM	720,468.45		726,266.93		-5,798.48
Foundation Program Units					
Teachers	41,831.80		42,173.41		-341.61
Principals	1,359.00		1,356.00		3.00
Assistant Principals	1,013.00		824.00		189.00
Counselors	1,448.00		1,458.00		-10.00
Librarians	1,369.00		1,367.50		1.50
Career Tech Directors	241.50		240.25		1.25
Career Tech Counselors	73.00		71.00		2.00
Total Units	47,335.30		47,490.16		-154.86
Foundation Program (State and Local Funds)					
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)	0		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
State Funds					
Foundation Program ETF	4,640,763,761		4,488,432,021		152,331,740
School Nurses Program	89,556,877		65,571,473		23,985,404
Salaries - 1% per Act 97-238	0		0		0
Technology Coordinator	22,724,474		20,871,392		1,853,082
Transportation Operations	385,850,573		380,799,955		5,050,618
Fleet Renewal (\$7,581 /bus)	52,771,341	(\$7,581 /bus)	51,573,543		1,197,798
Current Units	2,000,000		2,000,000		0
At Risk	21,217,734		22,492,734		-1,275,000
Board Of Adjustment	750,800		750,800		0
Career Tech O and M	8,000,000		8,000,000		0
ETF Subtotal	5,223,635,560		5,083,198,886		140,436,674
Capital Purchase	215,000,000		215,000,000		0
Debt Service	532,864		532,864		0
PSF Subtotal	215,532,864		215,532,864		0
Total State Funds	5,439,168,424		5,298,731,750		140,436,674
Local Funds					
Foundation Program (10 Mills)	796,806,740	(10 Mills)	714,958,840		81,847,900
Capital Purchase (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

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CHAPTER 3: BUILDING AND MANAGING THE BUDGET

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Building and Managing the Budget

Purpose of the Budget

Budgeting is one of the most central tools to the successful operation of the educational enterprise. More than an outline of revenue and expenditures, it is an execution of the strategic plan to implement the district's mission, improve operations, and achieve educational objectives (Ramirez, 2013). The budget process focuses attention on the direction, priorities, and resource decisions and is a key device for accomplishing the district's educational goals and objectives. Administrators must know how to use the budgeting process to *translate the district's strategic plan into program and financial terms*, while balancing resources and legal constraints (Hartman, 2003).

Most generally, a budget is made up of (1) a description of the total educational program of the school district, (2) an estimate of the expenditures needed to carry out the program, and (3) an estimate of the revenues that will be available to pay for expenditures. The act of budgeting includes the cycle of estimating, developing, approving, and implementing the budget. Given the complexity of the process, work on next year's budget takes place during the current year and serves as one of the main tools to monitor, control, and evaluate educational activities (Hartman, 2003). If you are starting the year 2023-2024, your annual budget for that year has already been approved from the previous year of 2022-2023 and will be effective October 1 of that academic year and end on September 30. The National Advisory Council on State and Local Budgeting (2022) has recommended that the budgeting process does the following:

- Incorporates a long-term perspective;
- Establishes linkages to broad organizational goals;
- Focuses decisions on results and outcomes;
- Involves and promotes effective communication with stakeholders;
- Provides incentives to employees.

By following this process, the district budget will serve as (Hartman, 2003)

- A planning system for the district;
- A vehicle for public review and approval;
- A legal basis for spending public funds;
- The basis for control over school district expenditures at all levels;
- A benchmark to evaluate the fiscal performance of the school;
- A means to promote accountability for the school district.

Steps in the Budgeting Process

To accomplish these goals, five major steps should, in general, be carried out: (1) development of guidelines; (2) preparation of the budget document; (3) modification of the original budget; (4) approval of the budget; and (5) management of the budget. The district chief school financial officer (CSFO), as well as the central office business office, will have policies, forms,

and timelines established for this process, and will modify as needed on a year-by-year basis. As an overview of the process, each step is addressed in detail below.

Development of Guidelines

The local education agency (LEA) will require the district to collect information and implement key fiscal management procedures across its local schools and programs; therefore, it is imperative that these guidelines are followed and updated to ensure consistency and efficiency among each school or program. The central office, often the business office, should produce documents to guide the budget development process, including programmatic or fiscal policy initiatives, directives from the school board, community input, and any major changes in school inputs. A message from the superintendent should be developed, which can include the following:

- Expectations from the school board concerning the size, growth, or reduction of revenues, such as a millage increase;
- Changes in community demographics, such as an increase in county birth rates;
- Limitations in expenditure requests, such as restricting the hiring of new personnel;
- Programmatic priorities, such as strategic plan initiatives;
- A schedule of events of dates in the budget process (For a proposed timeline, see chapter in this manual: *Overview of Education Finance in the State of Alabama Sample Timeline and Activities*;
- Guidelines for staff participation in preparing the required forms, the accounting structure, cost estimating procedures, and logistical procedures.

This guideline document is generally similar from year to year, with any specific changes distributed early in the year. The business office may hold informational meetings and training sessions, particularly for new administrators, to ensure budget submissions are uniform and accurate (Hartman, 2003).

Budget Preparation

Estimation of expenditures. While estimation is not an exact science, expenditure estimates are often prepared by individual schools and district-level departments in a bottom-up manner. Expenditure requests from each of these units are to be reviewed, compiled, and built into the budget proposal for the district. Expenditures will generally be adjusted from the prior year based on the guidelines sent earlier.

Estimation of revenues. Estimating revenues is usually conducted in the district's central office. Projections are based on information regarding previous funding sources from the federal, state, or even local level, historical trends, estimates from property taxes, and future assumptions.

Combining expenditure and revenue estimates. The business office will then generally combine expenditure and revenue estimates into a single document to serve as a guide for the following year. Adjustments and modifications will generally be necessary before the budget is complete, and proper forms must be used. According to the *Code of Alabama 1975 § 16-13-*

140, the State Department of Education “shall prepare proposed annual budget forms for each local board of education and shall make the forms available to each local superintendent of education.” Once the appropriate forms are developed by the Alabama State Department of Education (ALSDE), they are then available for school districts to use to complete their annual budget for final ALSDE approval. Proper guidelines and/or instructions are included in the forms and documents created by the ALSDE so the local school district can successfully complete the budgeting process. Please see the ALSDE document [Detailed Budget Instructions FY2023](#), discussed later in this chapter.

Budget Modification

Total revenue is an important estimate, given that it is prohibited for school districts to engage in deficit spending. As a result, the budget must balance, with expected expenditures equaling or being less than expected revenue. According to the *Code of Alabama 1975 § 16-13-140*, “no local board of education, or superintendent thereof, shall approve any budget for the operation of the school for any fiscal year which shall show expenditures in excess of income estimated to be available by the various state and other officials.” If there is a considerable difference between expenditures and revenues, modifications must be made along the lines of the guidelines developed, with the general rule of thumb that any reduction in expenditures should take place as far away from the classroom as possible (Hartman, 2003).

Budget Approval

After the budget has been prepared and modified to balance expenditures with revenues, the local board of education should hold the required number of public hearings before finalizing the budget. Next, it must be submitted to the state superintendent of education. According to the *Code of Alabama 1975 § 16-13-140*:

“(c) Each local board shall hold at least two open public hearings, with a hearing held during a scheduled board meeting at a time and place convenient for the public, and the board shall publicize the date and time of each hearing in the local media.

(d) On or before October 1 each year, each local board of education shall prepare and submit to the State Superintendent of Education the final annual budget adopted by the local board of education, which budget shall be prepared and submitted according to the classifications and items specified on forms provided therefor (sic) and in accordance with the regulations of the State Board of Education.”

Budget Administration

Once the local education agency (LEA) annual fiscal operation budget is approved by the local board of education and state superintendent, it becomes the fiscal management tool for the following year regarding the allocation and administration of human, material, and fiscal resources to guide the district's continuous improvement efforts from October 1 through September 30. During that year, each school and administrative unit should seek to comply with district accounting and reporting practices to ensure they stay on track, report

expenditures, transfer funds to proper accounts, apply correct function, object, and cost center accounting codes, and generate both revenue and cash flow reports. This means that the local superintendent, chief school financial officer, and the local board of education must develop policies and procedures to ensure that proper fiscal operations are in place districtwide to avoid financial mismanagement by staff members. For example, most school districts have implemented their own internal auditing system to ensure all school and central office department accounts are managed efficiently and effectively. In addition, the superintendent and chief school financial officer must develop a communication system and progress monitoring procedures to administer the local budget in case they want to adjust the budget for such issues as a critical need or change in their annual state appropriations regarding a budget reduction, etc.

Required Reports. The budget administration itself requires several reports, as defined by §16-13A-6 of the *Code of Alabama 1975*, noting:

(a) The State Board of Education shall, by regulation, provide for various financial and other information that local superintendents of education shall have prepared for the local boards of education, including, but not limited to, the following:

(1) A monthly financial statement showing the financial status of the local board of education accounts with itemized categories specified by the State Board of Education.

(2) A monthly report showing all receipts and the sources thereof.

(3) A monthly report showing all expenditures with itemized categories specified by the State Board of Education.

(4) An annual projected budget.

(5) Monthly and/or quarterly reports showing expenditures relative to such projected budget.

(6) A yearly report of the fixed assets inventory of the local board of education with itemized categories specified by the State Board of Education.

(7) Financial and other information necessary to participate in national statistical studies on education.

(b) The financial information required in subsection (a), as well as any other financial information that the State Board of Education shall require, shall be submitted in writing and/or electronically to the Chief Education Financial Officer by the 15th day of the month following its presentation to the local board of education.

(c) All local boards of education shall be required to implement a standardized financial accounting program as determined by the State Department of Education to collect the information required by this chapter and to provide for ease of input by local boards of education and ease of monitoring by a local board of education, its chief school financial officer, and the State Department of Education.

(d) All financial documents, in whatever source maintained, are public documents, and shall be open to inspection and accessible to the public. An annual budget and monthly financial statements with supporting spreadsheets, as submitted to the Alabama State Department of Education, shall be made available to the general public on the local school system's website.

For specific forms for reports used in building the budget, see <https://www.alabamaachieves.org/lea-accounting/>

Finally, **it is crucial that proper finance and accounting procedures are followed at every level of the school district.** Many accounts and funds are managed by local school staff, and the local school will take in cash and other sources of revenue that must be reconciled properly. The school district must ensure that all faculty and staff members managing funds follow proper procedures. Training for all members handling or managing funds, such as teachers, coaches, parent organization sponsors, and front office administrators, to ensure that proper practices are used. For example, coaches must know that they cannot enter into or sign any contract not approved by the school board. For examples of common mistakes made by school personnel and districts, see the state's school audit findings at <https://www.alabamaachieves.org/lea-accounting/>.

Additional Information on LEA Annual Budget Planning and Development

For more information regarding the LEA annual budgeting planning and development process, please see the section entitled "Local Education Agency (LEA) Annual Budget" within the *Public Education School Finance in the State of Alabama* chapter of this manual.

Overview of Financial Procedures for LEAs and Local Schools

The following are brief outlines of procedures for maintaining the record-keeping of the budget, taken directly from the document [Financial Procedures for Local Schools \(Alabama State Department of Education, 2010\)](#). More specific information can be found in that document, and the excerpts provided should be of interest to both campus and district staff and administrators.

Receipting Funds

Given that several people are often involved in collecting school funds, it is extremely important that standardized and enforceable procedures are used. The more people involved in the collection of school funds, the more chances there are for error. It is important that manual receipts use prenumbered documents and log sheets and that automated receipts are protected with daily backups and security features such as firewalls and passwords.

Master Receipts. Master Receipts are records of a receipt or group of receipts that verify the receipt amount at the time funds are received. The person presenting the funds should wait for a Master Receipt to be issued and verify the information before leaving the office. Master Receipts are issued in the school office by an individual assigned by the principal or designated by job description as responsible for collecting school funds. A manually prepared Master Receipt must be a pre-numbered duplicate receipt book or record. Master Receipts should be completed and issued in numerical order at the time funds are received. Because only one Master Receipt book or record is to be in use at a time, all pre-numbered receipts in a receipt book or record should be issued before another Master Receipt book or record is put into use.

Master Receipts cannot be pre-signed or stamped and must contain the original signature of the person receiving the funds.

Teacher Receipts. Receipts for activities of teachers should follow procedures similar to those listed above, including providing a receipt with the student's name, amount, purpose, and signature of the teacher or person collecting funds and issued from a pre-numbered book with a duplicate copy.

Banking

Bank Account. The selection of a banking institution for school funds should involve a comparison of the operating features of various banks. Alabama banking institutions often accommodate local schools by waiving fees and providing banking features not available to individual customers. A school should have no more than one checking account. Establishing separate bank accounts is not necessary to avoid co-mingling of public and non-public funds. Funds not needed for current operations, whether invested in certificates of deposit, money market accounts, or savings accounts, must be recorded in the school's accounting records and included in the school's financial statements.

School funds must be maintained in a Qualified Public Depository (QPD). A QPD is an Alabama banking institution that provides protection for school funds under the Security for Alabama Funds Enhancement Program (SAFE), administered by the Alabama State Treasurer's office. At the end of each fiscal year, the bank should be required to provide a letter confirming that all school funds are listed on the bank's records as SAFE Program Accounts.

Deposits. School funds must be deposited in a timely manner, usually daily. If the deposit cannot be made before the bank closes, a locked night deposit bag should be used to secure the funds in the bank's night depository. To allow for time each day to prepare the daily deposit, the principal should establish and enforce reasonable timeframes for teachers to bring their daily collection of funds to the office and receive a Master Receipt. The following procedures are recommended:

Pre-printed, duplicate deposit slips should contain the name of the school account and the bank account number. When the Master Receipt is written, payments received by check should be endorsed with the words "For Deposit Only" along with the name of the school bank account and bank account number. The deposit slip should contain the Master Receipt numbers of the funds deposited and the date, and the deposit should total the amount indicated on the last Master Receipt. The bank should authenticate the duplicate deposit slip at the time of deposit. The duplicate deposit slip (and the bank's deposit confirmation, if provided) must be retained for audit.

School Income

Reporting of Sales Tickets. Tickets should be sold at all events where admission is charged. Admission events include football, basketball, baseball, softball, volleyball, soccer, wrestling, swimming, track, and other athletic events, as well as beauty pageants, dances, theatrical performances, talent shows, carnivals, festivals, and other school-related events. Pre-numbered tickets may be printed for a specific event or may be sold from a roll of generic tickets. If generic tickets are sold for seasonal events like football or basketball games, ticket colors should be alternated. Security practices, such as having a ticket collector tear tickets in half, may be necessary at some events to avoid the re-use of tickets by entrants to the event. The ticket collector should not be the ticket seller.

A report of ticket sales form must be issued for each individual selling the tickets at the time the tickets are provided to the individual for the event. A Master Receipt should be issued to an individual for the cash collected from ticket sales. A separate Master Receipt should be issued for Change Cash. An Attorney General Opinion stated that the local school board could authorize complimentary passes to certain individuals, provided the granting of the passes furthers and enhances school purposes. A principal cannot issue complimentary passes without the express authority of the local school board. Public employees, officials, and their family members who receive a complimentary pass are responsible for compliance with the State Ethics Law.

Fundraising. Each principal must approve school fundraising activities conducted by students, teachers, school employees, or school-related organizations. The local school board may exempt school-related organizations from this requirement if the organization's activity is not under the principal's control. Elementary school students must not be involved in any door-to-door solicitations or sales. No fundraisers may sell foods of minimal nutritional value during the school day. A form requesting authorization for a fundraising activity must be approved by the principal prior to the start of the fundraising activity.

Commissions. Many local schools contract with vendors for school pictures, class rings, yearbooks, book fairs, and vending machines. Although some local school boards have system-wide contracts for all the schools, other school boards leave the decision to the principal of each school. The contract with the vendor allows the school to be paid by check for the activity and avoids the collecting, receipting, and depositing of cash and personal checks by the school. The contract should be written to provide the school with substantially the same net income as if the school handled all the activities. A vending contract should require the vending company to furnish statements that identify the count of items stocked in the machines with each delivery. A school employee will verify the stocked items. Using the statement of stocked items to calculate the expected profit from the machines will determine if the school is receiving the expected income from the vending company. Foods of minimal nutritional value may not be sold during the school day.

Concessions. Concessions include event concessions, school concessions, and school stores. Because all concessions involve cash, and neither cash receipts nor tickets are used to control the exchange of money, proper accounting for the sales of products and income is essential. Ideally, a cash register would be used to account for the cash collected. The purchaser would receive a cash register receipt, and the cash register would generate a record of sales. An inventory of items purchased, items sold by sales price, and items unsold should reconcile to the cash collected.

Purchasing

Purchase Orders. The principal should approve all expenditures that will be paid from school funds. A purchase order allows the principal to approve expenditures prior to purchase. A purchase order provides protection to the vendor for not charging Alabama sales tax on the school's purchases. A completed, pre-numbered purchase order should be approved by the principal before purchasing materials, supplies, or equipment. A purchase order register should be maintained to account for purchase orders.

Although purchases made by individual schools from funds other than those raised by taxation or received through appropriations from state, municipal, or county sources are generally exempt from the bidding requirements of the Alabama Competitive Bid Law, such purchases can come under the state bid requirements if any portion of the expenditure is derived from a governmental source.

Plans for proposed land improvements, building improvements, repairs, renovations, or construction of buildings or facilities on school property should be submitted to the school superintendent. Approval, notification, or inspection by state or local agencies may be required, even if expenditures are paid by other organizations or individuals.

Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have the approval of the school superintendent and board before the services begin.

Invoices. An invoice should be obtained for each purchase before payment is made. An IRS Form W-9 should be completed and maintained on file for each individual or vendor that qualifies for IRS Form 1099 reporting. The vendor invoice should include the date, the pre-printed name and address of the vendor, a description of the purchase, an itemized listing of items purchased and item price, shipping and handling charges, and the total amount of the purchase. If a vendor without a pre-printed vendor invoice provides items or services, the vendor should sign an invoice containing the same information. Unless provided in another document, the school employee receiving the items purchased should sign the invoice. If the invoice is for services, the responsible school employee should sign the invoice after verification of the services provided.

Expenditures

Payments for school expenditures should be made from the school's checking account; however, local board financial policies may authorize cash refunds to students with proper internal controls. The principal should sign all checks. No signature stamp may be used in place of the principal's signature on the check. The principal is responsible for the security of signature plates if used in place of manual signatures. Local board policy may provide for co-signatures or a designee to sign checks in the principal's absence. The school bookkeeper should never be the sole signatory or allowed to sign on behalf of the principal.

Academic Incentives

Amendment 558 of the Alabama Constitution permits the use of public funds to promote educational excellence by students. Students may receive food items (but not foods of minimal nutritional value), school supplies, admissions, T-shirts publicizing school academic accomplishments, and other tangible incentives for attendance, honor rolls, test scores, and other academic achievements. Academic excellence may also be recognized with plaques, trophies, and award banquets. Academic incentives with a significant monetary value may be provided to a group of students or by selecting individual recipients. (Scholarships and tuition for programs outside of the school's academic program are not permitted.) Procedures for providing academic incentives with a significant monetary value to students should be established before the incentive recipient is determined and should include the following:

1. Action required for a student to receive an incentive;
2. Relationship of the required action to educational excellence;
3. Description of the planned incentives (laptop, cash, gift card, etc.);
4. Value of planned incentives, if known;
5. Process for determining the incentive recipients.

Academic incentives, whether purchased with school funds or donated by other entities or private sources, should be secured until provided to the incentive recipients. The student receiving the incentive should sign a form documenting the student's receipt of the academic incentive, excluding those items of insignificant value. The school official giving the incentive to the student and a witness should also sign and date the form.

School Related Organizations

Most public K-12 schools in Alabama operate under the accreditation standards of the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS/CASI). Within the most recent Accreditation Standards that became effective July 1, 2022, Standard 15 denotes that "Learners' needs drive the equitable allocation and management of human, material, digital, and fiscal resources." The key element(s) of the Standard is for professional staff members to analyze learners' needs using current trend data to make adjustments in the allocation and management of human, material, digital, and fiscal

resources to ensure equity for learning. For a copy of Cognia's Accreditation Standards, please visit <https://www.cognia.org/> and click on the Accreditation and Certification tab.

The determination that a particular club or organization is a school activity must be made on a case-by-case basis according to the facts and circumstances of the club or organization's operations at a school. The fact that an organization would not exist without the school it supports has no bearing on determining that the organization is a school activity; however, the purpose of these Guidelines for School-Related Organizations is to assist these organizations, school officials, school bookkeepers, auditors, and other agencies in determining the proper accounting for school-related organizations.

Student Organizations. Student clubs and classes are usually recognized as school activities. The student officers and faculty sponsor operate the organization, while the school principal acts in a fiduciary capacity over the organization's funds. The school's accounting records contain a separate account to record the financial operations of each student organization. Income from the student organization is recorded by receipts and deposited in the school bank account. The school principal approves the purchase orders, signs the checks, and maintains the supporting documents for the expenditures.

Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, they have a separate employer identification number (EIN) and a separate mailing address and maintain their own records and accounts.

Athletics. School athletics are extra-curricular activities that must be under the control of the school principal. Coaches and other school employees cannot maintain a separate bank account that supports or benefits from a school extra-curricular activity. Funds received to support an athletic activity at a school from sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the school principal. Funds from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records; however, a separate account for each sport is not required. When athletic events are held on locations other than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location.

Parent Organizations. Parent and parent/teacher organizations play a vital role in the education of students. The PTA and the PTO are the most common parent organizations in Alabama public schools. Each national organization publishes guidance for the financial operations of the individual school organizations. These organizations must have a separate employer identification number (EIN) and a separate mailing address to maintain their own records and accounts outside the control of the school; however, these organizations will become school activities if both parties mutually assent to the fiduciary control of the principal,

and a school employee leads fund-raising or maintains the accounting records for the organization.

Booster Organizations. All school-sponsored extra-curricular activities must be under the control of the school; however, booster organizations are often formed to support the operations of these activities in a variety of ways. While providing additional financial support for a particular extra-curricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all the students at a school. Because some of the activities of a booster organization may be intertwined with the extra-curricular activity it supports, some of the organization's activities may be under the control of the school principal, while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the facts and circumstances of the organization's operations at a school. These organizations must have a separate employer identification number (EIN) and a separate mailing address in order to maintain their own records and accounts outside the control of the school. However, these organizations will become school activities if the following conditions are met:

1. Both parties mutually assent to the fiduciary control of the principal,
2. A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization, or,
3. A school employee leads fundraising or maintains the organization's accounting records.

Student Payments

Student Fees. Several state laws and administrative rules of the State Board of Education restrict the collection of fees from students:

The Code of Alabama, 1975, § 16-13-13 Fees for courses. It is the intent of the Legislature that no fees shall be collected in the future in courses required for graduation. In courses not required for graduation, local school boards may set reasonable fees for courses requiring laboratory and shop materials and equipment, provided, however, that such fees shall be waived for students who cannot afford to pay the fee. Any funds collected in fees shall be spent on the course for which the fee was levied. This section shall not be construed to prohibit community groups or clubs from fundraising activities, provided, however, that students shall not be required to participate in such fundraising activities.

The Code of Alabama, 1975, § 16-6B-2 Core curriculum. (a) The following words and phrases used in this section shall, in the absence of a clear implication otherwise, be given the following respective interpretations: (1) REQUIRED COURSES. Courses which are required to be taken by every student enrolled in public schools in the State of Alabama.

The Code of Alabama, 1975, § 16-10-6 Incidental fees in elementary schools. No fees of any kind shall be collected from children attending any of the first six grades during the school term

supported by public taxation; provided that any county or city board of education shall be authorized to permit any school subject to its supervision to solicit and receive from such children or their parents or guardians voluntary contributions to be used for school purposes by the school where such children are attending; provided further, that the provisions of this section shall in no way affect or restrict the right or power of a school board to fix and collect tuition fees or charges from pupils attending schools under the jurisdiction of such board but who live outside the territory over which such board has jurisdiction.

Alabama Administrative Code, 1975, 290-3-1-.02 Driver Education. (a) No fee shall be charged to any child whose family is unable to pay the fee. (b) The amount of the course fee shall be established before the enrollment of students in the driver education course. (c) The amount of the driver education course fee approved by the local board of education cannot exceed the anticipated local costs of the driver education course. (d) Each board of education shall establish criteria by which the ability of families to pay the fee may be determined. (e) Local boards of education shall take reasonable steps to ensure that students qualifying for no fee, or a reduced fee, are identified. [Revised effective May 2014.]

In reading the guidance above, it can be noted that academic fees during the regular school term (excluding driver education) may only be charged for materials and equipment used in instructional courses and that the fees collected may only be used in the course for which the fee was collected. Actions against a non-paying student, such as withholding grades, report cards, transcripts, academic recognitions, and graduation activities, are prohibited; however, state laws governing textbooks may require the withholding of additional textbooks for a student due to unpaid lost or damaged textbook fines. (See Alabama Code § 16-36-69).

Donations and Voluntary Contributions. Voluntary contributions may be requested for various items purchased by the school that are used by students in academic courses and classes, including workbooks, supplemental instructional materials, lockers, sheet music, and materials for other academic purposes. The voluntary nature of the contribution must be clearly stated in the request for the contributions. Non-payment of requested contributions cannot be used against a student, and the student must be provided the same instructional items as if payment was made on behalf of the student.

Donations may be requested for specific school purchases, including janitorial products, cleaning supplies, paper products, copier expenses, software maintenance, and other school purposes. The voluntary nature of the donation must be clearly stated in the request for the donation. Non-payment of requested donations cannot be used against a student, and the student must be provided the same instructional items as if payment was made on behalf of the student.

Donations may be requested for general school purposes, including communication services, additional personnel services approved by the school board, playground upkeep, equipment, maintenance, student lunches, etc. The voluntary nature of the donation must be clearly stated

in the request for the donation, and a student must be provided with the same instructional items as if payment was made on behalf of the student.

- Schools that allow events during the school day that charge admission to students should provide admission to a non-paying student to avoid subjecting the student to embarrassment or ridicule.
- Teachers have no authority to request or accept student fees, contributions, or donations without the principal's approval unless directed by the local superintendent. The principal or the local superintendent should approve requests to collect school fees, contributions, and donations.
- Actions taken against a student for non-payment of student fees, contributions, or donations, including the withholding of grades, report cards, transcripts, diplomas, honor rolls, participation in graduation events and student recognition events, membership in honors organizations, and other actions that would subject the student to embarrassment or ridicule, are prohibited.
- The local school board office can provide guidance on collections from students for meals, snacks, and refreshments; library fines; student parking; charges for participating in extra-curricular activities; summer school; daycare; weekend; before school and after school programs; dual enrollment programs; tutoring; and requests for donations from school vendors.

Field Trips. Teachers often request approval to take students off campus during the school day to enhance academic content and fulfill the course curriculum. Voluntary contributions may be requested to pay the costs of transportation, meals, or admission charges. The voluntary nature of the contribution must be clearly stated in the request for the field trip costs. Non-payment of requested contributions cannot be used against a student, and the student must be provided with the same participation as if payment was made on behalf of the student.

Field trips during the school day cannot generate a profit but may establish a per-student amount that exceeds the individual student costs to provide the funds for the non-paying students if the costs for the non-paying students are not paid by private sources or non-public school funds. Additional costs should be considered when establishing the per-student field trip amount to accommodate special needs students.

Documents providing information about the field trip to parents and guardians should include information on the disposition of excess field trip funds paid for the students, including the cancellation or postponement of the field trip, a student's inability to participate in the field trip due to absence, illness, or disciplinary action; and requirements to receive a refund for the field trip payment.

The local school board office can provide guidance on student meals, transportation, and approval procedures. School board policies may place limitations and restrictions on school field trips.

Student trips that extend overnight, are held outside of school hours, or are held on a day that school is not in session are considered extra-curricular activities. Generally, extra-curricular activities are not subject to the requirement to provide participation for non-paying students. *Source for above material:* [Financial Procedures for Local Schools \(Alabama State Department of Education, 2010\)](#)

General Budgeting Instructions

In addition to the reporting procedures noted above, a few general budgeting instructions may be highlighted. For a more detailed list of budgeting instructions, see 'Detailed Budget Instructions' on the ALSDE website: <https://www.alabamaachievers.org/lea-accounting/>. The following are instructions from that document:

1. Salaries: Teacher Salary schedules must be at least 100% of the state minimum salary schedule. Instructional salaries for certificated personnel budgeted from the Foundation Program must be equal to or greater than salaries calculated in the Foundation Program allocation. The Budget for Career/Technical Education from State funds must be at least equal to expenditures of State funds for Career/Technical Education in FY 1995. *These requirements do not apply to start-up Charter schools.*
2. Amounts in the budget must be reflected to the penny.
3. The 'desk review' should be reviewed and followed when preparing the budget to minimize corrections needed for budget approval. Budget files containing "critical errors" will not be accepted into the ALSDE database or considered as submitted. Accurate budgets must be received by September 15th.
4. Only valid code combinations should be used. Note: If you need additional levels of detail that are not provided for, you may use a code that is not listed, but ONLY if you set the "roll up" to go to a valid code when it is submitted to the ALSDE.
5. Salaries and benefits must be budgeted from the same source of funds.
6. All local school budgets must be included in the system-wide budget.
7. Flexibility among line items may be exercised on any state funds allocated by formula using the Notification of Intent to Exercise Flexibility form; however, flexibility should not create a reduction of earned units and/or local board of education personnel. There are areas that are not subject to flexibility, including Home Instruction for Parents of Preschool Youngsters (HIPPY), Career and Technical Education (CTE) Extended Contracts, Advanced Placement, CTE Operations and Maintenance Funds, Alabama Reading Initiative, and National Board Certification of Teachers, and Library Enhancement.
8. Foundation Program units may be assigned to another school. If foundation units from a Title I school are assigned to another school, then additional federal units cannot be used to replace the state units that were transferred. The Assignment of Foundation Units form must be submitted with the budget if exercised.
9. Special Education Maintenance of Effort: If only local funds are used to meet the maintenance of effort requirement, the amount either in total or per capita must be greater than or equal to expenditures when compliance was last met with local

funds only. State and local funds, either in total or per capita, may continue to be used to meet the maintenance of effort requirements. The budget will be compared to the most recent fiscal information available.

Public and Non-Public Funds

Budgeting also requires an understanding of what funds can be used for which purposes. Generally, funds fall into two categories: public and non-public. Public funds are received from public (tax) sources, or those received from non-tax sources but used for public purposes (Ramirez, 2013; Sorenson & Goldsmith, 2017). Non-public funds are not received from public (tax) sources, are not used for public purposes, are subject to the intent and authorization of the school organization’s members, officers, and sponsors, and are generally not used for the general operations of the school. Public funds are usually under the direction of the school principal, while non-public funds are not. Below is a comparison of public vs. non-public funds sources.

Public Fund Revenue	Non-Public Fund Sources
<ul style="list-style-type: none"> • Admissions • Appropriations • Commissions • Dues & Fees* • Fines & Penalties • Grants • Sales 	<ul style="list-style-type: none"> • Concessions • Dues & Fees self-imposed by clubs/classes • Fund Raisers • Donations • Accommodations

* May be Non-Public or Public depending on situation

Each school will have a non-public activity account for each funding organization. The principal cannot use or transfer non-public activity funds without the approval of the organization’s officers or sponsor. Each month, a report should be sent to the organization’s officers or sponsor for the operations and balances.

Allowable Expenditures

Non-public funds may be transferred to public funds, but not vice versa. In addition, a non-public account is not allowed to have a deficit. If non-public receipts are comingled with public receipts, they all become public. As a rule of thumb, if there is a doubt about the type of fund, it is most often public.

In addition, under Alabama Amendment No. 558, public funds may be used to recognize significant academic achievement or contributions to education to promote educational excellence by students, faculty, staff, and the public. This may include trophies, plaques, banquets, or other honors. Such incentives must be documented with the relationship of the expenditure to educational excellence, a description of the incentive, the value of the incentive,

and the process for determining the incentive recipients. For incentives of significant value, signed documentation of the student’s receipt of the incentive should be maintained. This should include signatures of the student, school official(s), and a witness.

Below are some examples of allowable and unallowable expenditures. In general, public funds are to be used for expenditures dealing directly with instructional activities or with the normal operations of the school.

Public Fund Allowable Expenditures	Public Fund Unallowable Expenditures
<ul style="list-style-type: none"> • Professional Development Training • Refreshments for an open house at a school where the public would attend • Pregame/Postgame meals for student athletes and coaches (NOT Principals or spouses) • Meals for faculty and staff for a meeting that extended into lunch hour and food had to be provided for the meeting to continue • Membership in professional organizations • School landscaping, maintenance, furnishings, and decorations • Transportation to events related to a school-sponsored activity • Academic incentives for students • Athletic and band uniforms for students participating in school activities 	<ul style="list-style-type: none"> • Food for teachers’ lounge or social gatherings • Beginning of year breakfast with faculty & staff or Winter Break luncheon • Championship rings • Scholarships for students to be used after graduation • T-shirts for office staff • Staff holiday parties/gifts, cards • Donations to any organization • Dues to private clubs (Rotary, Kiwanis) • Flowers for secretary week, or get-well flowers

Examples surrounding the purchase of food items from Public Funds are provided below:

Public Funds Food Purchase YES	Public Funds Food Purchase NO
<ul style="list-style-type: none"> • All-day Professional Training Meeting • Open house • Student pizza party as reward for studying and performing well on assessment • Meetings that go past the meal hour and would impede progress to stop. 	<ul style="list-style-type: none"> • After school staff meeting • Staff meeting the day before school starts • Candy to hand out in office or for teachers’ desks

- Athletic recognition banquet for coaches and students

Schools may not use public funds to finance the operation of non-public activities. Principals are aware that they must spend their funds appropriately and should closely monitor all expenditures from their local accounts and ensure that funds are available prior to committing them. Principals cannot spend monies from activities where no funds exist and are responsible for all transactions. It is highly recommended that local school accountants are to make a minimum of four visits to each school every 12 months, to review the school's backup information to their monthly financials, to monitor school practices, and to provide one-on-one training for the bookkeeper, secretary, and principal. If certain accounts, such as booster accounts, are not maintained on the financial records, the board of education should encourage booster organizations with significant amounts of receipts related to athletic events to be maintained in the related local school's accounting records. For example, gate receipts for baseball games at a public school should be deposited into the athletic funds at the school and not held by the baseball booster organization.

Further Resources

Many resources are available from the Alabama State Department of Education. For brevity, some are highlighted here that may help cover with more detail some of the issues discussed in this chapter. For information on district financial procedures, see the ALSDE website on LEA Fiscal Accountability: <https://www.alabamaachieves.org/lea-fiscal-accountability/>. Here, several forms provide useful information, including the following:

- [Educational Accountability](#): A document outlining sound and unsound financial conditions of schools.
- [Audit Findings](#): A list of issues that schools have faced regarding proper financial administration and budgeting. Many of these examples show common areas where schools and districts may make mistakes or break the law.
- [Local School Financial Procedures](#): A comprehensive manual of procedures for assuring sound financial and accounting practices.
- [State Examiners Update on Local School Finance](#): A presentation highlighting several financial procedures that are commonly mistaken by schools and districts.
- [SDE Presentation Financial Procedures for Local Finances](#): A presentation giving common examples of financial procedures, including the difference between public and non-public funds.

A second area with several helpful resources is the LEA Accounting section on the ALSDE website: <https://www.alabamaachieves.org/lea-accounting/>. Several forms provide useful information, including the following:

- [Budget Hearing Instructions](#): An outline of running a budget hearing.

- Budget Submission Checklist: Provides an overview of all the forms needed prior to budget submission. Helpful in organizing and planning the budget.
- Detailed Budget Instructions: An outline of several aspects needed to be addressed within the budget.
- Accounting Manual: A full manual covering accounting practice, procedures, codes, and processes to be handled by bookkeepers, the business office, and the CSFO.

See these school sites for sample Local Education Agencies (LEA) Proposed Comprehensive Annual Budgets

Pike Road City Board of Education Proposed Annual Comprehensive Budget Packet

Elmore County Board of Education Proposed Annual Comprehensive Budget Packet

Baldwin County Public Schools Proposed Annual Comprehensive Budget Packet

Auburn City Board of Education Proposed Annual Comprehensive Budget Packet

See these school sites for sample Local Education Agencies (LEA) Approved Comprehensive Annual Budget

Dothan City Board of Education Approved Annual Comprehensive Budget

Wilcox County Board of Education Approved Annual Comprehensive Budget

See these school sites for sample Local Education Agencies (LEA) Annual Summary Documents

Mobile County Board of Education

Tuscaloosa City Schools

Russellville City Schools

Florence City Schools

See this school site for a Sample Local Education Agency (LEA) Annual Budget Hearing Presentation

Auburn City Schools FYI2023 Public Budget Hearing

See these school sites for Sample Local Education Agencies (LEA) Financial Manuals

Blount County Schools Finance Accounting Procedures (2018)

Bullock County Schools Business Services Manual (2022)

Mountain Brook City Schools Finance Procedures (2022)

Tuscaloosa City Schools Financial Procedures Manual (2021)

Clarke County Board of Education Financial Procedures Manual (2023)

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CHAPTER 4: REVENUE SOURCES FOR ALABAMA SCHOOL DISTRICTS

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Introduction

School districts in every state receive revenues from local, state, and federal sources, and each funding source comes with varying degrees of flexibility.¹ Federal dollars, for example, are often dedicated to specific programs or are allocated for targeted support of students. Conversely, school districts have much more discretion in how they allocate revenues from local tax sources, and state funding includes a mix of program-specific funding and more broad base revenue. The amount and relative mix of funding varies by state and has changed drastically over time.

Within the academic literature, researchers have long agreed that where revenues came from and how that money was spent mattered (Ferguson, 1991; Picus, 1995; Baker, 2017), and recent evidence has shown that more money yielded better outcomes for students, especially those from disadvantaged backgrounds (Jackson et al., 2014; Jackson et al., 2015). Through their experiences in K-12 classrooms, public school practitioners have long understood the importance of funding, as more financial resources allow for greater educational opportunities through better professional development, high-quality educational materials, or increased pay (Baker, 2017).

Given the importance of funding, this chapter focuses on the sources of revenue for public school districts, providing both the historical context for—and current snapshot of—local, state, and federal funding. These sources of revenue have varying degrees of flexibility and can be sensitive to political and economic forces, as evidenced by how school funding was impacted by the two most recent recessions (Shores and Steinberg, 2022). Thus, it is vital for public school leaders to understand these funding mechanisms since they can dictate how much money is available, how that money can be spent, and how both of those can change from year to year.

This chapter, written for Alabama public school practitioners, focuses on Alabama public schools and the state's school finance system. It provides a national perspective, comparing Alabama to other states to highlight common challenges and opportunities. In addition, it investigates why and how Alabama is unique in funding K-12 education.

The chapter is organized as follows. A brief history of public school funding in the U.S. and how it evolved from a local responsibility to one shared among local, state, and federal governments follows the introduction.² Next, an overview is provided to showcase how public school revenues have changed over time, and details are included about the local, state, and federal sources of funding for school districts. Finally, an overview of the current levels of funding across the U.S. and within Alabama is provided.

¹ Hawaii comprises of only one school district, and thus, only receives state and federal funding.

² For a more thorough historical perspective with extensive legal analysis, see Harvey (2001b).

A Brief History of Funding Schools in the U.S.

Providing Public Education is a State Function

Prior to the ratification of the U.S. Constitution, some early state constitutions included various provisions for education. Mainly, education in the original colonies was legislated at the local level, often tied to religion, and not universally accessible (Haubenreich, 2012). States allowed local communities to create public schools, with some even granting those communities the authority to levy taxes for free education, though these taxes generally paid for schooling that was reserved for “indigent” families (Augenblick et al., 1997).

When the U.S. Constitution was signed into law, it did not mention education. Scholars have debated why education was not included (Moroney, 1999; Haubenreich, 2012), especially since most of the founders were major proponents of public education (Walsh, 1993).³ Instead, the Constitution provided Congress taxing power to pay for “the common defense and general welfare” (U.S. Const. art. I, § 8), and while education was generally considered part of the general welfare, it was not specifically named in the Constitution. The Tenth Amendment of the Bill of Rights left all “powers not delegated to the United States by the Constitution, nor prohibited by it” to the states (U.S. Const. amend. XII), so education became primarily a state responsibility (The Federal Role in Education, 2021).

Growth of Public Schools and Reliance on Local Revenue Sources

Through the first half of the 19th century, local jurisdictions—especially in the Northeast—developed their own primary schools, often called “common schools” (Kober and Rentner, 2020). Funding for common schools varied by district and was drawn from a mix of public and private sources. In some districts, parents paid a “rate bill,” while in other districts, public funds either partially or fully supported the provision of education (Goldin, 1999). By 1835 in New York, for example, local taxes comprised nearly 40 percent of all public education spending (tuition and “rate bills” covered the rest) (Go and Lindert, 2010). As the U.S. expanded its geographic footprint to the west and south, states adopted the Northeast model, though school districts in these states tended to be smaller and more rural.

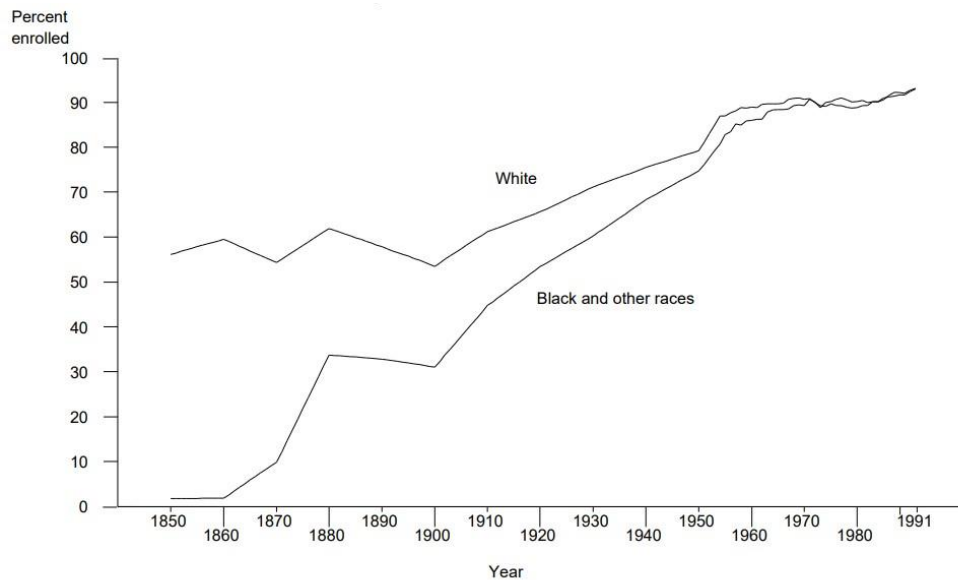
After the Civil War, most states shifted to a publicly funded education system for all children and delegated taxing powers to school districts or other local jurisdictions (i.e., cities or counties). States also passed compulsory attendance laws⁴ and abolished the use of “rate bills.” (Clay et al., 2012; Uhrig, 2021). These efforts led to drastic increases in school attendance in the latter half of the 19th century and the beginning of the 20th century, and with that increase, the proportion of education spending that came from public funds rose from 57 percent to nearly 80 percent (Fishlow, 1966). Figure 1 shows this rise in enrollment, as well as the disparate access to public schools for non-White children.

³ George Washington, in fact, tried to advance a National University with funds from his last will and testament (Castel, 1964; Thro, 1989).

⁴ Alabama’s compulsory attendance law was passed in 1915 (Snyder, 2005).

Goldin (1999) notes that these systems still had “gaping holes,” as access was more difficult for girls and children with special needs, and Black children were educated in segregated schools that received fewer resources (Goldin, 1999; Kober and Rentner, 2020). Nevertheless, the U.S. had moved from a system of private schooling for those who could afford it to a more egalitarian system of education funded primarily by local property tax revenues (Addonizio, 1997).

Figure 1. Proportion of school-aged children who were enrolled in public schools, 1850-1991



SOURCE: U.S. Department of Commerce, Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970*; and Current Population Reports, Series P-20, *School Enrollment - Social and Economic Characteristics of Students*, various issues.

Problems with Relying on Local Funding

State contributions to public education remained low through the first part of the 20th century. From 1890 to the mid-1930s, the local government provided 75 to 80 percent of funding for public education, with states funding the remainder (the federal government’s portion was less than 1 percent) (Snyder, 1993). Nearly every state had a permanent fund or endowment by which they could support schools, but these dollars constituted a very small proportion of overall school funding. Only 36 of the (then) 48 states levied a tax for funding schools, and the source of tax revenues varied greatly across states (Fletcher, 1928). Most (27 states) levied a property tax, and 13 taxed corporations. Otherwise, states supported public education through taxes on business and occupation, severance, inheritance, poll, tobacco, income, and gas (Fletcher, 1928).

At the same time, observers had begun to highlight problems with relying solely on local sources to fund public schools (Verstegen and Knoepfel, 2012). Ellwood Cubberly, a pioneer in education administration, noted in 1906 that there was an unequal ability to raise funds across local jurisdictions. He stated that a “slight effort for one community is an average load for another and an excessive burden for a third” (Cubberly, 1906). Despite calls for more state

funding, the local property tax remained “firmly ensconced as the primary source of revenue for public elementary and secondary schools” (Walker, 1984).

Great Depression Ushers in State Support

The Great Depression hit, and a loss of income led to widespread inability to pay property tax bills, the amount of which was declining because property values were dropping. This was a twofold “hit” on property tax revenue since those who could pay were paying less, and a non-trivial portion of property owners could not pay. Because schools were the largest expense for localities, they were hit particularly hard by this decline. School spending declined by as much as 20 percent (Hendrick, 1972). Many schools shortened the school year, teachers went without pay (or experienced drastic pay cuts), and special programs like music were eliminated from the curriculum. Nearly 2,000 schools in 24 states did not open in the fall of 1933, and that number rose to 20,000 in the next year (Hendrick, 1972; Education 1929-1941).

The Great Depression changed the public school landscape in two major ways. First, smaller school districts were consolidated into larger school districts to take advantage of economies of scale. By 1930, the federal government’s Office of Education estimated that there were 128,000 school districts in the U.S.; by 1950, there were only 83,642, which declined to 15,987 by 1980 (Kenny and Schmidt, 1994). Now, there are approximately 13,000. Second, state support for public schools increased following the Great Depression. States were confronted with collapsing local governments (especially school districts), and most implemented broad sales or income taxes to keep school districts afloat (Walker, 1984), which Alabama did in the 1930s (Harvey, 2001b). By 1935, the state share of public education funding had risen to 29 percent and continued to increase; since then, it has never fallen below 30 percent, on average, though this varies widely across states (Augenblick et al., 1997).

Federal Government Role Expands

The federal government established a Department of Education in 1867, but its role was limited in financing elementary and secondary public education. This remained the case through the 1930s when federal government funding accounted for less than 1 percent of school revenues (Walker, 1984). Federal aid grew slowly over the next two decades, but it was still a small proportion of total funding and was primarily dedicated to “vocational education (about \$28 million), school lunches (about \$92 million), federal dependents (about \$29 million), and Native American children (about \$15 million)” (Kaestle and Smith, 1982).

With the passing of the *Elementary and Secondary Act* of 1965 and other legislative initiatives, the federal government expanded its role through specific grant programs that deliver money to school districts through state agencies (Capsalaspri, 2017). Specifically, *Title I of the Elementary and Secondary Education (ESEA) Act of 1965* led to “unprecedented” federal support for providing education for socio-economically disadvantaged students (Kaestle and Smith, 1982). Following ESEA, federal dollars as a proportion of total spending on education rose to 9 percent in the early 1970s (Snyder, 1993) and remained at nearly 10 percent through

the beginning of the 1980s (Berne, 1988; and Miller, 1997), even though the U.S. Department of Education was elevated to the cabinet level (Snyder, 1993).

Three Waves of Court Cases and State School Finance Reform

Because property taxes were the primary source of local funding for public schools, the resources available to school districts were a function of a community's property wealth (Murray et al., 1998). This wealth was unequal across communities due to both community preferences and public policies. Consider, for example, how property values were affected by public policies like land-use regulations (Jaeger, 2006), access to open spaces like parks (Geoghegan, 2002), or proximity to public transportation (Weisbrod and Ben-Akiva, 1980), not to mention more sinister public policies like red-lining (the systematic denial of services such as mortgages, insurance, loans, etc. based on race or ethnicity) or access to public housing (Rothstein, 2017).

As a result of unequal property values, local funding was inherently unequal across school districts, and beginning with *Serrano v. Priest* (1971), states faced a series of court challenges to how schools were funded. The first wave of these cases failed to change the funding allocation, as the United States Supreme Court held in *San Antonio v. Rodriguez* (1973) that education was not a "fundamental right," and thus, the provision of education through local finances did not violate the Constitution. In the second wave of cases, plaintiffs argued that unequal local funding went against the equal protection clauses of state constitutions, not to mention that many state constitutions included a responsibility for providing "efficient and adequate" education (Murray et al., 1998). The third wave of cases doubled down on how states framed their responsibility to provide education, and courts issued rulings that required sweeping reforms to the financing of public school systems (Heise, 1994).

Alabama's school finance system was ruled unconstitutional with *Alabama Coalition for Equity (ACE) v. Hunt*, initially filed in 1990, and *Harper v. Hunter* also filed in 1990. In 1993, a circuit court ruled Alabama's public schools were inadequately funded and the funding system was inequitable, and in 1997, the Alabama Supreme Court affirmed the decision. Ultimately, the state updated its funding system through legislation that established the 1995 Foundation Program, thus replacing the 1935 Minimum Foundation Program, including improving facilities (Ed Law Center; Harvey, 2000). The reform process hit several political snags and was ultimately derailed (Vinik, 1996).

Federal Legislation in the 20th Century

As states implemented new school finance systems, the federal government worked on its own reforms. Congress passed the *Improving America's Schools Act (IASA)* in 1994, which required states to establish standards and implement assessments, but by the end of the century, the implementation was uneven across states (Goertz, 2005). To address this deficiency, Congress passed the *No Child Left Behind (NCLB) Act* in 2001, which reauthorized ESEA and aimed to increase accountability for schools. Also, the legislation focused on closing the achievement gap between low and high-performing students. To do this, Congress afforded parents more school choice options and school districts more financial flexibility (Four Pillars of NCLB, 2004).

NCLB also imposed costly mandates on school districts and state governments (Hayes, 2015). School districts increased the number of highly qualified teachers, and state governments had to revamp assessment processes, among other requirements. The federal government did not provide additional funding for states and school districts; however, researchers have estimated that per-pupil education expenditures increased by \$548 on average (Dee et al., 2012). Not complying with these requirements could have resulted in a loss of Title I funding. Evidence is mixed on whether NCLB achieved its goals (Dee and Jacob, 2011), though the U.S. Government Accountability Office estimated that new assessments alone cost school districts and states \$7 billion (U.S. Government Accountability Office, 2003).

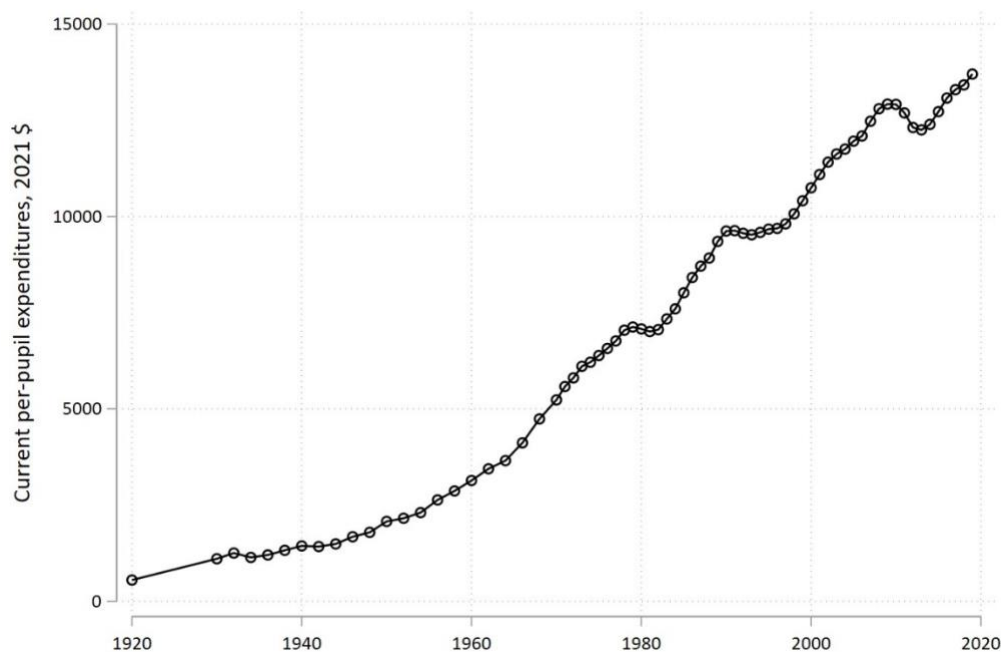
The next major piece of federal legislation came in 2015 with the *Every Student Succeeds (ESSA) Act*, which again reauthorized ESEA. ESSA returned some control to states and school districts with regard to accountability (Black, 2017). It eliminated some funding sources (i.e., School Improvement Grants) and expanded others (i.e., Preschool Development Grant), and of importance to school finance, ESSA also required school districts to report school-level per-pupil spending on state report cards. Since it was not fully implemented before the COVID-19 pandemic began in early 2020, the impact of ESSA will be hard to disentangle from other federal government actions.

Changes in Revenue Over Time

K-12 Spending in the 20th Century

Figure 2 shows the rise in per-pupil spending over the last century. During the 1919-20 school year, the National Center for Education Statistics (NCES) estimated the average per-pupil spending on current expenditures (those that do not include capital expenditures) was \$551 in 2021 dollars (Guthrie, 1997). By 1950, those had quintupled to \$2,324; by 1994, that amount was \$10,259. The most recent NCES estimate was \$13,701 (NCES, 2022). The rapid growth in expenditures was driven by an increase in inflation-adjusted teacher salaries, coupled with shrinking class sizes and the hiring of non-teaching personnel (e.g., guidance counselors) to meet demands for K-12 schools to deliver more diversified services (Hanushek and Rivkin, 1996).

Figure 2. Current per-pupil expenditures for K-12 schools, 1920 to 2019

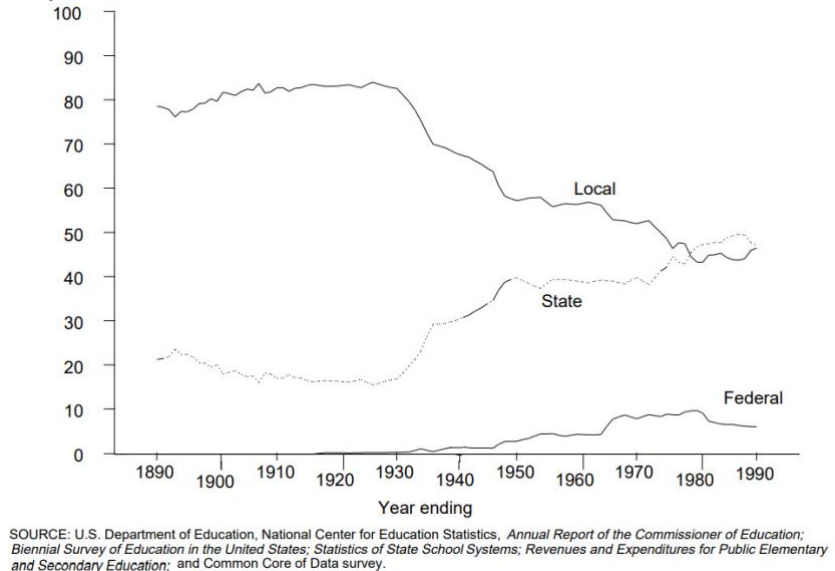


*Figure adapted from the [National Center for Education Statistics' Digest of Education Statistics](#). Per-pupil expenditures are adjusted for inflation and based on total enrollment (not ADA).

Sources of Per-pupil Revenues

Tax revenues increased along with expenditures, but the source of these revenues changed over time. Figure 3 (p. 32 of Snyder, 1993) shows how the dominance of local funding waned following the Great Depression (Augenblick et al., 1997), and it highlights the repercussions of court cases through the 1970s and 1980s that challenged state finance systems and led to an increase in state support for K-12 public schools (Murray et al., 1998). The figure also displays the emergence of federal funding through the *Elementary and Secondary Education Act*, passed in 1965, as well as the relevant decrease in federal funding throughout the 1980s (Kaestle and Smith, 1982; Capsalaspj, 2017).

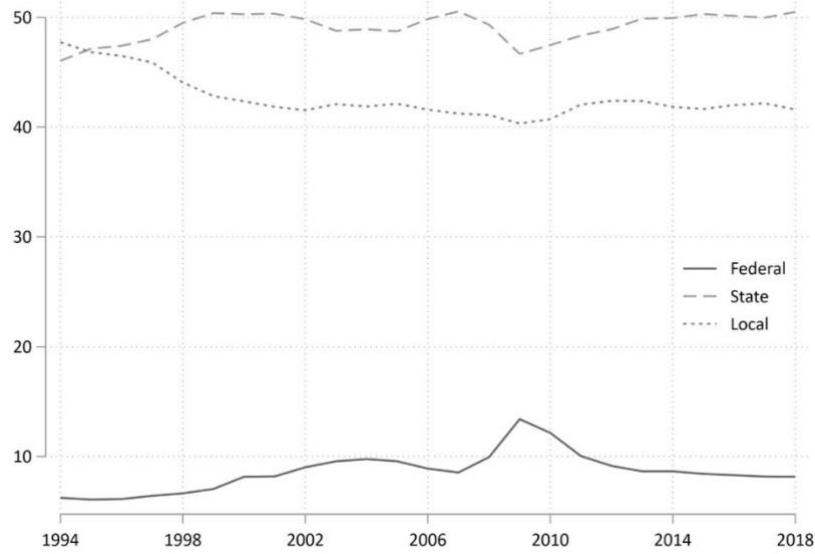
Figure 3. Share of K-12 public school revenues from local, state, and federal sources, 1890-1990
(from Snyder, 1993)



After the Wave of School Finance Reforms

Since the mid-1990s, the state “share” of spending on public education has increased, as shown in Figure 4 below. Broadly, this increase resulted from state efforts to equalize spending across school districts or offer additional funding for specialized programs (Verstegen and Jordan, 2009). Most states use a foundation program that provides a “basic or minimum education program” (Verstegen and Knoepfel, 2012). In this system, local school districts contribute an amount of funding based on a uniform tax rate, which results in poorer localities raising fewer funds than wealthier localities. State funding covers the gap between what localities raise and the foundation amount, and localities can choose to raise additional funds to go beyond that amount.

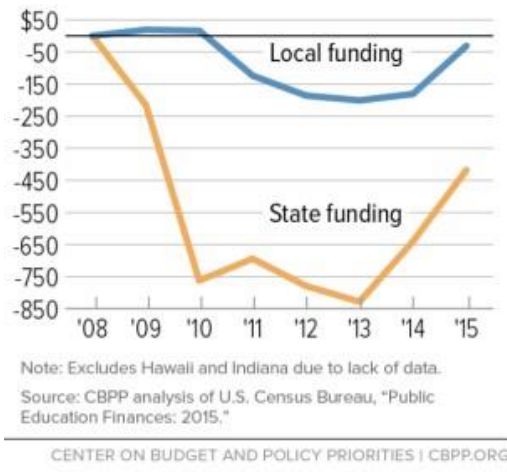
Figure 4. Sources of revenues for public schools in the U.S. from 1994-2018



Fallout from the Great Recession

Figure 4 also features the spike in federal funding that occurred during the Great Recession from December 2007 through June 2009. This increase in relative federal funding resulted from both the drop in local and state tax revenues and the federal government’s fiscal stimulus through the *American Recovery and Reinvestment Act (ARRA)* of 2009. Critics have since argued that the relief was not enough to sustain a strong—and quick—recovery (Shores and Steinberg, 2022). As federal relief waned, state tax revenues were also taking a beating with the Great Recession, forcing states to reduce school funding, as displayed in Figure 5.

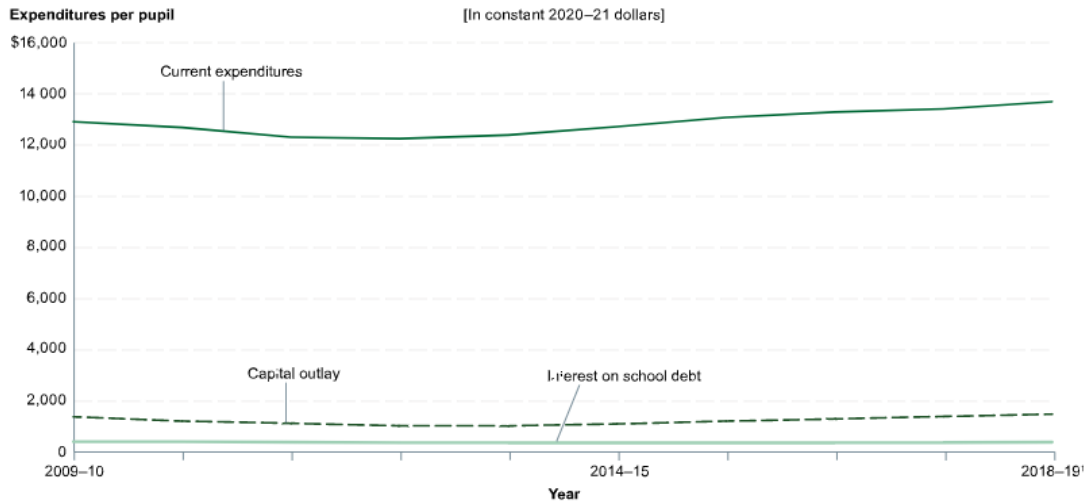
Figure 5. Inflation-adjusted change in funding per-pupil compared to 2008 (from CBPP)



These reductions were not quickly restored, however, as highlighted in Figure 6 below. In 2015, Alabama was one of 29 states that had not returned to 2008 funding levels (Leachman et al.,

2017); in fact, if states had just maintained 2008 spending levels through the next decade, they would have spent a combined \$600 billion more on education (Farrie and Sciarra, 2020). The severity of these decreases varied by state and depended on the school finance system in place, as well as the local school district's ability to raise additional local revenues (Chakrabarti, 2014).

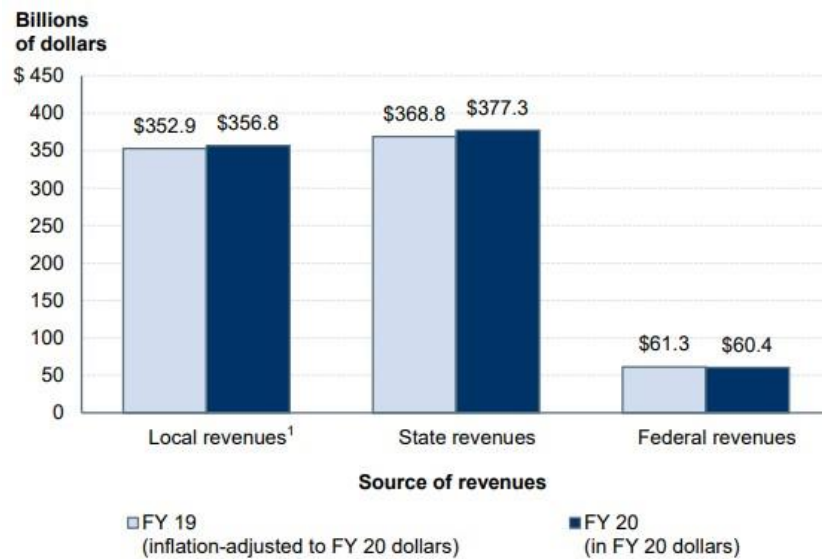
Figure 6. Total expenditures per-pupil for K-12 schools (from NCES)



Covid-19 Pandemic and Recession

Though financial data for all school districts has yet to be released by the NCES, the years following school year 2019-2020 will no doubt show a large increase in the share of federal funding. In response to the Covid-19 pandemic and ensuing economic recession, Congress provided unprecedented amounts of federal funding to public schools through the *Elementary and Secondary School Emergency Relief Fund* (ESSER). Over several pieces of legislation in 2020 and 2021, public schools received nearly \$200 billion to be spent over the next few school years. Compare that to Figure 7, where federal revenues normally constitute \$60 billion per year.

Figure 7. Source of revenues for K-12 schools in FY 19 and FY 20 (from NCES)



Local Revenue Sources

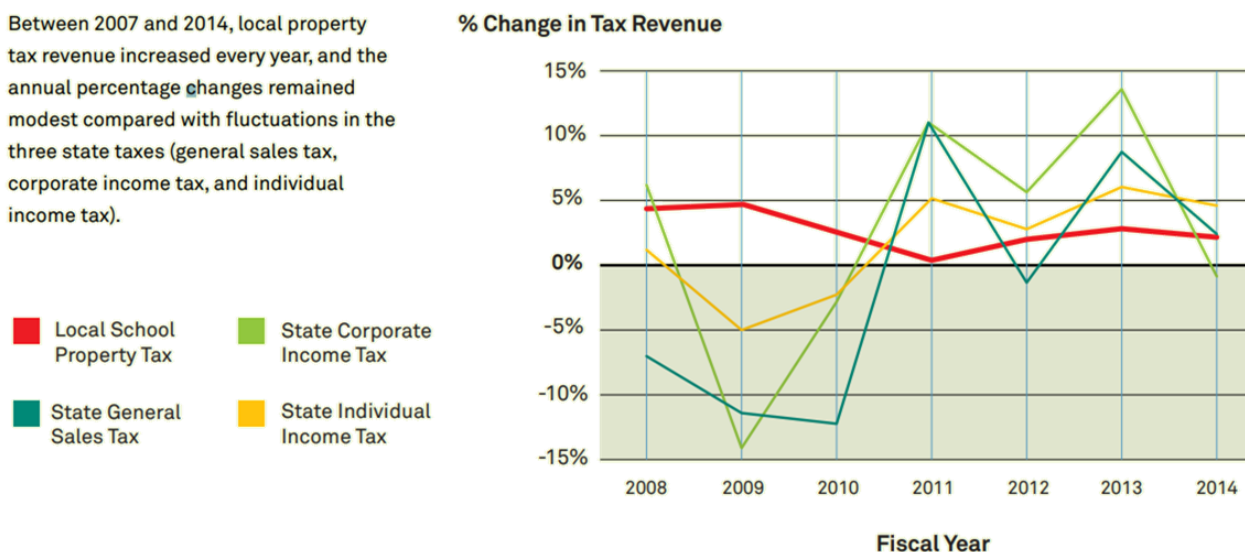
Property taxes: The main source of local revenue

Sometimes referred to as “ad valorem taxes,” property taxes remain, perhaps, the most “vilified” of taxes because of their saliency (Walker, 1984; Cabral and Hoxby, 2012). Yet, they have been relied on as a source of local funding for schools since the 1700s, and despite the tax revolts for the 1970s (Berne, 1988; Decker, 2021)—and attempts by state legislatures to limit property taxes as a source of funding for public education— the share of all public school revenues coming from the property tax has stayed between 33 and 37 percent over the last several decades (Reschovsky, 2017). In fact, the property tax still accounts for over 70 percent of all *local* tax revenues for the average school district in the U.S. (NCES Common Core Data).

While residents often complain about property taxes because they are so salient (after all, most people can tell you how much they pay in property taxes but not sales tax), this saliency also allows residents to weigh the costs and benefits of tax increases better than they could with other types of tax revenues. While citizens may be able to avoid sales taxes by driving to another jurisdiction, the property tax is also immobile, and therefore, easily collected. For school districts, in particular, another positive feature of the property tax is its stability, especially during economic recessions that often doom other types of tax revenue sources (Mikesell and Liu, 2013; Kim, 2019). As displayed in Figure 8 below, property tax growth stayed between 0 and 5 percent in the years during and after the Great Recession.

Figure 8. Annual percentage change in tax revenues by source (from Reschovsky, 2017)

Between 2007 and 2014, local property tax revenue increased every year, and the annual percentage changes remained modest compared with fluctuations in the three state taxes (general sales tax, corporate income tax, and individual income tax).



A drawback of the property tax, however, is that the amount of funding it yields is often a function of property wealth, thereby creating funding inequalities between school districts with high and low property tax bases (Corcoran, 2003). As I noted previously, these inequalities led to and continue to motivate reforms of state school finance systems. Likewise, the stability of property taxes also means that school districts can face the increased expenditures that come

with economic growth (i.e., increases in enrollment or tighter labor markets) without benefitting from the increased tax revenues generated from that economic growth.

Property Tax Mechanics

In Alabama, school districts do not have taxing authority and instead receive local revenue transfers from county and municipal governments that levy taxes specifically for school purposes. The revenue generated from a county or municipality's property taxes depends on three variables: the millage rate (or tax rate), the appraised value, and the assessment ratio.⁵ Property taxes are measured in millage, which is equal to one-tenth of one cent per \$1 assessed. This equals \$1 in tax levied for \$1,000 in value, but it is often represented in cents per \$100 (i.e., 1 mil = 10 cents for every \$100 assessed). Millage rates are governed by the state's constitution and statutes, and after various constitutional amendments, the state allows school districts to receive up to 15 mills in property taxes through county and municipal sources.⁶

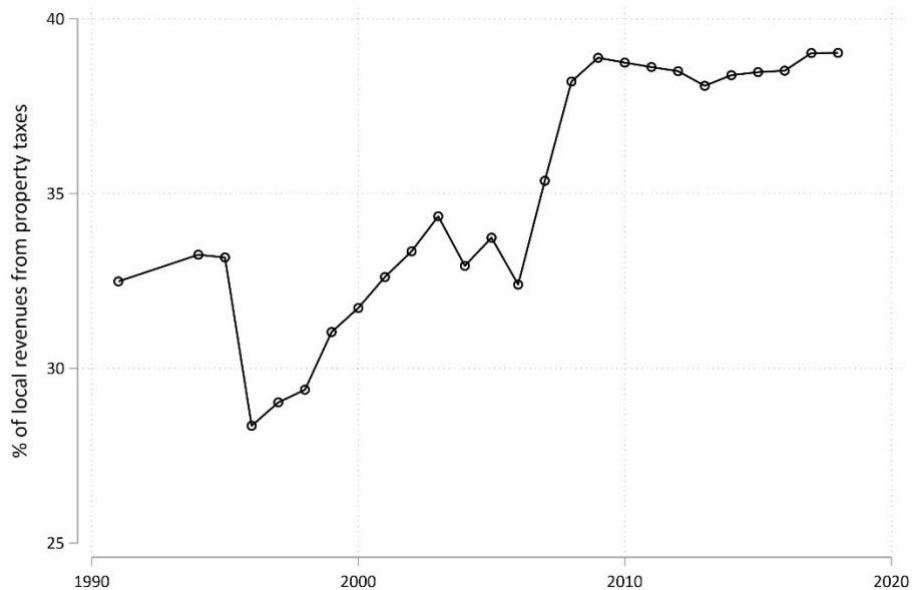
The appraised value of a property is defined by what the property would sell for on the open market (Harvey, 2012). That is multiplied by the assessment ratio. In 1901, properties were taxed at 100 percent of their value (i.e., 100 percent assessment ratio), which was then lowered to 60 percent of their cash value in 1911. In 1971, the Alabama legislature created different classes of properties, all of which had a "lid" or maximum assessment ratio, or the assessed value could be taxed. Today, residential properties are designated as Class III properties, and only 10 percent of the value is assessed as a property tax.

Combined, the limits on millage rates and changes in how property values are assessed have constrained local governments' ability to increase property tax revenues (Harvey, 2001a). While the average school district in the U.S. receives approximately 70 percent of its local revenues from property taxes, Figure 9 shows that property taxes have remained less than 40 percent of all local revenues over the past decade, and that proportion was lower in the previous two decades.

⁵ For a more technical description of these mechanics that includes the constitutional and statutory background, see Harvey (2001a).

⁶ Several constitutional amendments have allowed specific school districts to exceed the 15-mill limit.

Figure 9. Property taxes as a share of local funding over time in Alabama



Other Sources of Revenue

Franchise, Excise, and Privilege License Taxes

In 1969, the state authorized county and municipal governments to levy franchise, excise, and/or privilege licenses taxes for school purposes. In other states, there has been a slow uptake of alternative revenue sources like sales taxes and user fees (Downes and Killeen, 2014), though jurisdictions tend to turn to these types of revenue sources in times of crisis (Kim, 2019). Indeed, it is often those districts that do not have high property wealth that turn to these types of sources (Baker and Corcoran, 2012).

Of franchise, excise, and privilege taxes, the local sales and use taxes are most often employed. Both counties and cities can levy sales taxes, though they face different restrictions in terms of how much must be dedicated to public school purposes (taxes levied by counties tend to be used more for education purposes). In addition to sales taxes, school districts can receive revenues from taxes on amusement, tobacco, gas, and alcoholic beverages.

Transfers from Local Governments

School districts also receive transfers from local governments, either from tax revenue sources already dedicated to public schools (i.e., property taxes) or from sources like occupational taxes. Additionally, per Harvey (2001a), the Tennessee Valley Authority “makes annual in-lieu-of-taxes payments to the states where its power properties and operations, previously subject to state and local taxation, are located.” Localities served by the TVA receive 75 percent of the

total amount, the state receives 20 percent, and 5 percent goes to “the dry counties and municipalities not served by TVA.” Finally, counties with a population over 500,000 can assess an occupational tax, which is a license or privilege license tax (Harvey, 2001a).

Simplified Sellers Use Tax

The Alabama legislature recently passed the Simplified Sellers Use Tax Remittance Act, which requires eligible sellers to remit a flat 8 percent tax on all online (or remote) sales made in Alabama. The state splits the proceeds with local governments based on a formula, and cities and counties can decide to dedicate a portion of these funds to public schools. Morgan County and Cullman County Schools are two recent examples.

State Aid for School Districts

School Finance Systems

As a result of the three waves of court cases that challenged the way states funded K-12 education (Heise, 1994), states reformed their school finance systems, relying on one of the following approaches, as summarized by Verstegen and Knoepfel (2012) and the Urban Institute (Blagg and Chingos, 2017).

Foundation program. States can use a student-based or resource-based foundation program. Local school districts contribute to this amount with a uniform tax effort (i.e., the same tax rate) so that wealthier districts contribute more than districts with lower property wealth. Importantly, local school districts can exceed the tax rate set by the state, though this portion is not matched by the state.

District power equalization. Instead of guaranteeing a set amount per pupil, the state guarantees a minimum amount for each percent of property tax assessed, regardless of property values. Stated another way, the state guarantees “equal yield (funding) for equal effort (taxes)” (Verstegen and Knoepfel, 2012). If the state guarantees \$5,000 for a 1 percent tax effort, then a school district with a 1 percent tax rate that yields \$1,000 per student would receive \$4,000 from the state.

Combination or tiered system. Some states have combined foundation programs with a tiered system so that school districts receive a minimum amount of funding but also receive state support for increasing their tax effort. In these systems, the state support that incentivizes increased tax effort tends to decrease as local school districts increase their tax rate, such that wealthier school districts with higher tax rates receive less funding.

States can use additional funding mechanisms or sources to supplement their approach. For example, many states “weight” students for the foundation program, most commonly providing more funding for the number of students eligible for special education, Title I, or English as a second language instruction (Augenblick et al., 1997). Other states use categorical funding, providing dollars for certain programs or students enrolled in those programs.

Alabama’s State Finance System

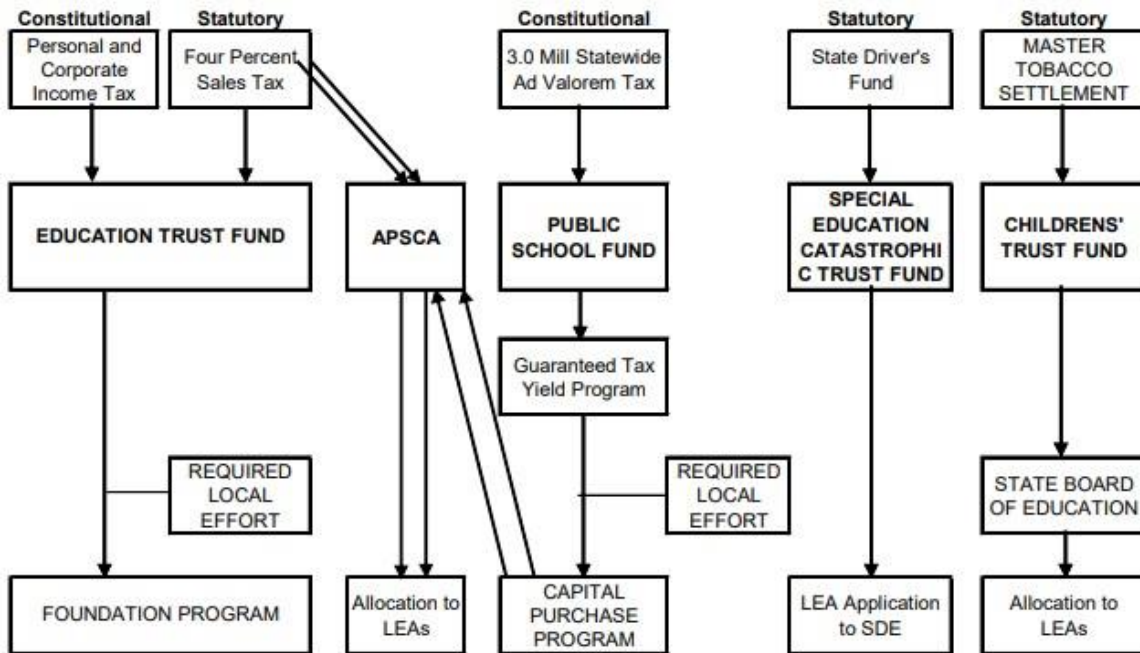
The state funds schools through a resource-based foundation program. School districts receive state dollars from the Foundation Program, which is derived from an allocation formula that distributes money based on “unit” costs. Of this appropriation, school districts are also expected to contribute an amount equal to 10 mils of property taxes (a portion of that amount can come from non-property, like sales taxes). This provision aims to equalize funding, though more affluent school districts can raise additional local revenue (Key, 2010).

The “units” reflect the different resources required to provide public education: teachers, administrators, instructional materials, etc. They are a function of the school district’s average daily membership (ADM) and can be weighted to reflect different resource needs. In addition to the Foundation Program, schools receive funding from other categorical sources like the School Nurses Program or the Alabama Reading Initiative. The state also provides funding for transportation.

Sources of State Funding for Alabama Schools

Alabama is one of three states that operate a separate budget for education (Mendiola and Westbrook, 2021). The General Fund includes appropriations for all noneducation expenditures (prisons, Medicaid, highways, etc.), and the Education Trust Fund (ETF) covers all pre-K, K-12, and higher education expenditures (Harvey 2001b; Key, 2010). In addition to the ETF, school districts receive state allocations from the Alabama Public School and College Authority (APSCA), the Public School Fund, and other state funds. Figure 10 is from Harvey (2001a) and displays the tax revenue sources and flow of dollars for the different funds.

Figure 10. Flowchart of state funds for education from Harvey (2001a)



One advantage of having a separate fund for education is that the legislature does not have to weigh education priorities against other types of spending since (in theory) it cannot use ETF funds for non-educational purposes and vice versa. A downside of having two funds, however, is that state appropriations for education are dependent on the financial health of the ETF.

Also, Figure 10 shows that the revenue for ETF is raised from an income tax and four percent sales tax, and a statewide property tax of 3 mills maintains the Public-School Fund. Income and

sales taxes are particularly sensitive to economic fluctuations. During economic declines, people lose their jobs and buy fewer goods, both of which lead to decreases in income and sales taxes. Conversely, during times of economic expansion, income and sales taxes tend to increase as employment rates increase and people buy more goods. Indeed, the ETF hit historic highs in 2021 and 2022, but state officials warned that an impending fiscal cliff—and declining revenues—is likely (Holmes, 2022).

Figure 10 also highlights different ways in which appropriations are implemented. Below is an excellent overview from Harvey (2001a):

1. **Dedicated Revenue Source.** The most basic procedure is when there is an earmarked revenue source – a fund – and a method of distribution in either the constitution or statute. The Public School Fund was an example of a constitutional fund, and the State Driver’s Fund was an example of a statutory fund. Both the revenues and the expenditures are restricted.
2. **Statute With Mandated Expenditure.** The next procedure occurs when there is a statute requiring the expenditure of state funds on a certain program, and the amount of funding required is determined by the statute. The 1995 Foundation Program is an example of this procedure. The funding becomes an entitlement, although the legislature may exercise discretion in certain funding components.
3. **Statute Without Mandated Expenditure.** The next procedure happens when there is a statute requiring the expenditure of state funds on a certain program, and the amount of funding required is determined by the legislature, depending upon the financial condition of the Education Trust Fund. The School Nurses Program, a discussion of which follows, is an example of this process.
4. **Line Item of Appropriation.** The last procedure takes place when there is no statutory obligation or procedure for the expenditure of funds for a program; instead, funding is left to the discretion of the legislature.

Sources of Tax Revenue for the Education Trust Fund

Table 1 includes the different tax revenue sources for the ETF, shown in thousands of dollars. In total, \$7.7 billion in tax revenues funded the ETF in 2020. The two major sources, income and sales taxes, represented 60 percent and 27 percent of all tax revenues in the ETF, respectively. A current table of revenue sources for the ETF is available at Alabama.gov.

Table 1. Net receipts for the Education Trust Fund

	FY 2017	FY 2018	FY 2019	FY 2020	% OF TOTAL (FY 2020)
BEER TAX	\$22,232	\$21,872	\$22,595	\$22,314	0.29%
HYDROELECTRIC TAX	\$474	\$412	\$401	\$508	0.01%
INCOME TAX	\$3,892,526	\$4,208,436	\$4,548,471	\$4,657,167	60.16%
INSURANCE PREMIUM TAX	\$30,993	\$30,993	\$30,993	\$30,993	0.40%
MOBILE TELECOM TAX	\$15,904	\$10,403	\$11,924	\$9,804	0.13%
SALES TAX	\$1,811,658	\$1,908,443	\$2,013,911	\$2,084,998	26.93%
STORE & PASSENGER BUS LICENSES	\$112	\$139	\$125	\$108	0.00%
USE TAX	\$151,599	\$159,170	\$150,447	\$171,835	2.22%
USE TAX – REMOTE SELLERS	\$6,914	\$8,122	\$11,252	\$11,862	0.15%
USE TAX – SIMPLIFIED SELLERS	\$6,545	\$9,849	\$23,293	\$46,259	0.60%
UTILITY TAX	\$387,966	\$395,433	\$401,312	\$388,006	5.01%
UNCLASSIFIED	\$0	\$0	\$0	\$15	0.00%
SUBTOTALS	\$6,326,923	\$6,753,272	\$7,214,724	\$7,423,870	
TRANSFERS AND REVERSIONS	\$405	\$293	\$552	\$15,702	0.20%
TRANSFERS FROM BSF	\$0	\$0	\$0	\$301,666	3.90%
GRAND TOTAL	\$6,327,327	\$6,753,565	\$7,215,276	\$7,741,237	

*Dollars reported in \$1,000s

Comparison to Other States

Outside of Alabama, states employ a similar mix of tax revenue sources to fund public education, though it is difficult to compare how much of each tax revenue source is dedicated to education because so few have separate funds for education appropriations. The Congressional Research Service reported, “According to data from the U.S. Census Bureau for 2016, 47.8% of all state government tax revenues were derived from sales taxes, 42.2% were from individual and corporate income taxes, 1.7% were from property taxes, and the remaining 8.3% came from motor vehicle and other miscellaneous taxes.” Of note, Alabama remains one of five states without a lottery, although a lottery does not necessarily equate to more funding for K-12 education. For example, only 20 states direct all their lottery revenues to education (Kisska-Schulze and Holden, 2020), and the evidence remains mixed about whether the new funding source replaces or adds to existing funding (Bell et al., 2020).

Federal Allocations

The federal government established a Department of Education (DOE) in 1867, but the DOE was primarily charged with assisting the states by collecting information on schools and the teacher workforce (The Federal Role in Education, 2021). For the next century, the office moved around the Executive Branch and had its role expanded into higher education through land-grant colleges and universities. Then, in the 1950s, landmark court cases and the wave of anti-poverty and civil rights legislation in the 1950s increased the DOE's role through its equal access mission (Carey, 2002). The DOE was elevated to the President's Cabinet in 1980, and while the DOE's responsibilities continue to grow in both K-12 and higher education, it remains the smallest of the 15 Cabinet agencies (The Federal Role in Education, 2021).

Sources of Federal Tax Revenues

Historically, the amount of federal funding as a proportion of total revenue for public schools has remained less than 10% (Augenblick et al., 1997). The largest federal funding programs were established by the *Elementary and Secondary Education Act* (ESEA) of 1965. At its inception, ESEA offered grants to school districts serving low-income students, and that funding mechanism has remained until today. The NCLB and ESSA updated ESEA by putting in place accountability metrics to ensure school districts were addressing achievement gaps and using dollars effectively to increase equity and improve the quality of education (Every Student Succeeds Act, 2022).

From ESSA, federal funding for school districts primarily comes from the following:

1. Title I, Part A
2. Child Nutrition Act of 1966
3. Individuals With Disabilities Education Act of 1975
- 4.

Other federal revenue funds come from different parts of ESSA, including dollars for math, science, and teacher quality (Title II-A), drug-free schools (Title IV-A), bilingual education (Title III), as well as dollars for vocational education from the *Carl D. Perkins Vocational and Technical Education Act of 1984* (which has since been re-authorized multiple times). For more information on the *Carl D. Perkins Vocational and Technical Education Act*, please refer to the chapter within this manual entitled "The Financing of Career and Technical Education."

Regarding the implementation and discharge of funds, the U.S. Department of Education (DOE) distributes funding to school districts based on a myriad of formulas. For example, Title I-A grants are allocated based on four separate funding formulas: basic grants, concentration grants, targeted grants, and education finance incentive grants (Skinner and Sorenson, 2022).

Federal Funding Since 2020

In response to the COVID-19 pandemic and ensuing economic crisis, Congress passed both the *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020*, the *Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, 2021*, and the *American Rescue Plan (ARP) Act of 2021*. Each of these pieces of legislation transferred money to the Elementary and Secondary School Emergency Relief (ESSER) and the Governor’s Emergency Education Relief (GEER) Funds, which then provided unprecedented amounts of federal transfers to public schools across the U.S.

Funding for Alabama school districts

Now that you understand where and how school districts derive their funding, how funding compares over time and across school districts is presented. The data used come from the National Center for Education Statistics (NCES) Elementary and Secondary Information System, which houses Common Core Data and financial information from the F-33 Survey. The collection and management process takes several years, so the latest data come from the 2018-19 school year (SY).

Current Levels of Funding

Table 2 shows school district revenues for school year (SY) 2018-19, unadjusted for inflation, and Table 3 shows the same values in 2022 dollars. On average, Alabama school districts received \$11,594 (\$13,171 in 2022 \$), ranging from \$7,782 to \$24,895. Revenues from federal sources represented 11.3 percent of total revenues; state revenues were 58.5 percent, and local revenues were 30.2 percent. Again, there was substantial variation across school districts in the proportion of revenues from each funding source.

Table 2. Revenues for Alabama public schools (2019 \$)

	Total	Federal		State		Local	
Mean	11,594	1,311	11.3%	6,675	58.5%	3,607	30.2%
Min	7,782	217	1.4%	5,075	26.9%	1,428	15.5%
Med	11,179	1,202	11.1%	6,658	60.3%	3,115	27.6%
Max	24,895	4,522	26.6%	8,767	71.4%	14,444	69.9%

Table 3. Revenues for Alabama public schools (2022 \$)

	Total	Federal		State		Local	
Mean	13,171	1,489	11.3%	7,584	58.5%	4,098	30.2%
Min	8,841	247	1.4%	5,766	26.9%	1,622	15.5%
Med	12,700	1,365	11.1%	7,564	60.3%	3,539	27.6%
Max	28,283	5,137	26.6%	9,959	71.4%	16,410	69.9%

Compared to Other U.S. States

In SY 2018-19, the average U.S. school district received \$19,780 in total revenue. Alabama ranked 46th among states in per-pupil funding. Likewise, the average U.S. school district received 8.1 % of its total funding from federal sources; 50.5 percent came from state funds, and 41.4 percent came from local sources. Table 4 shows how Alabama compares to other southern states.

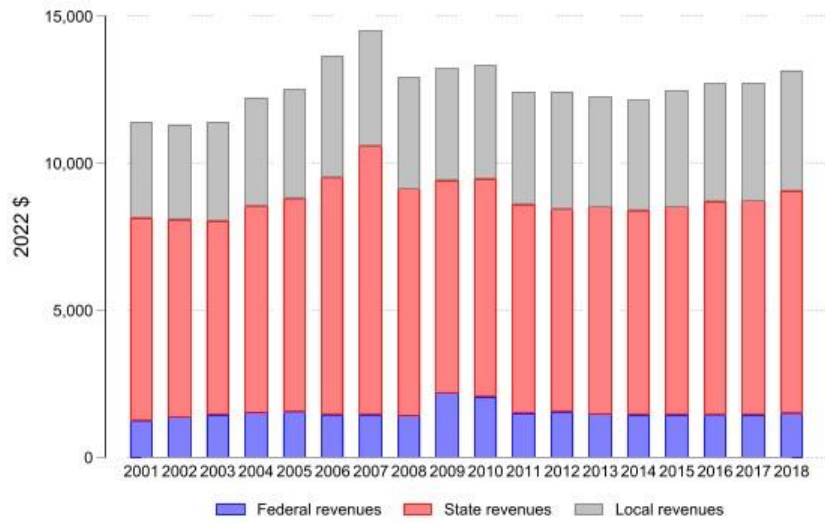
Table 4. Average revenues for public schools in four southern states (2019 \$)

	Total	Federal		State		Local	
Alabama	11,594	1,311	11.3%	6,675	58.5%	3,607	30.2%
Georgia	12,958	1,368	11.0%	7,029	55.1%	4,561	33.9%
Mississippi	10,510	1,680	15.8%	5,245	50.9%	3,585	33.3%
Tennessee	14,892	1,196	11.4%	9,237	56.0%	4,459	32.5%

As previously discussed, Alabama did not quickly recover from the Great Recession. Indeed, after adjusting for inflation, the state had still not returned to pre-recession funding levels in SY 2018-19 (schools subsequently exceeded pre-recession funding levels in SY 2019-20). Figure 11 reiterates this decline in revenue, and Figure 12 shows the relative stability in revenue diversification. Stated another way, the relative shares of federal, state, and local spending have remained steady over the last two decades for Alabama and all other states.

Figure 11. Funding per-pupil over time and by source

Alabama



All other U.S. states

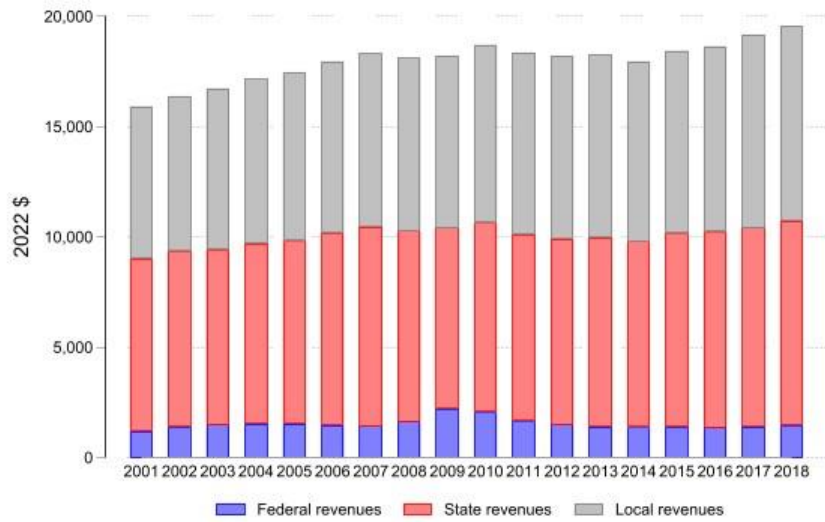
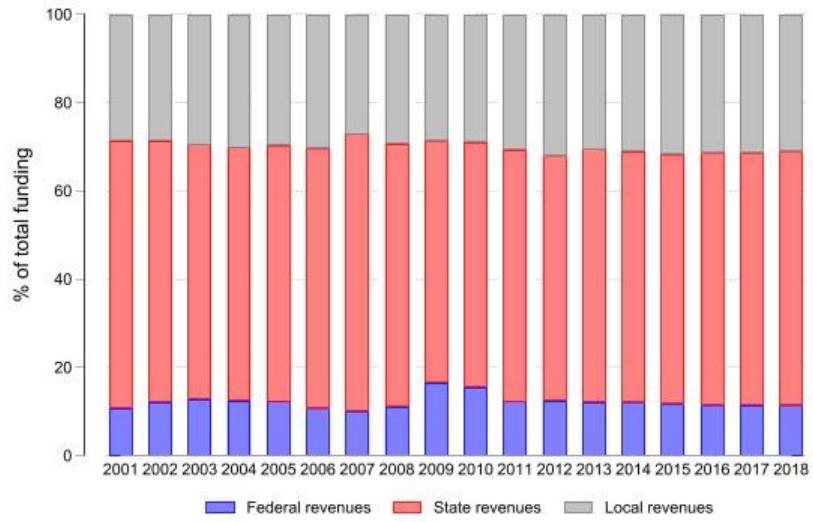
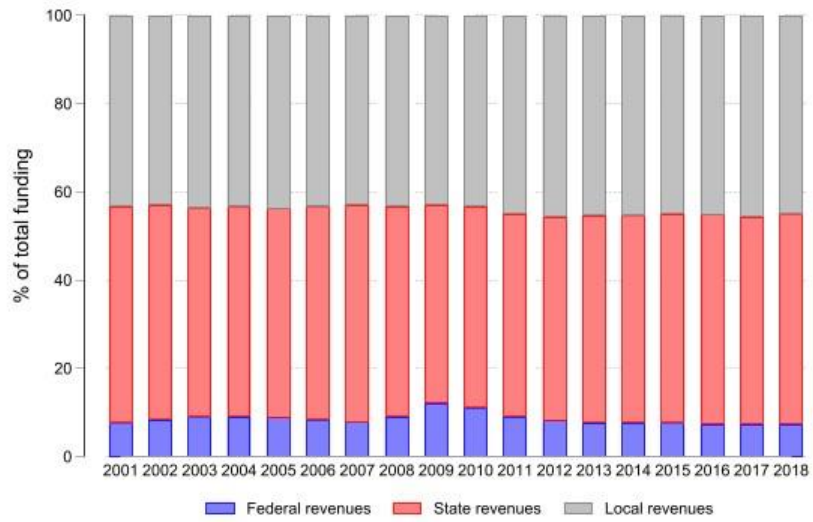


Figure 12. Relative share of funding source over time

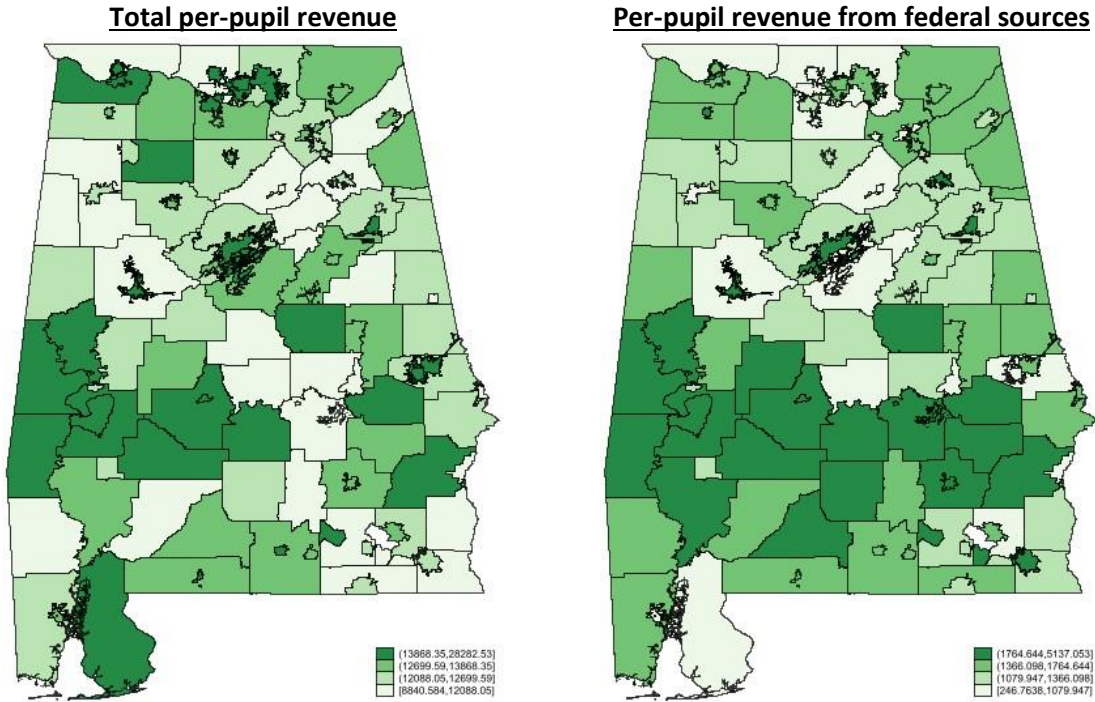
Alabama



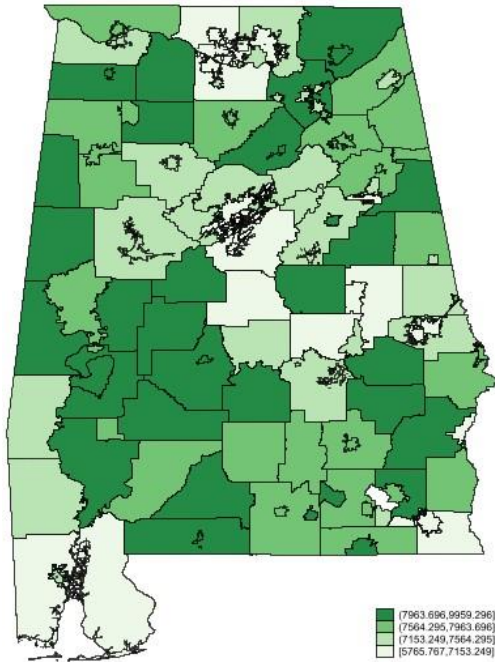
All other U.S. states



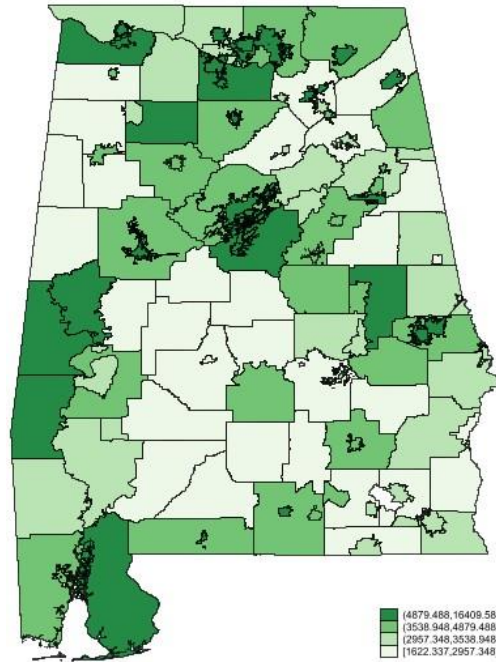
Within-state comparison. As the descriptive statistics in Table 2 indicated, total funding for public schools, as well as how much comes from local, state, and federal sources, varies drastically across school districts in Alabama. The maps below compare Alabama school districts in terms of total per-pupil funding (in 2022 dollars), as well as per-pupil funding from federal, state, and local sources.



Per-pupil revenue from state sources



Per-pupil revenue from local sources



Additional Resources

[FY2020 System Level Per Pupil Expenditures in Alabama Schools](#)

[October 2022 Millage Alabama Public Schools](#)

[FY2023 ALSDE Countywide-Tax-Distribution Information](#)

[ALSDE LEA Accounting-Manual](#)

[ALSDE LEA Accounting Manual Changes](#)

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CHAPTER 5: UNDERSTANDING THE ROLE OF THE CHIEF SCHOOL FINANCIAL OFFICER

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Overview

This section of the manual describes the roles of the chief school financial officer (CSFO) and the school superintendent in overseeing and managing the day-to-day fiscal matters related to the school system's effective operational practices and the essential elements of its annual budget. Both leadership roles are integral to ensuring fiduciary matters are carried out efficiently and successfully. Therefore, key laws and regulations have been established to support and guide the superintendent and the CSFO in using best practices that promote success and continuous improvement.

A great deal of information in this section of the manual will reference Chapter 13A within Title 16: Education of *The Code of Alabama 1975*, key sections, and chapters of *The Alabama State Board of Education State Department of Education Administrative Code (The Alabama Administrative Code)*, updates, and other financial laws and regulations related to effective school finance practices in Alabama. In certain parts of this section, notices (statements) are included to inform readers that specific information will be ***discussed further or expanded on*** within another section of the manual to ensure readers understand the purpose and information about particular topics.

The Alabama School Fiscal Accountability Act

As stated previously, the purpose of the *Alabama School Fiscal Accountability Act (ASFAA)*, as referenced in Chapter 13A within Title 16: Education of *The Code of Alabama 1975* and Chapter 290-2-5 of the *Alabama Administrative Code*, is to ensure that the roles and responsibilities of the Alabama State Superintendent of Education, local superintendents of education, and chief school financial officers are clearly outlined in sections of the law. The key sections of the law provide essential information and guidance on how financial matters should be developed, implemented, or managed. The law addresses guidance regarding financial operations and the accountability of records and procedures to help school systems create a sound fiscal budget and understand the key elements of sustaining and preserving the fiscal budget.

In addition, in each section of the law, careful consideration has been given to ensuring that the leaders of Alabama public schools understand the importance of being fiscally responsible in performing their roles and responsibilities related to the daily functions of the financial expectations of a local board of education. From understanding the importance of fiscal management policies to the publication of the budget and financial information, the law outlines many critical areas for local K-12 public school leaders in Alabama (§ 16-13A-1-13, *Code of Alabama, 1975*). The law delineates key information regarding the requirements for financial training for local superintendents of education.

Below are the sections of the 2006 *Alabama School Accountability Act* outlined within the law:

- Section 16-13A-1 Fiscal management policies.
- Section 16-13A-2 Financial oversight by state superintendent of education; appointment and duties of chief education financial officer; internal audits of schools and school systems.

- Section 16-13A-3 Financial training of local superintendents of education.
- Section 16-13A-4 Appointment; removal of chief school financial officer; qualifications.
- Section 16-13A-5 Supervision, fiduciary responsibility of chief school financial officer; duties.
- Section 16-13A-6 Required reports.
- Section 16-13A-7 Audits.
- Section 16-13A-8 Authority to expend funds.
- Section 16-13A-9 Reserve funds.
- Section 16-13A-10 Penalties for failing to comply with this chapter.
- Section 16-13A-11 Liability.
- Section 16-13A-12 Bonding.
- Section 16-13A-13 Publication of budget and financial information.

Mandatory Financial Training for Local Superintendents of Education

Within § 16-13A-3 of the *Code of Alabama 1975*, information about the financial training of local school superintendents of education is defined within the *Alabama School Fiscal Accountability Act (ASFAA)*. The overall purpose of this required training is to ensure that elected or appointed local superintendents within Alabama public schools complete the mandatory school finance training at a satisfactory level and obtain the necessary knowledge and skills, as school leaders, to efficiently supervise and manage the fiscal matters within their school systems. Newly elected or appointed superintendents are required to attend and satisfactorily complete the training after assuming the position as a superintendent within an Alabama public school system, effective May 31, 2001 (*Code of Alabama, 1975*).

This section of the ASFAA states the following:

- (a) The State Superintendent of Education shall develop programs for the instruction and training of local superintendents of education in subjects including finance, instruction, and legal requirements. The instruction and training shall be designed to instill a minimum level of competence in local superintendents of education. Tests of competency shall be administered by the State Superintendent of Education as required by Section 16-1-38.
- (b) Persons employed before June 1, 2006, as local superintendents by a local board of education or elected by the people shall complete the mandated training and pass the mandated competency test within three years of June 1, 2006, unless they shall sooner become employed by another local board of education, in which case, they shall immediately complete the mandated training and competency test. All local superintendents of education shall complete the mandated training and pass the mandated competency test before being hired or elected as a local superintendent or after assuming office as provided in subsection (c).
- (c) The State Superintendent of Education, based upon reasonable cause, may allow a newly elected or appointed superintendent to attend and satisfactorily complete the training after assuming office.

Adoption of Fiscal Management Policies

According to § 16-13A-3 of the *Code of Alabama 1975*, to ensure the sound fiscal management of boards of education finances, upon the recommendation of the local superintendent of education, the board must adopt policies related to fiscal management within their school system. These policies shall comply with generally accepted accounting principles, including, but not limited to, policies related to each of the following:

- (1) Regular reconciliation of bank statements.
- (2) Maintenance of fixed assets inventory.
- (3) Deposit of incoming funds.
- (4) Review of monthly revenues and expenditures.

The policies serve as the foundation for school systems to expand their policies and procedures and ensure that guidance and support are provided to internal and external school stakeholders who manage school funds and help them understand the importance of proper financial procedures to avoid irregularities and improper use of taxpayers' dollars that support Alabama public schools.

Required Reports outlined in Alabama School Fiscal Accountability Act (ASFAA)

Section 16-13A-6 of the *ASFAA* provides guidance for local school systems regarding the required financial reporting to the Alabama State Department of Education (ALSDE). This section of the law specifically states that the State Board of Education shall, by regulation, provide for various financial and other information that local superintendents of education shall have prepared for the local boards of education, including, but not limited to, the following:

- (1) A monthly financial statement showing the financial status of the local board of education accounts with itemized categories specified by the State Board of Education.
- (2) A monthly report showing all receipts and the sources thereof.
- (3) A monthly report showing all expenditures with itemized categories specified by the State Board of Education.
- (4) An annual projected budget.
- (5) Monthly and/or quarterly reports showing expenditures relative to such projected budget.
- (6) A yearly report of the fixed assets inventory of the local board of education with itemized categories specified by the State Board of Education.
- (7) Financial and other information necessary to participate in national statistical studies on education.

In addition, the information above and any other essential financial information that the State Board of Education shall require should be submitted in writing or electronically to the state Chief Education Financial Officer for the Alabama State Department of Education by the fifteenth day of the month following its presentation to the local board of education.

Within subsection (c) of the law, all local boards of education shall be required to implement a standardized financial accounting program as determined by the State Department of Education to collect the information required within this chapter and to provide for ease of input and monitoring by a local board of education, its chief school financial officer, and the State Department of Education. If a local school system's financial report is found to conflict with generally accepted accounting principles, the State Department of Education shall issue a notice to that school system informing it of such and request that proof of correction of conflict be forwarded to the State Department of Education and approved by the State Superintendent of Education within a reasonable time thereafter.

Subsection (d) states that all financial documents, in whatever source maintained, are public documents and shall be open to inspection and accessible to the public. An annual budget and monthly financial statements with supporting spreadsheets that are submitted to the State Department of Education shall be made available to the public at the local school system Internet site (*Code of Alabama, 1975*).

While this section of the *ASFAA* provides guidance and information regarding the reporting requirements and essential information that is to be submitted to the Alabama State Department of Education, it is essential that the superintendent and chief school financial officer collaborate as system leaders to ensure these steps are implemented in a timely manner and with fidelity. More information related to requirements regarding the monthly reporting and the annual budget will be discussed in another section of this manual.

Reserve Funds

In subsection (a) of Section 16-13A-9 of the *ASFAA*, all K-12 public schools' local boards of education shall develop a plan to establish and maintain a minimum reserve fund equal to *one month's* operating expenses. When developing such a plan, as discussed earlier, the superintendent, the chief school financial officer, and other system leaders need to think and plan strategically to maximize the use of and optimize fiscal resources to support student success and create sound and stable financial conditions. System leaders must consider the "big" picture and other possible operational implications.

In April of 2021, the Alabama State Superintendent of Education sent written notice (a memorandum) to six school systems that did not meet the requirement of having a month's operating budget, cumulatively totaling \$3,961,020. The Superintendent asked each system to complete and submit the system's DRAFT Improvement Proposal by the prescribed deadline within the memorandum. Once approved by the Alabama State Department of Education (ALSDE), the system's financial resolution was to be officially adopted by the local board of education, submitted to the ALSDE, and incorporated into its upcoming FY2022 budget planning process. This process is standard to the ALSDE process and procedures when a system does not meet its required one-month operating budget.

In addition to the information above, based on data from the Alabama State Department of Education (ALSDE) Analysis of One-Month's General Fund Operating Balance in 2021, Alabama public school systems had an overall total of \$577,942,958 in reserved operating funds. Covington County Schools had over \$2.2 million, which equated to over 10 months of reserved operating expenses. Several systems had one month's operating balance beyond the required funds. According to data from FY2021, only four school systems within the state lacked the required one month's reserve operating expenses, cumulatively totaling \$751,475, which was a major reduction from the previous FY2020 when the amount was \$3,961,020. This analysis report is generated by the ALSDE each year.

As a point of importance for local boards of education, superintendents, and CSFOs, local boards of education are authorized to use their reserve funds if either of the following occurs:

- (1) The governor declares proration of the Education Trust Fund.
- (2) Total state funds appropriated by the legislature to local boards of education are less than the same appropriation for the preceding fiscal year.

Hiring of the Chief School Financial Officer

The Chief School Financial Officer (CSFO), once called Custodian of Funds, plays a crucial role within the school system. It is important for the local board of education and the superintendent to collaborate in hiring the CSFO to ensure that the system's fiscal resources are overseen and managed proficiently and successfully. In this position, the CSFO is tasked with developing and implementing accountability measures to ensure that proper procedures are followed in managing the fiscal resources and accounting and reporting of all funds within the system. It is important to note that the CSFO has a vital role as a leader in the school system and typically serves as a member of the system's executive cabinet.

In addition, the CSFO must be a forward-thinker and planner because of the possible economic challenges, shortfalls, or even surplus of funds and the potential impact on the school system. The CSFO should provide information and guidance to the local board of education and superintendent for making data-driven decisions about the school system's fiscal matters. Above all, it is essential for the system and its leaders to hire a highly skilled and knowledgeable person who meets the minimum qualifications for this position outlined in Alabama law. The qualifications outlined in Alabama law for the CSFO position will be discussed later in this section.

Appointment of the Chief School Financial Officer

According to § 16 13A-4 of the *Code of Alabama, 1975*, in consultation with the superintendent of education, the local board of education shall appoint a chief school financial officer (CSFO) who shall be an employee of the board. A person who serves as the CSFO within a school system must meet the minimum job qualifications established by the local board of education and the State Board of Education. In addition, the CSFO must possess or be eligible to possess the required certification pursuant to the regulations promulgated by the Alabama State Board

of Education. Also, as stated previously, the CSFO must meet the [bonding requirements](#) outlined in the Alabama statute.

Minimum Qualifications for the Chief School Financial Officer Position

A chief school financial officer (CSFO) of a local school system hired after June 30, 2003, must have at least three years of experience in a business-related field, meet the requirements for a certified CSFO specified in Rule 290-2-5-.04, and meet one or more of the following professional requirements as outlined with 290-2-5-.03 of the *Alabama Administrative Code*:

- (a) Hold a baccalaureate degree from an accredited four-year college or university with a concentration in a business-related program of study (accounting, finance, business administration, etc.), including at least nine semester hours in accounting.
- (b) Hold a Master of Business Administration (MBA) or other graduate degree in a business-related field from a regionally accredited institution.
- (c) Be a Certified Public Accountant.
- (d) Hold a baccalaureate degree in a concentration other than a business-related program of study but have at least 24 semester hours of business-related courses, with at least 18 hours in the following courses (or course equivalent):

COURSE	REQUIRED SEMESTER HOURS
Principles of Accounting I	3
Principles of Accounting II	3
Intermediate Accounting	3
Cost Accounting	3
Governmental Accounting	3
Financial Management	3
General Management	3
Business (or Organizational) Communications	3

Posting Requirements for the Position of Chief School Financial Officer

According to Alabama Law, local boards of education must post notice of a vacancy before filling a position. The notice shall be posted on the board website, at a minimum, or in a conspicuous place at each school campus and worksite at least seven calendar days before the position is to be filled. In addition, any person or organization, upon request, shall receive electronic notification of personnel vacancies from the executive officer. The notice shall include, but not necessarily be limited to, all the following:

- Job description and title.
- Required qualifications.
- *Salary schedule and amount.

- Information on where to apply.
- Information on any deadlines for applying.
- Any other relevant information.

*The salary of the chief school financial officer (CSFO) is determined and adopted by the local board of education as part of the system's salary schedule. In most cases, the local board of education consults with the superintendent and, in some cases, even their legal counsel regarding the CSFO's salary. Also, to be competitive regarding the CSFO's schedule, some school systems examine the salary of similar systems in size and/or other demographics. Based on the ALSDE data regarding CSFO's salary for FY2022, the highest CSFO's salary was \$ 183,600 (Montgomery County Schools), and the lowest salary was \$62,000 (Oneonta City Schools).

In addition, if a personnel vacancy occurs during the time that schools are in session, the vacancy notice shall be posted not less than seven calendar days before the position is to be filled. All vacancies involving jobs that are supervisory, managerial, or otherwise newly created positions shall nevertheless require posting notices for at least **14** calendar days (§ 16-22-15, *Code of Alabama 1975*.) Even if a superintendent and board of education have a CSFO that they want to place in the vacant position, they still need to post the position; then, the local board of education can appoint the CSFO after the closing date (Alabama Association of School Boards, 2022). Review [Section 16-13A-4](#) of the *Alabama School Accountability Act* regarding other important information related to the posting and vacancy of the CSFO's position.

Interview Process for the Chief School Financial Officer

While the posting of a vacancy law does not reference or place an interview requirement within the law, most school board attorneys or chief financial officer search firms recommend that local boards of education conduct a fair and just interview process, especially when there are multiple highly qualified candidates seeking the same position. The interview process is often determined by the superintendent of education and local board of education, with input and guidance from the system's legal counsel. Often, there is a *screening committee* to vet the applicants to ensure they meet the requirements for the position prior to the formal interview process. The screening committee is often comprised of the superintendent and selected members of the board.

The interview process may consist of, but is not limited to, the following:

- A formal interview committee will conduct **all** interviews for the position.
- The superintendent and selected board members, less than the majority to avoid a quorum, of the local board often serve as the interview committee. *If the entire board chooses to be involved in the interview process, however, then the process needs to be done in a public board meeting.*
- If desired, the committee may determine the essential documents or information, such as curriculum vitae, references, and other information that may be part of the interview process.

- Each candidate is asked the same questions by the committee during a timed interview session. Although the length of the interview is determined by the system, since the CSFO plays such a vital role within the system, most interviews are set from 45 minutes to an hour.
- Once the interviews are completed, the interview committee recommends a CSFO candidate to the full board of education.

Again, the interview process for a CSFO position is extremely critical, and it is essential that the system employ effective procedures to ensure that it is well-organized. The interview committee must also be consistent regarding how the interviews are conducted to avoid any possible legal ramifications.

Sample Interview Questions

These sample interview questions aim to provide local school superintendents guidance and support to ensure their school systems select an effective and skillful chief school financial officer (CSFO). Keep in mind that these are sample questions for the consideration of the superintendent and local board. They may decide to use these questions or develop their own when conducting interviews for the CSFO position. In addition, because of the uniqueness of the CSFO position, most systems develop interview questions and key areas to "listen for" during the interviewee's responses. Please see the sample questions and *listen for responses* below:

Sample Questions

Question: Hiring a chief school financial officer is a very crucial process for any school system today because of the many financial challenges they are facing. It is critical that the system gathers as much information as possible about candidates; therefore, at this time, we would like for you to share a little about yourself.

Listen for: *The work experience and skills in school finance or other types of financial expertise.*

Question: As the new chief school financial officer of a school system, having success in the position is vital because of its mandates and challenges. What do you think it will take to be that successful CSFO?

Listen for: *Listen for the CSFO candidate's ability to be a strategic thinker and planner. The CSFO candidate should possess effective communication skills, be a team player, be a hard worker, and not be afraid of challenges. In addition, the CSFO must possess skills to oversee and manage all financial matters within the system.*

Question: Discuss your knowledge and skills in using technological software programs and resources in the chief school financial officer role. Also, in your discussion, share any special training you may have had regarding these programs.

Listen for: *Listen for the CSFO candidate's knowledge and experience using a technological software system such as McAleer/NextGen to manage the system's fiscal funds. In addition, the CSFO candidates may also share their knowledge of Microsoft Office Suite tools and resources such as Word, Excel, and PowerPoint. Listen for types of software that the CSFO candidate discusses for managing financial matters effectively and efficiently within the system. Finally, CSFO candidates may share information about certificates or other awards they have received and professional learning or training courses they have had about using fiscal management and other software programs to do their job more effectively.*

Question: _____ school system is considered one the fastest growing school systems in the State of Alabama. Managing the financial department for this system will be a key element of the CSFO's job. Please share with us your management philosophy for leading the financial department of a school system.

Listen for: *Listen for any supervisory experience the CSFO candidate may have had. In addition, the CSFO candidate should listen to how the department's CSFO candidate organizes the work and hold staff accountable for quality work. It will also be necessary for the CSFO to act as a strategist when implementing progressive discipline measures with staff. Above all, the CSFO should lead by example and act as a servant leader.*

Question: A key role of the CSFO is speaking in a public setting. Please share your experiences in public speaking.

Listen for: *It will be important to hear if the CSFO candidate has any experience speaking during school board meetings, work sessions, civic events, professional learning presentations, etc.*

Question: There may be instances where a chief school financial officer receives conflicting requests or guidance from the school board and the superintendent. What would your strategy be to address the requests and meet the system's expectations?

Listen for: *Listen for how the CSFO candidate will follow policies and procedures established by the board and superintendent regarding **all** fiscal matters within the district and state and federal laws and regulations. In addition, listen for the CSFO candidate using a communication strategy to inquire about the prioritization and clarification of these conflicting requests and how the candidate would resolve this conflict, possibly using a collaborative approach between the*

board chair and the superintendent. Once the board chair and superintendent determine a solution, the CSFO can inform the rest of the board members about the resolution related to the matter---which is part of his or her fiduciary duties.

Resources

Sample Chief School Financial Officer Job Description

- [Chief School Financial Officer Job Description](#)

Sample Chief School Financial Officer Searches and Other Information

- [Colbert County Schools Chief School Financial Officer Search](#)
- [Additional Sample Interview Questions \(see the end of this chapter\)](#)

Supervision and Fiduciary Responsibility of the Chief School Financial Officer

Section 16-13A-5 of the *Code of Alabama, 1975* outlines the supervision and fiduciary responsibilities of

Chief School Financial Officer (CSFO). The section of the law shares the following regarding the supervision and responsibility of the CSFO:

- It is important to note that the chief school financial officer (CSFO) shall work under the direct supervision of the local superintendent of education but shall have a fiduciary responsibility to the local board of education.
- In addition, the CSFO shall perform each of the following duties as outlined within this section of the law:
 - Verify the receipt of all funds to which the local board of education may be entitled to by law, or which may come into its possession for public school purposes.
 - Verify the payment of such funds; such payments are to occur only on written orders from the local superintendent of education.
 - Keep an accurate record of all receipts and expenditures and provide such information to the local superintendent and the local board.
 - Make reports required by law, by the local board of education, or by rules and regulations of the State Board of Education.
 - Personally notify, in writing, each board member and the local superintendent of education of any financial transaction of the local board of education that the chief school financial officer deems to be non-routine, unusual, without legal authorization, or not in compliance with the fiscal management policies of the board. The notification shall be recorded in the minutes of the board by the president of the local board of education.
 - Be bonded in an amount determined by the State Board of Education.

Duties and Responsibilities of Chief School Financial Officer

The chief school financial officer (CSFO) is responsible for developing and implementing an effective financial management system that ensures the proper accountability for funds administered by the local board of education and its schools. It is important to note that the financial management system should reflect the financial condition of the local board of education on a timely and accurate basis. The local board of education shall provide the resources necessary for the CSFO to operate an effective and efficient fiscal management system (*Alabama Administrative Code, 290-2-5-.02*).

Also, within this section of the law, the following information is shared about key duties and responsibilities of the CSFO and other personnel regarding the management of fiscal matters within the system:

1. Maintain an accounting system in accordance with the generally accepted accounting principles and governmental accounting standards.
2. Maintain a school payroll accounting system in accordance with applicable laws and regulations.
3. Prepare financial reports annually and at other times as requested by the local school superintendent, the local board of education, and other agencies.
4. Prepare reports as required by other agencies.
5. Maintain an adequate system of internal controls, including property and inventory accounting.
6. Maintain a system of cash management.
7. Maintain a sound accounting system in the individual local schools.
8. Maintain a system of contacting and purchasing procedures.
9. Coordinate the preparation of an annual budget and any amendments as appropriate.
10. Maintain the financial operations of the child nutrition program and other special programs (e.g., operations, maintenance, transportation) in accordance with state and federal requirements.
11. Conduct assigned responsibilities in accordance with federal, state, and local laws and applicable rules and regulations.
12. Perform other duties that may be assigned to the position by law, the local school superintendent, the local board of education, and rules and regulations of the State Board of Education and local government.

Certification of Chief School Financial Officer

Within the *Alabama Administrative Code, 290-2-5-.04*, key information is outlined regarding the certification of the chief school financial officer (CSFO). The chapter states that a CSFO may be certified by the State Superintendent of Education as a Certified Chief School Financial Officer after successfully completing and verifying the course requirements for certification within the State of Alabama. The State Superintendent of Education shall determine the procedures for submitting and verifying documentation for the certification requirements. Please review the

chapter's [subsections \(a\)- \(f\)](#) on other key information about the certification of the CSFO. This information is crucial to understanding the job's certification and professional requirements and becoming a certified chief school financial officer (CCSFO) for a local school system within the state.

In addition, please see Chapter 290-2-5-.06 of the *Alabama Administrative Code* for the requirements to continue certification as a chief school financial officer. This chapter contains information regarding the State Department of Education providing guidance and information for the continuing professional education (CPE) requirements for the Certified Chief School Financial Officer (CCSFO).

Professional Standards for the Chief School Financial Officer

The State Department of Education shall approve a certification program to provide the minimum standards, professional development, and continuing education for the wide variety of assignments, duties, and tasks of chief school financial officers within school systems across the State of Alabama (*Alabama Administrative Code*, 290-2-5-.05). Subsection (a) of this chapter of the *Alabama Administrative Code* outlines the certification program approved by the State Department of Education and the following goals and objectives:

1. Maintain the highest professional and ethical standards of school business management practices for Alabama's schools.
2. Have recognized standards of professional competence for chief school finance officers.
3. Provide professional growth opportunities necessary to fulfill the responsibilities of the position of Chief School Finance Officer effectively.
4. Provide guidance on capitalizing on experiences and training of the current school finance and business officials to enhance the functions of all school finance officers.
5. Develop skills to link fiscal operations to school district goals.
6. Build confidence in chief school finance officers' ability to effectively manage school finances.
7. Assign knowledgeable mentors.
8. Provide an analysis of the duties and responsibilities of CSFO and identify the minimum skills needed for the position.
9. Identify and develop professional competence.
10. Increase public confidence in school financial accountability.
11. Attract better-qualified personnel in school fiscal management.
12. Maintain a high-quality continuing education program.
13. Design personal and professional growth and development.
14. Strengthen the business and fiscal management of the school system's operations for the ultimate benefit of all students.

The School Superintendent and the Chief School Financial Officer

According to §16-9-1 and §16-12-3, the superintendent of a county or city school within the State of Alabama shall function as the chief executive officer of a school system. In addition, he/she shall function as the secretary to the local board of education. They oversee all system functions, including but not limited to curriculum and instruction, fiscal management of system resources, and student safety. As part of managing and overseeing the fiscal matters of the system, the superintendent must collaborate and work closely with the chief school financial officer (CSFO) to ensure that the system has a stable fiscal budget and processes and procedures, as well as a strategic plan, to make certain the system employs effective systemic and systematic methods for the sustainability of sound financial conditions throughout the system.

According to Benzel and Hoover (2015), effective superintendents are clear about their educational priorities for the system and, most importantly, the success of all their students. They exercise clear, persistent, multiyear approaches to create a foundation for improvement focused on student achievement and staff effectiveness. In addition, it is important for the superintendent to have a CSFO who understands the use of the financial system to strategically target resources to support the success of systems and their students and staff. Effective superintendents and leadership teams must require a fiscal leader who is conversant with educational programs, priorities, and goals. A knowledgeable and skillful CSFO who demonstrates foundational expertise, confidence, and trust among stakeholders that can support the leadership of the system's financial success is needed. In addition, the CSFO should apply the skills of [futures thinking](#) to ensure the system is prepared for uncertainty related to its financial condition.

For the system's success, the superintendent and CSFO should work as a collaborative team and hold themselves and others accountable for managing the system's fiscal resources in a prudent and careful manner consistent with the mission and priorities of the system. In addition, the superintendent and CSFO need to make certain that they have developed and implemented functional strategies to support the success of their system's financial condition. Along with the local board of education, they must have successful methods in place to track funds, plan financially, and analyze the system's strengths and weaknesses related to the system's purpose and direction. Some of these strategies include, but are not limited to, the following:

- Fostering a Collaborative Working Relationship
 - Overseeing and managing system financial operations
 - Developing and implementing financial policies and procedures
 - Planning and organizing meetings and presentations
 - Making decisions driven by data and key budget analyses
 - Working as a team with the board, department heads, and principals

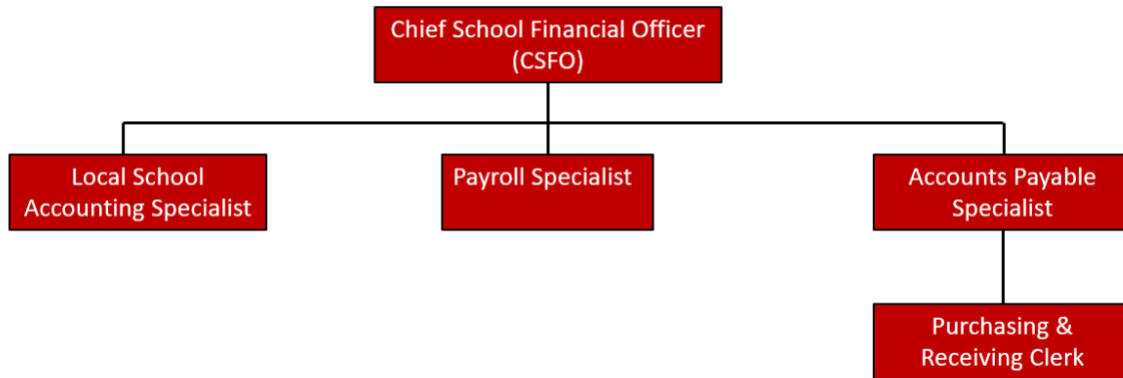
- Fostering Two-way Communication
 - Providing a monthly review of finances
 - Maintaining open lines of communication
 - Making certain that essential information is provided in a timely manner
 - Ensuring that information is accurate when shared with the board and public
 - Understanding how funds are expended
 - Holding work sessions
 - Attending board meetings
 - Performing financial audits
 - Staying involved in capital outlay planning
 - Holding budget meetings
- Implementing fiscal accountability measures for staff managing the system's funds at **all** levels
- Performing ongoing progress monitoring of system finances
- Developing and guiding the system with long-range strategic financial priorities
- Ensuring the system finance department and other departments or areas manage funds and operate effectively and efficiently.
- Making certain that the system's financial policies and procedures are implemented with fidelity by staff (Smith, 2022).

School System Finance Department Structure

Based on a review of the structure of most public school systems' finance departments in the State of Alabama, the chief school financial officer (CSFO) is supported by various financial staff members to guide the daily fiscal management of the system related to its purpose and direction. The review showed that many finance departments have different names, such as *finance, business, business and finance, and finance and accounting*. The number of financial staff positions may also vary for each system due to the size (student enrollment), operations, curriculum and instruction, capital outlay projects, and other system needs. In addition, the review revealed that, in some cases, finance staff members managed different accounts for the system. For example, the smaller systems may have a local school accounting staff member who also manages the bookkeeping for the Child Nutrition Program (CNP). Mid to large and larger systems employed more finance staff members in a supervisory capacity, and in some cases, these staff members had more contemporary and specialized duties, such as serving as the Director of Internal Audits. Also, in some instances, the systems hired an assistant CSFO or finance director to help oversee fiscal matters. The review also found that finance departments consistently had positions in the following areas: *local school accounting, payroll, accounts payable, fixed assets/inventory, and purchasing and receiving*. Below are sample finance department structures for a small, mid to large, and large school system (+/- a position).

University of Alabama SMALL School Finance Department

Enrollment of 500-9,999 Students



Visit these system websites for examples of Small Finance Department Structures

[Perry County Schools](#)

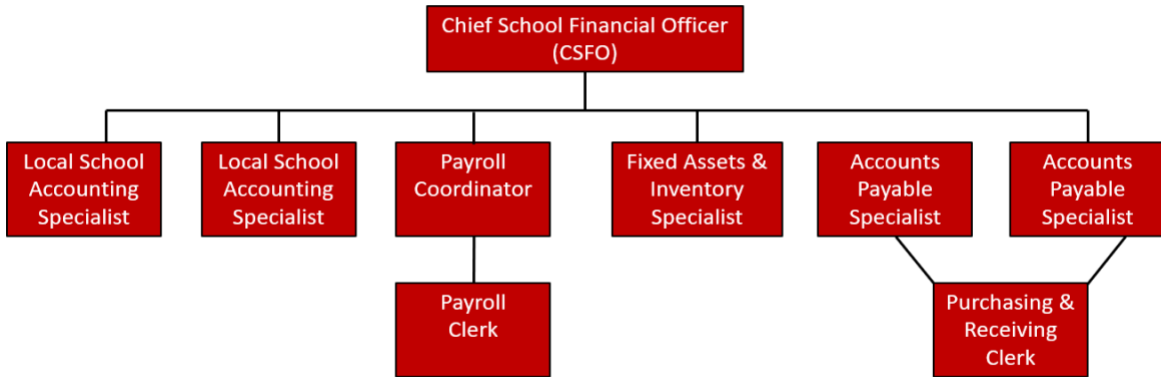
[Butler County Schools](#)

[Blount County Schools](#)

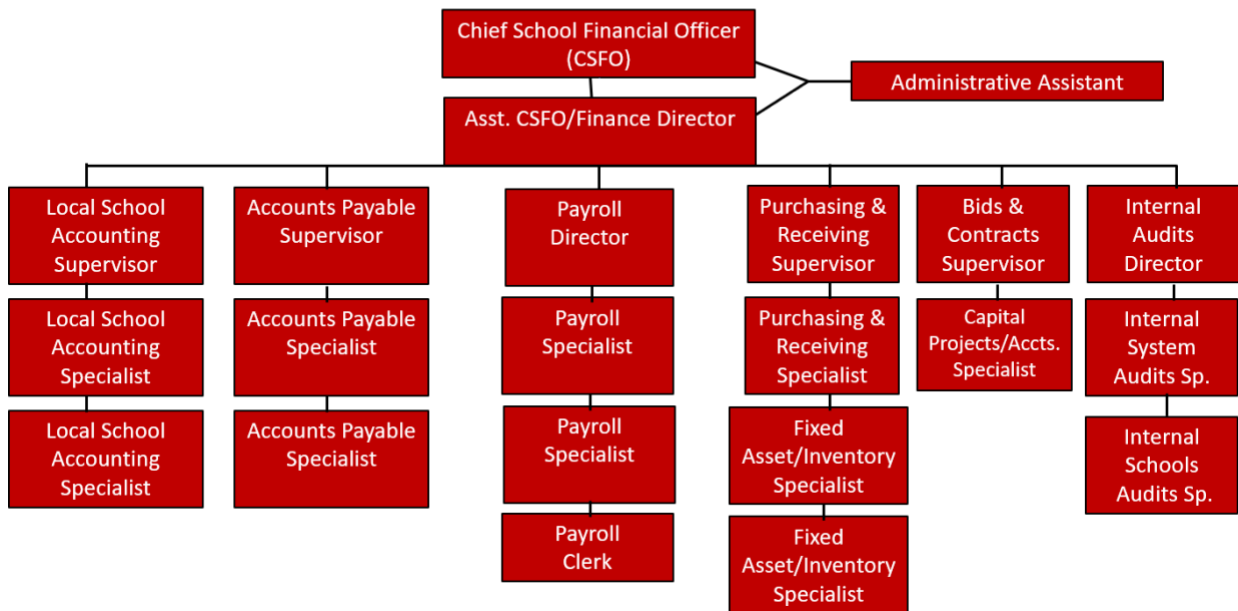
[Leeds City Schools](#)

[Homewood City Schools](#)

**University of Alabama MID to LARGE
School Finance Department**
Enrollment of 10,000-16,999 Students



University of Alabama LARGE School Finance Department
Enrollment of 17,000-50,000 Students



Visit these system websites for examples of Mid to Large and Large Finance Department Structures

[Hoover City Schools](#)

[Elmore County Schools](#)

[Baldwin County Schools](#)

[Madison County Schools](#)

[Jefferson County Schools](#)

[Montgomery County Public Schools](#)

Evaluating the Chief School Financial Officer

While no law requirement currently exists for the evaluation of the chief school financial officer (CSFO), if the local board of education makes the decision, in collaboration with the school superintendent, to evaluate the CSFO, it is a good practice to use a formal evaluation process. Some systems may decide to develop their own evaluation tool to assess the CSFO's job performance, which may involve, but is not limited to, the following: an orientation process, structured written or oral interview, different forms of data (e.g., survey, financial), and a professional development plan. The local board may determine if all components of the evaluation process are completed annually or through a multiyear process. The overall purpose of the evaluation process should be to support the CSFO's professional growth. Additionally, the process should acknowledge areas of strength in performing duties and provide meaningful feedback for improvement.

In some cases, the system may engage an outside organization to evaluate the CSFO. Again, this is often done using a collaborative process with the board and superintendent and sometimes includes the CSFO. These organizations commonly involve the board and superintendent, as well as the CSFO, in reviewing expectations and determining the instruments used during the evaluation process of the CSFO. For more information regarding organizations used to evaluate CSFO, please contact the Alabama State Department of Education Chief of Staff or one of your state associations if you are a member.

Removal of the Chief School Financial Officer

As stated within § 16 13A-4 of the *Code of Alabama 1975*, the removal of the chief school financial officer (CSFO) must be done by the local board of education. This section of the law states that upon a majority vote of the local board of education, the board has unilateral authority to remove the chief school financial officer from the position, except where the CSFO has been appointed by the State Superintendent of Education. In this case, the State Superintendent of Education must give approval to the local board of education to remove the CSFO from that position.

Essential Forms for the Chief School Financial Officer to Manage and Complete

There are several important forms or documents that the Alabama State Department of Education or the local board of education requires the chief school financial officer of a school system to complete and manage. Most forms and documents can be located in the resources on the Alabama Achieves website, Division of Administrative and Financial under the [Fiscal Accountability tab](#) . Some forms and documents include, but are not limited to, the following:

- [Certification of Chief School Financial Officer](#)
- [Fiscal Accountability Form](#)
- [Public Official Bond Form](#)
- [Budgetary Forms within LEA Accounting](#)

References

- Alabama Association of School Boards (2022). [*Summer hiring reminders*](#).
- Benzel, B. & Hoover, K. (2015). *The superintendent and the CFO*. Rowan & Littlefield: Lanham, MD.
- Smith, D. (2022). *School finance for the Alabama superintendent*. (presentation)
- The Alabama Administrative Code*
<http://www.alabamaadministrativecode.state.al.us/docs/ed/index.html>
- The Code of Alabama 1975*
<https://alison.legislature.state.al.us/>

Additional Resources

- [Alabama Administrative Code](#)
- [Alabama Ethics Commission](#)
- [The Code of Alabama 1975](#)
- [LEA Accounting](#)
- [LEA Auxiliary Services](#)
- [LEA Fiscal Accountability](#)
- [List of Certified Chief School Financial Officers for the State of Alabama](#)
- [Financial Data and Reports for the Alabama Public Schools](#)

SAMPLE INTERVIEW QUESTIONS AND POSSIBLE RESPONSES BY THE CHIEF SCHOOL FINANCIAL OFFICER

Directions: These are sample interview questions to ask candidates applying for the chief school financial officer (CSFO) position. As you review the questions, notice the possible answers in the “Listen for Possible Responses” column.

QUESTION	LISTEN FOR POSSIBLE RESPONSES
1. Please share why you are seeking the position as CSFO for our school system.	<ul style="list-style-type: none"> • Researched the system and noticed it is fiscally sound. • System has great long-range plans to ensure financial success. • Financial beliefs and practices align with the system’s practices. • Will be a terrific addition to the well-established system leadership. • Knowledge and skills will compliment system’s vision and mission.
2. Describe the role of CSFO as it relates to the board, the superintendent, federal program directors, and local school administrators.	<ul style="list-style-type: none"> • Under direct supervision of superintendent; fiduciary responsibility to board, coordinate/support directors, support/train local school principals, assistant principals, and bookkeepers.
3. Leading and supporting the system in planning the budget process is a key role of the CSFO. Describe how you would support the system and its leaders to ensure the process is conducted with accuracy and fidelity.	<ul style="list-style-type: none"> • Refer to <i>chapter one</i> of this manual regarding the budget planning process for school system.
4. How would you describe your personal work ethic, and share how it would make you a successful CSFO?	<ul style="list-style-type: none"> • Be prompt. • Do not abuse lunch hour. • Be willing to work late when necessary. • Provide good example to other employees.
5. As you know, part of the <i>Alabama School Fiscal Accountability Law</i> requires that school system report key information to the Alabama State Department of	<ul style="list-style-type: none"> • All information (reports) presented to the local board must be submitted to Alabama State Department

<p>Education. Please discuss your knowledge about these requirements.</p>	<p>by 15th day of the month following presentation to board. LEAPS Financial report October 15th, and annual Financial Statement by November 1st.</p>
<p>6. How would you ensure that the board, system leaders, and public are up to date regarding fiscal matters?</p>	<ul style="list-style-type: none"> • Presentations during public board meetings and work sessions. • Sharing appropriate financial reports publicly and posting them on system’s website. • Providing training sessions and updates regarding fiscal matters (requirements, policies, procedures, etc.). • Developing resource documents to provide guidance and support regarding system fiscal management.
<p>7. Briefly describe your understanding of requirements in the area of Maintenance of Effort as it applies to federal programs.</p>	<ul style="list-style-type: none"> • Title I - required for federal funds to supplement and not supplant non-federal funding. • IDEAB –required for a specified level of expenditures from non-federal sources for specified activities to be maintained from year to year. • Perkins – required a local effort at FY95 to be maintained in total or per pupil.
<p>8. As you are aware, many systems across the State of Alabama have received a great deal of COVID relief funds. How would you ensure those funds are used in an appropriate manner?</p>	<ul style="list-style-type: none"> • Providing guidance and training on how the funds should be properly expended. • Monitoring how funds are being spent. • Ensuring proper reporting is done and timelines are met.
<p>9. Please share your knowledge and any experience you have regarding the capital planning process.</p>	<ul style="list-style-type: none"> • 5-year plan to allocate limited resources for capital investments. Requires a

	certified capital planner, planning committee, facilities assessment, board approval, submission to ALSDE
10. Explain supplanting as it relates to federal program funds.	<ul style="list-style-type: none"> Federal funds must supplement, not supplant, local and state dollars. Must place earned state units before funding personnel with federal dollars.
11. Explain your knowledge of the Alabama Foundation Program and its purpose for funding public education.	<ul style="list-style-type: none"> Match requirement of 10 mills of local ad valorem taxes. ADM of students determines # of certified units earned at each school. Certified funded on salary matrix, supplemental amounts for school administrators. OCE funds are provided for non-certified personnel and all other general operating expenses not funded by local funds. Classroom instructional support (CIS) funds-supplies, textbooks, technology, prof. dev., library enhancement, common purchases.
12. If you were asked to provide an overview of Alabama funds in K-12 public education, how would you deliver the information? Please share some of the topics you would include in your discussion.	<ul style="list-style-type: none"> Use of MS PowerPoint or other technology software. Some of the topics may include but not limited to Education Trust Fund, Foundation Program, key financial laws, etc.
13. Describe how you would ensure that the system maintains its required one month's reserve operating balance.	<ul style="list-style-type: none"> Be a strategic thinker and planner to lead the process to develop and maintain budget to maximize growth while preserving educational excellence. Report financial position to board monthly and amend budget as required.

	<ul style="list-style-type: none"> • Develop long-range projections to ensure resources are available to meet financial needs.
<p>14. How would you protect the board’s interests through internal audits?</p>	<ul style="list-style-type: none"> • Develop internal audit process for system and local schools. • Provide training, guidance, and support regarding processes and procedure. • Conduct ongoing progress monitoring reviews of system and local schools accounting records. • Implement correctives when necessary, regarding findings from internal audits. • Provide appropriate updates to the board and superintendents during board meetings.
<p>15. If you were asked by the superintendent and the board to develop a two-year plan to reduce the number of local teaching units within the system, how would you go about developing your plan?</p>	<ul style="list-style-type: none"> • Conduct an internal review to determine the number of local teaching units and cost centers where they are funded. • Determine the total cost of the local units and the cost per cost center. • Re-evaluate the need for each local unit and develop a plan that includes a timeline to reduce the number of local units. • Share the plan with superintendent and system leaders to seek their input. • Be strategic in the communication of the plan to ensure it is NOT seen as having a negative impact on school and student outcomes. • Implement the plan.

<p>16. Describe your knowledge and experience regarding the <i>Alabama Competitive Bid Law</i> of local school boards.</p>	<ul style="list-style-type: none"> • Refer to <i>chapter one</i> of this manual regarding the <i>Alabama Competitive Bid Law</i>.
<p>17. As CSFO, what steps would you take to make certain your team receives the proper continuing education training to maximize their job performance?</p>	<ul style="list-style-type: none"> • Plan continuing education training, presentations, or workshops. • Serve as a mentor to make certain finance staff members select the proper training to improve their job performance and efficiency. • Develop a training calendar or plan of key workshops or conferences for staff attendance. • Ensure that when staff attends continuing education training sessions that they present information with entire team.
<p>18. How would you protect the board’s interests in monitoring compliance with Fair Law Standards Act?</p>	<ul style="list-style-type: none"> • Ensure the board and system leaders have a clear understanding of the law. • Provide training regarding the purpose of the law and its key components. • Develop policies and procedures to manage “Wage and Hour” within the system. • Ensure that leaders know who is protected under this law. • Monitor monthly time records and follow up and report abuse.
<p>19. You are made aware that one of your local school bookkeepers is not following the proper procedures in making the daily bank deposits. How would you handle this situation?</p>	<ul style="list-style-type: none"> • Answers may vary but try and gather the facts regarding this matter because this can possibly be a severe claim. • Make superintendent aware of the matter. Then, determine a plan on how to address the matter.

	<ul style="list-style-type: none"> • If this is happening, make sure the principal and appropriate individual are aware. • Document the situation, possibly through the system’s HR department if bookkeeper has been given corrective guidance previously regarding this matter. • Ensure there is a corrective plan for the bookkeeper and ensure the principal is given guidance and support on how to ensure this process is being carried out properly. • Conduct ongoing progress monitoring related to corrective action steps provided to the school.
<p>20. The Chief School Financial Officer must possess leadership and personal qualities to successfully support the vision of the school system. As you begin your new role here in the _____ School System, how will you support the system’s vision in setting the tone to promote a positive working environment during this transitional time?</p>	<ul style="list-style-type: none"> • Answer may vary.
<p>21. In any interview process, it is difficult to ask all the right questions. There are always other things that an applicant may wish had been asked. Is there anything that you would like to tell us about your goals, accomplishments, philosophies, or work experiences that would illustrate that you are the best candidate for this position? In short, this is your chance to tell us why you consider yourself the best person for THIS job and why you want to be a part of the _____ System School’s team.</p>	<ul style="list-style-type: none"> • Answers may vary.

CHAPTER 6: FINANCIAL MANAGEMENT OF STUDENT ACTIVITY AND PARENT ORGANIZATIONS FUNDS

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Overview

This section of the manual will provide guidance and information regarding the proper fiscal management of student and parent organizations' activity funds within a school system and its local schools. In addition, the section will outline and discuss the key roles and responsibilities of school personnel and sponsors for the fiscal management of these types of funds and the general administration and supervision of funds produced by these organizations. While the first part of this section will focus more on activity funds from a national or customary practice standpoint, later sections will focus on more specific state and local guidance regarding using these specialized funds.

Most of the information found within this section of the manual will reference essential Alabama State Department of Education (ALSDE) guidelines and resource documents to support the effective management of student and parent organization activity funds. The materials and resources will include, but will not be limited to, the following areas: proper guidance, policy development and requirements, and fundamental procedures related to the administration of student and parent organization activity funds. In addition, the resources for this section will be placed at the end of the section and categorized by key contacts, presentations, sample handbooks, etc. Finally, key sections of the *Code of Alabama 1975* and the *Alabama Administrative Code* will be referenced regarding certain student fees.

The overall purpose of this section is to ensure that system leaders, school personnel, parents, and other volunteers understand their roles and responsibilities to ensure that these funds are managed properly and support students in accordance with fiscal guidelines and regulations related to effective school finance practices. **Additionally, while key guidelines and resources will be shared within this section, local education agencies (LEAs) may choose to expand guidance related to policies and procedures and requirements about their goals to manage these funds successfully.**

Types of Activity Funds

Often, little attention is given to the accounting of activity funds in school systems until issues arise and schools and systems are faced with implementing corrective actions after scrutiny over financial mismanagement of these types of funds. In addition, activity funds often involve large sums of money, especially when capturing the amounts that flow through local education agencies (LEAs) in the form of system funds, student-generated funds, receipts, and disbursements related to athletics and the myriad of co-curricular and extracurricular events sponsored by school systems today.

Activity funds are established to administer and supervise monies used to support co-curricular and extracurricular student activities. *“As a general rule, co-curricular activities are any kind of school-related activities outside the regular classroom that directly add value to the formal or stated curriculum. Co-curricular activities involve a wide range of student clubs and organizations. Extracurricular activities encompass a wide variety of other district-directed*

activities typified by organized sports and other non-academic interscholastic competitions (National Center for Education Statistics, 2003 & 2009); however, sometimes the classification of these activities may vary from state to state. For example, some states may classify music, dramatic events, and debate clubs as co-curricular activities, while other states may note these activities as extracurricular activities (National Center for Education Statistics, 2003 & 2009 & Smith, 2016).

Two classifications are commonly used to identify school system activity funds: student activity and system (district) activity funds. It is important to note that, most often, the difference between these two types of funds is the purpose of how these funds are used within the system and its schools.

According to the National Center for Education Statistics (2003, 2009), **student activity funds** *“support activities that are based in student organizations. Students not only participate in the activities of the organization but also are involved in managing and directing the organization’s activities. An important distinction is that disbursing monies from the student activity fund may be subject to approval by the student organization and its sponsor rather than by the board of education.”*

Some examples of student activity funds are listed below:

- Debate Club
- Journalism Club
- Writing Club
- National Honor Society
- Art Club
- Student Council
- Foreign Language Club

System (district) activity funds belong to the school system and are used to support the system’s co-curricular and extracurricular activities. These funds are administered by the school system. The system determines how these funds are spent and which programs receive support from the system.

Some examples of system (district) activity funds are listed below:

- Athletics
- Music Concerts
- School Plays
- Book Fairs
- Specialized Field Trips

While individual state laws and regulations may provide guidance and specify the conventional accounting procedures for activity funds, in accordance with the definitions above, student activity funds are fiduciary in nature. In contrast, system activity funds are representative of the system. Regarding fiduciary funds, this means that the management of these funds is **held in**

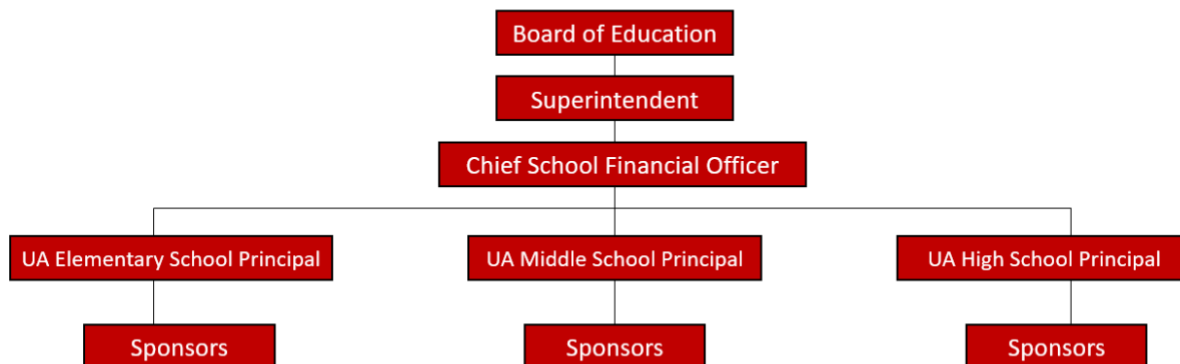
the trust of others. Therefore, the management of student activity funds is under the control of the school principal and is accounted for at the school site. On the other hand, system or district activity funds are managed by the system. Although there is a difference between the administration and supervision of activity funds, **all activity funds must be reported within the system's financial statements and are subject to the system's audits** (National Center for Education Statistics, 2003 & 2009; Smith, 2016).

Oversight of Activity Funds

Lines of Authority

School systems should establish policies and procedures for operational oversight and fiscal management of activity funds. Most school systems have established lines of authority for how these funds are to be distributed and managed daily. The local board of education should adopt policies and procedures for administering these funds.

University of Alabama School System Lines of Authority for Student Activity Funds



- **Boards of Education** should adopt policies and procedures that govern and establish expectations for the fiscal management of all activity funds within the system.
- **The Superintendent** is directly responsible for administering and supervising all activity funds and ensuring that policies and procedures adopted by the local board of education are implemented appropriately within the system and its schools.
- **The principal** of each school is responsible for administering and supervising all activity funds within his or her assigned school. This means that the principal should oversee all operations of student activity funds, including but not limited to the following:

- Collecting and depositing,
- Approving the disbursements,
- Supervising the school bookkeeper,
- and any other duties as assigned by the system regarding the oversight of these funds.
- **Sponsors** manage the funds for each student organization and are responsible for supervising all activities of the organization, including approving student activity fund transactions. Bylaws, policies and procedures, and other guidelines will vary from system to system. In addition, some states have also established guidelines and regulations regarding the management of these funds (National Center for Education Statistics, 2003 & 2009; Smith, 2016).

Guidance for Policy Development and Operations of Activity Funds

The National Center for Education Statistics (2003 & 2009) provides information for systems regarding the policy development for the administration and supervision of student and system activity funds.

They include but are not limited to the following:

- Each activity fund should be established by a specific board of education approval.
- All activity funds should be subject to sound internal control procedures.
- All activity funds should be accounted for on the same fiscal year basis as all other school system funds.
- All activity funds must be audited and subject to well-defined internal and external auditing procedures.
- All employees who are responsible for handling and recording activity fund monies should be bonded by the system.
- One or more activity fund supervisors should be formally designated by the board of education.
- Each activity fund supervisor should maintain a checking account for the attendance center.
- Depositories for student activity funds should be approved by the board of education and be further subject to the same security requirements as all other board funds.
- All activity funds should operate on a cash basis, meaning no commitments or indebtedness may be incurred unless the fund contains sufficient cash.
- A system of purchase orders and vouchers should be applied to all activity funds that require written authorization for payment and should be strictly enforced.
- A system for receipting cash that includes pre-numbered receipt forms for recording cash and other negotiable instruments received should be adopted.
- All receipts should be deposited intact. That is, all receipts should be deposited in the form in which they are collected and should not be used for making changes or disbursements of any kind.
- All receipts should be deposited daily and should remain well-secured until deposited.

- A system for disbursing funds using pre-numbered checks and multiple original signatures (no signature stamps) should be adopted as the sole means for disbursing activity fund monies.
- A perpetual inventory should be maintained on pre-numbered forms, receipts, and other documents to create an adequate audit trail.
- Bank statements for activity funds should be reconciled as soon as they are received.
- Using activity fund receipts to cash checks to accommodate individuals, to make any kind of loan, to pay any form of compensation directly to employees, or to extend credit should be strictly prohibited.
- Monthly financial reports on all activity funds should be prepared and submitted to the administration and the board of education. The district's annual financial statements should include a full report on activity funds.
- Student activity fund monies should benefit those students who have contributed to the accumulation of such monies.
- A board-approved process should be specified for all fundraising activities, and any fundraising event should require advanced approval.

Example handbooks and other resources with sample policies and procedures will be shared later within this section of the manual.

Segregation of Duties Related to Activity Funds

Because of the number of activity fund accounts within a school system, it is important to determine the essential duties and/or responsibilities of each person managing activity funds. These internal control procedures will support the system's efforts to ensure that all activity funds are being managed properly and to establish a system of accountability within the school system regarding the fiscal operations for activity funds. It is important for school systems to understand that policies, procedures, and guidelines are helpful in addressing concerns about practical safeguards to eliminate possible financial mismanagement. Additional attention should be given to segregating the duties related to activity funds. Specifically, three critical duties should be segregated for internal control purposes:

- (1) signing checks,
- (2) maintaining fund accounting records, and
- (3) reconciling bank statements.

For example, each student organization sponsor should not be allowed simply to issue or sign checks for the student organization or club that they oversee. In most cases, there is a local board-approved process in place for them to request a check for the funds needed and to document the process.

In addition, the segregation of duties requires more than one person to be involved in managing activity funds at the school and system levels. Each person must have specified roles regarding how these funds are to be managed. For example, at the school level, while the principal is ultimately responsible for the general oversight of the management of student

activity funds on his or her individual campus, the school bookkeeper should play an essential role in ensuring that the day-to-day management of these funds is done correctly. In some cases, because of the bookkeeper's knowledge, experience, and background regarding general accounting procedures related to the fiscal management of school funds, the bookkeeper will serve as a vital resource to the school principal to ensure student activity funds are managed within the prescribed laws and regulations. The chief school financial office does the same regarding system activity funds for the local board of education and superintendent (National Center for Education Statistics, 2003 & 2009).

It is important to note that checks and balances should be established within the system and its schools whenever public school funds are managed. For example, a system should create procedures and guidelines for internal audits regarding the management of both system and student activity funds. The audits should be conducted in accordance with board-approved policies and procedures.

Reconciling accounting records for activity funds is another important aspect of a system of checks and balances for schools. Essential to this process are internal accounting controls over the activity fund cash collections. Adequate procedures should be developed for completing an examination of funds that create sufficient documented (physical) evidence for each step in the flow of transactions within the activity fund. These procedures should include using pre-numbered forms and receipts, purchase orders and vouchers, and a continuous inventory of pre-numbered forms, receipts, and tickets, depositing receipts intact, and making timely deposits. State-specific statutory controls on disbursing student and district activity funds should be strictly observed (National Center for Education Statistics, 2003 & 2009). Additional information about Alabama-specific guidelines related to this area will be shared in the proceeding sections.

Guidance for General Preparation and Review of Monthly Activity Fund Reports

An essential element of managing activity funds is to ensure proper measures have been developed to effectively prepare a monthly report. A monthly report of cash receipts and disbursements to the activity fund should be prepared and reviewed by appropriate school personnel and submitted to the system. As a minimum, the column headings should include the following:

- Beginning cash balance, which should agree with the ending cash balance on the prior month's report;
- Cash receipts;
- Cash disbursements;
- Ending cash balance;
- Unpaid purchase orders;
- Unencumbered cash.

Each local school system should provide training and guidance on how these funds should be managed and approved by the appropriate school personnel and then submitted to the system monthly (National Center for Education Statistics, 2003 & 2009).

Application of Government Accounting Standards Board (GASB) Statement 34 to Activity Funds

The *Government Accounting Standards Board (GASB)* established the present blueprint for state and local government financial reporting - the format and measurement focus of the basic financial statements, certain related notes related to the financial statements, and required supplementary information, including management's discussion and analysis (GASB, 2022). In addition, GASB Statement 34 made significant changes in financial reporting for all governments, including school systems. Because fiduciary fund resources are not available for government use, fiduciary activities are excluded from the entity-wide financial statements. In accordance with the new reporting model, fiduciary activities, including student activity funds, are reported only in the fund financial statements. The impact of Statement 34 on district and student activity funds is summarized below:

- If student activity funds are classified as fiduciary (agency) funds, as recommended, their balances are not reported in the government-wide financial statements but only in the fund financial statements.
- System (District) activity funds classified as governmental (special revenue) funds are consolidated with all governmental activities in the government-wide financial statements. District activity funds are also presented in the governmental fund financial statements.
- Fiduciary funds are presented in the fund financial statements by fund type. Student activity funds, as agency funds, report no operating activity and are presented only in the statement of fiduciary fund net assets (National Center for Education Statistics, 2003 & 2009).

Revenue From Enterprise and Alternative Sources

Many school systems and their local schools generate significant revenue from enterprise activities and alternative sources: vending machines, school stores, soft drink machines, class ring sales, and a wide variety of fundraising activities such as magazine sales, candy sales, and school pictures. In addition, an immense amount of funds is made through athletics in the form of gate receipts and other contributions. These revenues are typically associated with activities conducted at the school level that generate funds to be used for the benefit of the school. In many instances, particular student organizations oversee one or more such enterprise activities. In other instances, the system administers the revenues for its own programs. If a student organization oversees an enterprise activity, the money should be accounted for through that organization's activity fund. If the system determines the use of the funds, the money should be accounted for with other system funds in the system's accounts. In all instances, however, the funds should be recorded on the system's financial accounting records.

- School systems and student groups are also increasingly benefited by affiliated organizations that support curricular, co-curricular, and extracurricular activities. Affiliated organizations include groups such as Parent Teacher Associations (PTAs), Parent Teacher Organizations (PTOs), school foundations, athletic booster clubs, etc. Contributions by these groups often include supplies, materials, equipment, and even school facilities, such as weight training rooms.
- Certain local board of education policies should be developed for the proper administration and supervision of these funds to avoid issues related to the improper use of these specialized funds. In the case of activity funds derived from enterprise activities, board authorization to operate the activity is needed, and all funds should be accounted for in the system's accounting records (National Center for Education Statistics, 2003 & 2009).

Public and Non-Public Funds

Generally, funds managed at the local school level are divided into two major categories: public and non-public funds. Funds from these categories are managed daily within school systems and their local schools through various system functions and student and parent organizations. Therefore, school leaders must ensure that school personnel and student organization sponsors understand how these funds are properly managed to avoid financial mishaps or public scrutiny.

Public Funds

It is important to note that public funds are restricted to the same legal requirements as the local board of education funds. They are received from public tax sources. These funds can also be received from non-tax sources and used for public purposes. At the local school level, any funds that are controlled *directly* by the principal are considered public funds (Bevel, 2015 & Peaspanen, 2016 & 2019). Below are examples of public funds and how they are managed or overseen by the school principal from the *Alabama State Department of Education (ALSDE) Financial Procedures for Local Schools Manual (2010)*:

1. **General Administration** – may consist of vending machine commissions, proceeds from school fundraisers (school pictures, coupon books, etc.), student parking, appropriations from the board, interest income, and other miscellaneous revenues. Its primary purpose is to pay for the general operations of the school, and it is controlled by the principal.
2. **Library Media** – accounts for late charges on returned library books, funds collected for lost library books, and expenditures incurred for purchasing library books.
3. **Athletics** – may consist of income from gate receipts, parking at athletic events, advertising commissions, game program sales, and donations from athletic booster clubs. Separate accounts may be established for individual sports if desired. Expenditures include athletic uniforms, equipment, and supplies; membership dues to athletic organizations; registration fees for coaching clinics; travel and transportation;

game officials; and expenditures related to athletic events, including expenses for practicing and preparing for athletic competitions and exhibitions.

4. **Concession and Student Vending** – may consist of concessions operated by the school at athletic events and vending machines or student concessions operated at the school during the school day.
5. **Fee** – school-imposed course fees for certain non-required academic courses, field trips, workbooks, and supplemental instructional materials. These funds cover the costs associated with the course or purpose for which the funds are collected.
6. **Locker Fees** – funds collected from students to cover the costs associated with maintaining the student lockers.
7. **Faculty Vending** – consists of funds collected and used for items sold in faculty lounge areas that, although not accessible to students or the public, are controlled by the principal. *Additional information regarding funds received from vending machines will be provided in a later part of this section.*

In addition to the list above, any funds received from state legislators are considered public funds. Funds received from different types of camps held on school property must also be considered public funds because they use school utilities, and often, participants are under the direct supervision of a public school employee (Bevel, 2015).

Public Funds Allowable and Unallowable Expenses

Allowable Expenses	Unallowable Expenses
<ul style="list-style-type: none"> • Professional development training • Refreshments provided for an open house at a school where the public would attend • Pregame meals for student athletes and coaches • Academic incentives for students • Athletic and band uniforms for students to participate in school activities • Memberships in professional organizations • School landscaping, maintenance, furnishings, and decorations 	<ul style="list-style-type: none"> • Meal expenditures for spouses • Holiday cards • Alcoholic beverages • Late fees • Dues to private clubs • Scholarships for students • Employee gifts • T-shirts for office staff • Faculty & staff parties • Planned lunches for employees

(*ALSDE Financial Procedures for Local Schools Manual*, 2010; Bevel, 2015; Peaspanen, 2016 & 2019)

Non- Public Funds

According to the *ALSDE Financial Procedures for Local Schools Manual* (2010), non-public funds are restricted expenditures subject to the intent and authorization of the organization’s sponsors and officers and are not used for the general operations of the local school. It is important to note that non-public funds can become subject to the same expenditure restrictions as public funds if the accounting records do not maintain separate accounts for each non-public fund. In addition, the school principal does not direct the use of these funds; however, the principal does have the authority to prohibit the inappropriate usage of these funds. Below are examples of non-public funds and how they are managed from the *Alabama State Department of Education (ALSDE) Financial Procedures for Local Schools Manual* (2010):

1. **Clubs and Classes** – Student organizations may have self-imposed fees but not academic course fees. The participants often impose their own fees for participation in these clubs and classes. These student organizations often conduct fundraising events. Clubs and classes include FBLA, Senior Class, Student Government, Spanish Club, Cheerleaders, Band, Show Choir, Beta Club, National Honor Society, Key Club, etc. Student organizations are self-governed by officers elected by the participants.
2. **Other School-Related Organizations** – Parent or parent/teacher organizations can have the funds for the organizations in the school accounts. These organizations are governed by officers elected by their members. Parent Teacher Organizations (PTO), Parent

Teacher Associations (PTA), Band Boosters, and various athletic booster support groups are considered school-related organizations.

Non-Public Funds Allowable and Unallowable Expenses

Allowable Expenses	Unallowable Expenses
<ul style="list-style-type: none"> • Food for social gatherings • Class prom entertainment • T-shirts for club members or faculty • Donations to various organizations • Transfers to other non-public accounts • Travel expenses to club events • Championship rings • Appreciation gifts • Scholarships • Flowers for funerals <p><i>(Please keep in mind that Alabama Ethics Law limits purchases for school employees and their families.)</i></p>	<ul style="list-style-type: none"> • Alcoholic beverages • Gifts for teachers and coaches • Construction projects or additions NOT approved by the Alabama Building Commission • Expenditures that are not aligned to organizational bylaws

(ALSDE Financial Procedures for Local Schools Manual, 2010; Bevel, 2015; Peaspanen, 2016 & 2019)

Public vs. Non-Public Funds

While the information above provides guidance and communication regarding the use of public and non-public funds, below are a few other key points to remember regarding these types of funds:

- Non-public funds can be transferred to the public, but NOT from public to non-public.
- A non-public account is **not** allowed to have a deficit or negative balance.
- If non-public receipts are commingled with public receipts, they all become public.
- When in doubt, consider the funds public. Also, when the superintendent or chief financial officer has questions regarding the use of these funds, please contact the ALSDE for guidance.

(ALSDE Financial Procedures for Local Schools Manual, 2010, Bevel, 2015 & Peaspanen, 2016)

Essential Financial Procedures for Managing School Funds

General Overview

As stated earlier within this manual, school principals are responsible for **all** financial affairs relating to their school's fiscal matters. Therefore, it is especially important that the principal understands and has knowledge of board policies and procedures about the collection, expending, documenting, recording, and overall administration, and supervision of all matters regarding the financial operations of his or her school. The position of the school principal also carries the responsibility of collecting and disbursing all funds in a manner that is approved by the local board of education and in accordance with generally accepted accounting principles and procedures (*ALSDE Local School Finance Procedures Manual, 2010*).

While the local school may have a variety of guidelines and procedures for managing the fiscal activities of the school, it is permissible for local boards to adopt alternative forms and procedures for local school financial operations subject to the following requirements:

- a) Generally accepted accounting principles will not be diminished.
- b) Compliance with state and federal laws will be maintained.
- c) Internal accounting controls will allow the tracking of financial transactions by the responsible individual.

In addition, the following are some general rules regarding the financial affairs of the schools. These rules and the accompanying procedures and policies will be subject to audit.

- a) School funds will be receipted and deposited in the school account on a timely basis.
- b) Expenditures will be paid by check and supported by proper documentation.
- c) Purchases will be approved by the principal (with a signed purchase order when required) before the purchase is made.
- d) Accounting records will be posted daily.
- e) Bank statements will be reconciled monthly.
- f) Monthly financial reports reflecting accurate balances and activities of the school's accounts will be reviewed and approved by the principal.

Above all, the principal is ultimately responsible for any financial matters where there has been a failure to follow the required financial policies and procedures for managing school funds. Again, it is important for superintendents to ensure that principals understand the local policies, procedures, and guidelines for managing school funds. As stated earlier, many local schools have different methods for overseeing school funds. For example, some schools have no bank accounts because all accounting functions are centralized at the local board of education. Furthermore, many school systems provide principals with ongoing professional learning and support regarding the management of school funds to avoid financial mishaps at the local school level (*ALSDE Local School Finance Procedures Manual, 2010*).

Bank Accounts

Once a school uses the information referenced within Section 3 of the *ALSDE Local School Finance Procedures Manual (2010)* regarding the selection of a bank, a school should establish only **one** checking account. Creating separate banking accounts is not necessary to offset the possibility of public and non-public funds being combined. In addition, it is important to note that funds not needed for current school operations, such as certificates of deposit (CDs), money market accounts, or savings accounts, **MUST** be recorded in the school's accounting records and included in the school's financial statements. Finally, school funds are to be maintained in a Qualified Public Depository (QPD). A QPD is an Alabama banking institution that provides protection for school funds under the Security for Alabama Funds Enhancement Program (SAFE), administered by the Alabama State Treasurer's office. At the end of each fiscal year, the bank should be required to provide written communication confirming that all school funds are listed on the bank's records as SAFE Program Accounts (*ALSDE Local School Finance Procedures Manual, 2010*).

While the ALSDE provides the following information about school bank accounts, local system schools may develop additional guidelines and requirements for the management of activity funds.

Depositing Funds

Funds received from local schools must be deposited in a timely manner; most local schools work to make certain that funds are deposited daily in their local bank accounts. When schools are unable to deposit funds prior to the closure of their local banks, a locked night deposit bag should be used to secure the funds in the bank's night depository containers. It is important that the principal establishes and ensures that teachers turn in funds they have collected during the day in a reasonable timeframe and receive a master receipt. The following procedures are recommended regarding school deposits:

1. Pre-printed, duplicate deposit slips should contain the name of the school account and the bank account number.
2. When the master receipt is written, payments received by check should be endorsed with the words "For Deposit Only" along with the name of the school bank account and bank account number.
3. The deposit slip should contain the master receipt numbers of the funds deposited.
4. The deposit date and deposit amount should be indicated on the last master receipt included in the deposit.
5. Daily receipts should be deposited intact. Do not cash checks with the funds received. Do not use cash receipts for change cash. Do not use the cash received for payments.
6. Do not use correcting fluid or erasures for mistakes on deposit slips.
7. The bank should authenticate the duplicate deposit slip at the time of deposit. The duplicate deposit slip (and the bank's deposit confirmation, if provided) must be retained for audit.

(*ALSDE Local School Finance Procedures Manual, 2010*)

In most schools, the bookkeeper collects teachers' funds and issues the master receipt. Information regarding a master receipt will be shared later within this section of the manual.

Proper Management of Receipts

Developing proper accounting procedures for documenting fiscal management at the local school level is an essential component of ensuring the school accounts for all funds received. Master receipts, reports of ticket sales, teacher receipts, and alternative receipt listings are all crucial documentation for ensuring that each of the funds collected for the school is deposited in the local school's account. In addition, the members of the Alabama Legislature have noted the importance for schools to eliminate unnecessary paperwork for school personnel and for schools to examine ways to automate their processes; however, because of the importance of documentation needed to protect school funds that are collected, the collections of funds by teachers should be extremely limited or eliminated altogether, if possible. According to the *ALSDE Financial Procedures for Local Schools (2010)*, procedures to reduce the amount of paperwork regarding the documentation of the collection of school funds may include but are not limited to the following:

- Alternative funding sources for field trips and classroom materials;
- Centralized collection of class fees and fundraising income;
- Prepayments by parents for recurring charges;
- Elimination of locker fees;
- Recruitment of businesses and donors to replace charges to students.

Master Receipts

Most master receipts are issued by the school bookkeeper or designee assigned by the school principal, who is responsible for collecting funds generated by the school. A manually prepared master receipt must be a pre-numbered duplicate receipt booklet of record. In addition, master receipts need to be completed and issued in numerical order at the time funds are received at the local school. It is important to note that because only one master receipt booklet is to be in use at a time, all pre-numbered receipts in a receipt book should be issued before another master receipt book is used. Finally, master receipts cannot be pre-signed and must contain the original signature of the person receiving the funds. *A signature stamp is not acceptable.* The following procedures are recommended by the *ALSDE Financial Procedures for Local Schools (2010)*:

1. A master receipt should be issued after counting or verifying the amount of the receipt at the time the funds are received.
2. The person presenting the funds for a receipt should wait for a master receipt to be prepared and verify the information on the master receipt before leaving the office.

3. Funds collected by a teacher must be brought to the office along with the teacher's receipt book or record, alternative receipt form, report of ticket sales, or other receipt documents.
4. Funds should be counted and verified with the amounts in the teacher receipt book or record, alternative receipt form, or report of ticket sales.
5. A manually prepared master receipt should contain the following information:
 - a) the sequential numbers of the teacher receipt book or record, alternative receipt form, or report of ticket sales form;
 - b) the name of the individual delivering the funds;
 - c) the amount of the funds received;
 - d) identify the school activity account to receive the funds;
 - e) space permitting, other information that would be useful in identifying the funds;
 - f) the date the funds are received; and
 - g) the original signature of the individual receiving the funds and issuing the master receipt.
6. The original master receipt should be handed to the individual delivering the funds.
7. Voided receipts must be retained.
8. Correcting fluid or erasures for mistakes should not be used.
9. Funds received must be secured until deposit. Deposit funds daily or according to local board policy.
10. The master receipt book or record and supporting documents must be secured for audit.
11. A master receipt should also be issued for each check received by mail.
12. Follow school board guidance for issuing a receipt to satisfy a non-sufficient fund check.
13. Checks should not be cashed with school funds. Deposit funds intact.

NOTE: The cooperation of teachers and other school personnel is essential to ensure the proper receipting of school funds. Establishing designated times to receive funds for the issuance of master receipts should be considered (*ALSDE Local School Finance Procedures Manual, 2010*).

Teacher Receipts

The principal should provide teachers and others who receive school funds (other than CNP funds) with pre-numbered duplicate receipt booklets. Receipt booklets are to be secured, and a log should be kept tracking the receipt books **by number** to the individuals responsible for the issuance of receipts.

It is permissible for the local board of education to give the school principal the authority to provide an alternative to writing a receipt to each student in a class when the amount being collected from each student does not exceed a certain amount (such as \$10). The alternative receipt form should identify the purpose of the collection (such as a field trip to the Pumpkin Patch or Children's Museum), the date, the student's name, the amount, and the signature of the teacher or person collecting the funds; however, if the parent or guardian requests a

written receipt, the school should provide the parent or guardian with a copy of the receipt instead of entering the receipt on the alternative receipt form (*ALSDE Local School Finance Procedures Manual*, 2010).

In addition, teacher receipts should be completed and issued in numerical order at the time funds are received. All pre-numbered receipts in a receipt booklet should be issued before another Teacher Receipt booklet is used. Teacher receipts cannot be “pre-signed” and must contain the original signature of the person receiving the funds. Like the master receipt, a signature stamp is not acceptable. The following procedures are recommended by the *ALSDE Financial Procedures for Local Schools* (2010):

1. A teacher receipt should be issued after counting or verifying the receipt amount at the time the funds are received.
2. A manually prepared teacher receipt should contain the following information:
 - a) the name of the individual delivering the funds;
 - b) the amount of the funds received;
 - c) the purpose or activity for the funds received;
 - d) the date the funds are received;
 - e) indication of the funds being cash or check; and
 - f) the original signature of the individual receiving the funds and issuing the receipt.
3. The original teacher receipt should be handed to the individual delivering the funds.
4. Voided receipts must be retained with the receipt book.
5. Correcting fluid or erasures for mistakes should not be used.
6. The funds received must be secured.
7. Checks should not be cashed with the funds received.
8. No money should be left in the classroom overnight. The teacher is responsible for all collected money until it is turned in to the office.
9. The teacher’s receipt book or record and the funds collected should be taken to the office.
10. The teacher should wait for a master receipt to be prepared and verify the information on the master receipt before leaving the office.
11. The teacher should retain the original master receipt.
12. Funds should not be held until all funds for an activity, fundraiser, or other purposes are collected. The school is required to make timely deposits according to school board policy.
13. Teacher receipt books containing the receipt copies and unused receipts should be returned to the principal at the end of the school year or earlier.

Purchasing

According to the *ALSDE Financial Procedures for Local Schools* (2010), the school principal should approve all expenditures that will be paid from school funds. A completed pre-numbered purchase order must be signed and approved by the school principal before a

purchase if the intent is to use school funds for the materials, supplies, or equipment being purchased. A purchase order provides protection to the vendor for not charging Alabama sales tax on the school's purchases. Local board policy should determine if purchase orders are to be completed for other expenditures. A purchase order register should be maintained to account for purchase orders. Although purchases made by individual schools from funds other than those raised by taxation or received through appropriations from state, municipal, or county sources are generally exempt from the bidding requirements of the Alabama Competitive Bid Law, such purchases can come under the state bid requirements if any portion of the expenditure is derived from a governmental source (ALSDE *Financial Procedures for Local Schools*, 2010).

"Plans for proposed land improvements, building improvements, repairs, renovations, or construction of buildings or facilities on school property should be submitted to the School Superintendent. Approval, notification, or inspection by State or local agencies may be required, even if other organizations or individuals pay expenditures. Contracts, including service contracts for landscaping, maintenance, tutoring, or copier leases, must have the approval of the School Superintendent before the services begin" (ALSDE *Financial Procedures for Local Schools*, 2010).

Guidance for the Management of Particular Student Fees

Alabama laws and administrative guidelines of the State Board of Education have made certain restrictions regarding the collection of fees from students, including the following:

- *Code of Alabama 1975, [Section 16-13-13](#), Fees for courses.* It is the intent of the Legislature that no fees shall be collected in the future in courses required for graduation. In courses not required for graduation, local school boards may set reasonable fees for courses requiring laboratory and shop materials and equipment, provided, however, that such fees shall be waived for students who cannot afford to pay the fee. Any funds collected in fees shall be spent on the course for which the fee was levied. This section shall not be construed to prohibit community groups or clubs from fundraising activities, provided, however, that students shall not be required to participate in such fundraising activities.
- *Code of Alabama 1975, [Section 16-6B-2](#), Core curriculum.* (a) The following words and phrases used in this section shall, in the absence of a clear implication otherwise, be given the following respective interpretations: (1) REQUIRED COURSES. Courses that are required to be taken by every student enrolled in public schools in the State of Alabama.
- *Code of Alabama 1975, [Section 16-10-6](#), Incidental fees in elementary schools.* No fees of any kind shall be collected from children attending any of the first six grades during the school term supported by public taxation; provided that any county or city board of education shall be authorized to permit any school subject to its supervision to solicit and receive from such children or their parents or guardians voluntary contributions to

be used for school purposes by the school where such children are attending; provided further, that the provisions of this section shall in no way affect or restrict the right or power of a school board to fix and collect tuition fees or charges from pupils attending schools under the jurisdiction of such board but who live outside the territory over which such board has jurisdiction.

- [Alabama Administrative Code, 290-3-1-.02](#) (17), *Driver Education*.
 - No fee shall be charged to any child whose family is unable to pay the fee.
 - The amount of the course fee shall be established before the enrollment of students in the driver education course.
 - The amount of the driver education course fee approved by the local board of education cannot exceed the anticipated local costs of the driver education course.
 - Each board of education shall establish criteria for determining families' ability to pay the fee.
 - Local boards of education shall take reasonable steps to ensure that students qualifying for no fee or a reduced fee are identified. *(Revised effective May 2014)*

In reading the guidance above regarding students' fees, it should be noted that academic fees during the regular school term (excluding driver education) may only be charged for materials and equipment used in instructional courses and that the fees collected may only be used in the course for which the fee was collected. Actions against a non-paying student, such as withholding grades, report cards, transcripts, academic recognitions, and graduation activities, are prohibited; however, state laws governing textbooks may require withholding additional textbooks for a student due to unpaid lost or damaged textbook fines. (Also see the *Code of Alabama 1975*, [Section 16-36-69](#))

Managing Donations and Voluntary Contributions

Voluntary contributions may be requested for various items purchased by the school that students use in academic courses and classes, including workbooks, supplemental instructional materials, lockers, sheet music, and other academic purposes. The nature of the voluntary contribution must be clearly stated in the request for the contribution. Non-payment of requested contributions cannot be used against a student, and the student must be provided the same instructional items as if payment were made on behalf of the student.

In addition, donations may be requested for specific school purchases, including janitorial products, cleaning supplies, paper products, copier expenses, software maintenance, and other school purposes. As with contributions, the voluntary nature of the donation must be clearly stated in the request for the donation. Non-payment of requested donations cannot be used against a student, and the student must be provided the same instructional items as if payment were made on behalf of the student.

For general school purposes, donations may be requested for communication services, additional personnel services approved by the school board, playground upkeep, equipment, maintenance, student lunches, etc. Again, it is important to note that the voluntary nature of the donation must be clearly stated in the request for the donation, and a student must be provided the same instructional items as if payment were made on behalf of the student. Also, a key point to note is that schools that have events during the school day and charge an admission fee for students should provide admission to non-paying students to avoid subjecting them to embarrassment or ridicule. Teachers do not have the authority to request or accept student fees, contributions, or donations without the principal's approval unless directed by the local superintendent. Also, the principal or the local superintendent should approve requests to collect school fees, contributions, and donations (*ALSDE Financial Procedures for Local Schools, 2010, Peaspanen, 2016 & 2019*).

“Actions taken against a student for non-payment of student fees, contributions, or donations, including the withholding of grades, report cards, transcripts, diplomas, honor rolls, participation in graduation events and student recognition events, membership in honors organizations, and other actions that would subject the student to embarrassment or ridicule, are prohibited” (ALSDE Finance Procedures for Local Schools, 2010).

NOTE: The local school board office can provide guidance on collections from students for meals, snacks, and refreshments; library fines; student parking; charges for participating in extracurricular activities; summer school; daycare; weekend, before school, and after school programs; dual enrollment programs; tutoring; and requests for donations from school vendors (*ALSDE Finance Procedures for Local Schools, 2010*).

Sources of Local School Income

Ticket Sales

Local schools receive revenue from ticket sales for the different events, for which they charge an admission fee. Some of the events include, but are not limited to, the following:

- Football
- Basketball
- Baseball
- Softball
- Volleyball
- Wrestling
- Soccer
- Swimming
- Track and Field
- Pageants
- Dances
- Theatrical Performances

When effectively managed, tickets for admission to school activities ensure that attendees pay for the cost, and all charges are deposited in the school's bank account. Pre-numbered tickets may be printed for specific events or may be sold from a roll of generic tickets. If generic tickets are sold for seasonal events like football or softball, ticket colors should be alternated. For security purposes, it is important for schools to use a system of collecting the tickets to ensure that a person is not reusing the tickets. In addition, it is recommended that the ticket collector and seller are two different people and that the tickets are torn in half so that the school knows that the ticket has been used (*ALSDE Financial Procedures for Local Schools Manual, 2010*).

The *ALSDE Financial Procedures for Local Schools Manual (2010)* states that a report of ticket sales form must be issued for everyone selling the tickets at the time the tickets are provided to them for the event. The report of ticket sales form should contain the following information:

1. Name of the event;
2. Date of the event;
3. A line for the name or signature of the person receiving the tickets for sale;
4. The beginning and ending ticket numbers of the tickets issued;
5. The beginning and ending ticket numbers of the tickets not sold;
6. A line for the signature of the person receiving the unsold tickets and cash collected;
7. A space for reconciling collections based on ticket sales to actual cash returned.

In addition, "A master receipt should be issued to an individual for the cash collected from ticket sales. A separate master receipt should be issued for Change Cash. All cash collected must be deposited intact. **Do not use cash collected or change cash to cash any checks, including school checks issued for officiating, security, ticket sellers, or ticket collectors**" (*ALSDE Financial Procedures for Local Schools Manual, 2010, Heard & Peaspanen, 2010*).

According to an Alabama Attorney General's Opinion, local school boards can allow for complimentary passes to certain individuals, provided that the issuance of the passes furthers and enhances the purposes of the school; however, the school principal does not have the authority to give out complimentary passes without the approval of the local board of education. It is important to note that public employees, officials, and their families receiving complimentary passes are responsible for complying with the *Alabama Ethics Law (ALSDE Financial Procedures for Local Schools Manual, 2010)*.

Fundraising

Fundraising has been one of the key sources for supporting the different activity funds within a school system and its school sites; therefore, it is crucial that schools and systems develop local board-approved policies and procedures as well as guidelines regarding how fundraising is to be conducted. According to the *ALSDE Financial Procedures for Local Schools Manual (2010)*, the principal MUST approve each school fundraising activity conducted by students, teachers, school employees, or school-related organizations. The local school board has the authority to

exempt school-related organizations from this requirement if the organization's activity is not under the principal's control; however, a key point to remember is that elementary school students must not be involved in any door-to-door solicitation or sales. Also, **no foods of minimal nutritional value may be sold during the school day.**

A form requesting authorization for a fundraising activity must be approved and documented by the principal prior to the start of the fundraising activity and should contain the following information:

1. Date of the request;
2. Name of the individual making the request;
3. Activity account to receive proceeds from fundraiser;
4. Class, club, or organization that will conduct the activity, if applicable;
5. Name of the fundraising project;
6. Beginning and ending dates of the fundraiser;
7. Description of fundraising activity, such as the following:
 - a. name of company supplying items for sale;
 - b. description of items for sale;
 - c. estimated cost of items for sale;
 - d. sale price of items;
 - e. description and estimated cost of related fundraiser expenses;
 - f. description of the method of sales and collections;
 - g. estimated profit from fundraiser;
8. Purpose of fundraiser.

In addition, the Alabama State Department of Education (ALSDE) states in its guidance that before approving a fundraising activity, the principal should consider the safety of the students involved. For example, the cheerleader sponsor should supervise events such as a "Car Wash for Cheerleader Camp." The potential profitability from the efforts expended on a fundraising activity should also be considered.

Approved fundraising activities must comply with financial procedures for school funds, including the following:

1. All funds collected must be delivered to the principal's office for a master receipt. Do not cash checks from collections.
2. Income from fundraisers must be deposited on a timely basis. Teachers and sponsors of fundraisers should be reminded not to hold fundraiser income until the fundraising project is complete.
3. All fundraising expenses, including student sales awards, must be presented to the principal for payment by check.
4. A school employee cannot receive a gift or gratuity from the fundraising vendor.

Within a reasonable time after the completion of the fundraising activity, a form should be submitted to the principal that documents the result of the activity (*ALSDE Financial Procedures for Local Schools Manual*, 2010; Heard & Peaspanen, 2010; 2016 & 2019).

Vending Machines

Vending machines are another source of income for local schools. Some schools service some or all the vending machines within the building(s). Some vending machines are fully serviced by school employees who stock the machines and collect the funds from the machines. Another method of servicing vending machines is to have the vending company stock the machine while school employees collect the funds from the machines. It is important to note that oversight should be established to document the products stocked in each machine and the income generated through each machine.

Tracking the profits from each vending machine assists the school principal in ensuring the following:

1. A malfunctioning machine is quickly identified.
2. Students and others are not manipulating a machine to take money or receive products without paying.
3. The product price is set above the product cost to obtain a reasonable profit.
4. Products are not pilfered from storage when stocking the machine.
5. All funds from the sale of the vending items are receipted.

According to the *ALSDE Local School Finance Procedures Manual (2010)*, the same school employees who remove the funds from a vending machine should also stock or supervise the stocking of the vending machine. In addition, a master receipt should be made to the individual for the funds collected from each machine. A school may choose to have an area set aside for school employees with one or more vending machines not accessible by students or the public. It is important to note that because the vending machines are on public property using electricity paid with public funds, and the principal (a public official) is directing the use of the vending machine proceeds, the profits are considered **public funds**; however, an Alabama Attorney General's Opinion has established conditions that would allow the vending machine proceeds to be non-public funds. The use of the non-public funds would have to be under the control of an employee organization (not under the direct control of the principal), and all expenses for the vending machines, including vending items, electricity, and rent, would have to be paid from the vending machine proceeds (*ALSDE Local School Finance Procedures Manual, 2010, Heard & Peaspanen, 2010, Peaspanen 2016 & 2019*).

Concessions Funds

Another source of school income is generated through concessions. Concessions include event concessions, school concessions, and school stores. Because all concessions involve cash, and neither cash receipts nor tickets are used for the management regarding the exchange of money, proper accounting for the sale of products and income is essential. In an ideal situation, a cash register would be used to account for the cash collected. The purchaser would receive a cash register receipt; the cash register would then generate a record of sales. An inventory of items purchased, items sold by sales price, and items unsold should reconcile to the cash collected.

The following procedures are recommended:

1. Checks must not be cashed with concession funds. Deposit funds intact.
2. Payments must not be made from cash collected. Payments must be made by check.
3. Funds should be collected on a timely basis.
4. A master receipt should be issued after counting or verifying the amount of the receipt at the time the funds are received.
5. The person presenting the funds for a receipt should wait for a master receipt to be prepared and verify the information on the master receipt before leaving the office.
6. Supporting documentation of items sold should accompany the funds collected (*ALSDE Local School Finance Procedures Manual, 2010; Heard & Peaspanen, 2010*).

General Administration of Student Activity and Parent Organization Funds

As stated earlier, a significant amount of money is received through various student activities and parent organizations within schools and school systems. Therefore, the system and its schools must provide guidance and oversight for student activities and parent organizations regarding the management of funds. This is a critical component to ensure these funds are administered properly to offset any financial misappropriations and to avoid any violations of the laws and regulations regarding the use of funds generated from these areas.

To ensure that student activity and parent organization funds are appropriately managed, many school systems develop local board-approved policies, procedures, guidelines, and bylaws to ensure that income produced in these areas is managed efficiently and effectively by school personnel and sponsors. These policies, procedures, and bylaws should provide clear guidance about how funds from these areas will be managed from collections, receipting, disbursements, financial auditing, etc. In addition, essential forms and other documents should be developed to ensure that key procedures and processes are documented accordingly and clear directions are given regarding managing these types of funds.

Along with providing oversight and guidance regarding the use of student activity and parent organization funds, proper training should be provided to school personnel and sponsors for the different clubs and organizations that they manage. Some of the key elements of the training sessions are listed below:

- During the training sessions, participants should be provided with the necessary information and guidance about the proper use of these funds and the system and school expectations for properly managing monies generated through these organizations.
- In addition, sponsors should obtain information regarding the key resources and materials as well as the importance of their usage to support them in being successful. Another key element is to ensure that sponsors know who their key contacts are within the school system and the local school.

- Finally, most school systems should ensure that professional learning sessions within these areas will ensure that sponsors and school personnel are up to date regarding the most current laws and regulations related to the management of student and parent organizations' activity funds.

Outlining the key roles and responsibilities of school personnel and sponsors is particularly important for the success of student activities and parent organizations and the fiscal management of funds generated by these organizations. Roles and responsibilities should be clearly defined regarding key positions or offices held within the different activities. In addition, each responsible person should understand the purpose and expectations of the position or office held within the different activities or organizations.

While the above information provides guidance regarding the general administration of student activity and parent organization funds, it is the responsibility of each school system to ensure that proper financial procedures are in place to promote the success of each student activity or parent organization. Developing key policies, procedures, and guidelines is crucial to managing these groups efficiently and effectively. Finally, the system and its schools should always provide contact information when sponsors have questions regarding their responsibilities or the organization they are managing.

Alabama Guidelines for School-Related Organizations

The purpose of this section is to provide information related to the Alabama guidelines regarding the management of funds generated by school-related organizations. The overall goal of this section is to support school personnel and student, and parent organization sponsors with guidance on successfully developing and implementing the proper financial procedures.

Student Organizations

Student clubs and classes are generally recognized as school activities. It is important to note that while the student officers and faculty sponsors oversee the management of the organization, the principal serves in a fiduciary capacity for the general administration and supervision of the funds generated through the organization. The school's accounting records should have a separate account to record the financial operations of each student organization. Funds generated from these organizations should be recorded by receipts and deposited in the school's bank account. The school principal should approve purchase orders, sign checks, and maintain the supporting documents and information regarding the expenditures (*ALSDE Local School Finance Procedures Manual*, 2010; Heard & Peaspanen, 2010; Peaspanen, 2016 & 2019).

NOTE: Some organizations consisting of students from the school may not be related to school activities. Some students belong to social organizations that operate off-campus. Community recreation leagues may consist solely of the school's students and operate under other entities that are not under the control of the school. Although the activities of these organizations may benefit the school's students, these organizations have separate employer identification

numbers (EINs) and mailing addresses, and they maintain their own records and accounts (*ALSDE Local School Finance Procedures Manual, 2010*).

Athletics

Athletics are considered extracurricular activities that must be under the control of the local school principal. A key element to note about athletic funds is that coaches and other school employees cannot maintain a separate bank account that supports or benefits from a school's extracurricular activity. In addition, funds generated to support athletic activities or events at the local school level by sponsors, vendors, or other sources must be included in the school's financial records under the fiduciary control of the principal. Monies received from gate receipts and other sources may be recorded in one or more separate accounts for a particular sport in the school's financial records; however, it is important to note that a separate account for each sport is not required, although it might be easier from an account management standpoint. Also, regarding athletic events that are held on other locations than school property, the school principal's control over the financial operations of the event, including ticket sales, concessions, and parking fees, will be determined by agreement with the entity in control of the event location (*ALSDE Local School Finance Procedures Manual, 2010, Heard & Peaspanen, 2010, Peaspanen, 2016 & 2019*).

Parent Organizations

As we know, parent and parent/teacher organizations play a vital role in the public education of students and supporting the students' overall success. According to the *ALSDE Financial Procedures for Local Schools Manual (2010)*, the Parent Teacher Association (PTA) and Parent Teacher Organization (PTO) are the most common parent organizations throughout Alabama public schools.

Several of these parent organizations join national organizations that serve the individual school organization. Each national organization publishes guidance for the financial operations of the individual school organizations. In addition, parent organizations must have a separate employer identification number (EIN) and a separate mailing address to maintain their own records and accounts outside the control of the school; however, these organizations will become school activities if the following occurs:

- a) Both parties mutually assent to the fiduciary control by the principal,
- b) A school employee leads fundraising or maintains the accounting records for the organization (*ALSDE Local School Finance Procedures Manual, 2010; Heard & Peaspanen, 2010; Peaspanen, 2016 & 2019*).

Booster Organizations

Booster organizations have increasingly grown over the years, generating a great deal of money to support students and the school. Although all school-sponsored extracurricular activities must be under the control of the school, booster organizations are often formed to support the

operations of these activities in a variety of ways. While providing additional financial support for a particular extracurricular activity, the volunteers in the booster organizations also enhance community support that often extends to benefit all the students within a school. Because some of the activities of a booster organization may be linked with the extracurricular activity it supports financially, some of the organization's activities may be under the control of the school principal, while other functions of the same booster organization are not school activities. The determination that a particular booster organization is a school activity must be made on a case-by-case basis according to the facts and circumstances of the organization's operations at a school. It is important to note that these organizations must have a separate employer identification number (EIN) and a separate mailing address to maintain their own records and accounts outside the control of the school; however, these organizations will become school activities if the following occurs:

- a) Both parties mutually assent to the fiduciary control by the principal;
- b) A school employee, who is associated with the activity supported by the booster organization, serves/holds a leadership position in the organization; or
- c) A school employee leads fundraising or maintains the accounting records for the organization.

Specific activities of a booster organization may come under the control of a school principal if the following occurs:

- a) The organization collects admission to the school function;
- b) The organization operates a concession operation on school property at the school function;
- c) The organization collects parking fees for the school function;
- d) The organization operates a training camp that includes students in the activity it supports; or
- e) The organization operates an exhibition or competition that includes students in the activity it supports.

(*ALSDE Local School Finance Procedures Manual*, 2010; Heard & Peaspanen, 2010; Peaspanen, 2016 & 2019).

Specific Requirements

When parent organizations and booster organizations maintain financial operations outside the control of the school, this could cause the school to be under scrutiny from the public when these organizations mismanage funds and do not maintain the proper accounting controls.

Accountability for the funds these organizations control includes an agreement that:

- a) The organization has obtained an employer identification number from the Internal Revenue Services (IRS).

- b) The organization provides a report of the organization's annual audit to the school.
- c) The organization makes its financial records available to the school's auditors and authorized school employees upon request.
- d) The organization provides required financial reports.
- e) The organization provides proof of a fidelity bond for the treasurer.
- f) The organization will not provide any payment or benefit to a school employee (or family member of a school employee) in violation of the *Alabama Ethics Law*.

(ALSDE Local School Finance Procedures Manual, 2010)

Resources

Searches using these topics will provide helpful information

Alabama State Department of Education

Alabama Ethics Commission

Alabama Department of Examiners of Public Accounts

Alabama Office of the Attorney General

Alabama Department of Finance, Real Property Management: Division of Construction Management

Presentations

Local School Financial Procedures for Activity Funds by David Smith (2016)

Financial Procedures for Local Schools by Dennis Heard and Sonja Peaspanen (2010)

Financial Procedures for Local School Activity Funds- Public and Non-Public by Sonja Peaspanen (2019)

Public & Non-Public Funds by Sonja Peaspanen (2016)

Public vs. Non-Public Funds by Hannah Bevel (2016)

ALSDE Resource Manuals

Alabama State Department of Education: Financial Procedures for Local Schools (2010)

Alabama State Department of Education: LEA Accounting Manual (2022)

Alabama State Department of Education: LEA Accounting Manual Updates (June 2022)

Example Local Education Agencies Manuals & Resources

Autauga County Schools Parent Support Organizations Guidelines and Procedures (2017)

Baldwin County Public Schools: Parent Support Organizations Information and Forms (2022)

Blount County Schools Finance Accounting Procedures (2018)

Bullock County Schools Business Services Manual (2022)

Chilton County Schools Parent Support Organizations Guidelines and Procedures

Cullman County Schools Guidelines for Separate School Related Organizations (2020)

Elmore County Schools: Parent and Support Organizations Guides and Operating Procedures (2017)

Jasper City School System: Accounting Procedures Manual (2019)

Lowndes County Public Schools: PTO & Booster Club Guidelines (2017)

Mountain Brook City Schools Finance Procedures (2022)

Tuscaloosa City Schools Financial Procedures Manual (2021)

Other Resources

Alabama Attorney General Opinions

Sample Student Activity Fund Bylaws

Sample Activity Meeting Minutes Form

GASB Statement 14: Financial Reporting

GASB Statement 39: Determining Whether Certain Organizations are Component Units

References

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CHAPTER 7: THE FINANCING OF CAREER & TECHNICAL EDUCATION IN ALABAMA SCHOOLS

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Overview

Career and Technical Education (CTE) has played a significant role in supporting the quality of education in U.S. secondary and postsecondary schools for several years. CTE evolved from vocational education, which traces its roots back in the U.S. educational system for more than 100 years and originally referred to agriculture, homemaking, and trade and industrial education. Today, education that prepares students for career success is much broader than it used to be. The first federal law to provide funding for vocational education was passed in 1917, even before education was required in every state. That law was the [Smith-Hughes Act](#) (Jacob, 2017).

This section of the manual will cover how career and technical education (CTE) is funded within Alabama schools to support student success once they enter the workforce or a postsecondary institution. Also, this section of the manual will discuss key laws, regulations, requirements, programmatic structures, and key initiatives and resources related to CTE and their importance regarding productive student outcomes and professional staff effectiveness. In addition to federal laws and regulations that govern how CTE funding is to be used and managed by Local Education Agencies (LEAs), information regarding state guidance and usage of CTE funds will be referenced from sections within [Chapter 37](#) within [Title 16: Education of The Code of Alabama 1975](#), key chapters and their sections of *The Alabama State Board of Education State Department of Education Administrative Code (The Alabama Administrative Code)*, and updates related to effective use of CTE fiscal resources in Alabama.

Organizational Structure of Career and Technical Education (CTE) in Alabama

Standalone Career & Technical Education Centers

According to 290-6-1-.01 of the *Alabama Administrative Code*, career and technical education (CTE) programs blend academic, occupational, and life skills leading to a credential, employment, or further education. Program components include an Alabama State Department of Education approved curriculum, equipment, and facilities; engaged business partners; and appropriately certified professional instructors to implement each program of study effectively for their respective teaching fields. In addition, in that same section of the law, *Alabama Administrative Code* states that *a program of study is the sequence of instruction consisting of coursework, co-curricular Career and Technical Student Organization (CTSO) activities, work-based learning, and other learning experiences that provide preparation for a career*. In Alabama, for a CTE center to function as a standalone instructional center, it must have a minimum of five unduplicated programs of study and a minimum of two high schools participating within the district. Currently, there are 68 standalone public education CTE centers in Alabama. These centers are managed (i.e., operational management and instructional oversight of the CTE center) by a full-time CTE director and other staff members. More information regarding the staffing structure of the CTE will be shared later within this section of the manual.

Comprehensive High Schools and Career & Technical Education Programs

Typically, in Alabama, CTE programs exist in most high schools, even if the system has a standalone CTE center. For example, many programs based at high schools are broader in nature, such as agriculture science, family and consumer science (formerly known as Home Economics), business courses, or Junior Reserve Officers Training Corps (JROTC), whereas CTE centers have more focused programs of study such as welding, health sciences, culinary arts, plumbing, etc. In most cases, this kind of structure allows for the high school programs to introduce broad concepts and the CTE center to provide more specific skill training; however, this structure may differ depending on the size of the system, especially in smaller systems and systems with one high school (Hull, 2022).

Some systems within the state are beginning to create "comprehensive" high schools through a career academy approach that feeds into a large center that provides more industry programs. This methodology allows for core and elective classes to be planned around the system's CTE career pathways. For example, a student who is interested in becoming a professional in the field of nursing would enroll in a health science course(s) and have a career plan developed based on science course offerings focused on biology and anatomy, elective courses built around health and nutrition, and CTE courses in the health science program (Hull, 2022).

According to Jacob (2017), Career Academies, structured as distinctive CTE programs that are embedded within a comprehensive high schools provide students with career-oriented instruction and real-world experiences in a particular field that involve internships and other activities to prepare students for the workforce. Based on a study in 1990 that examined career academies even before many of the occupations common today existed and prior to new policies or mandates with important implications for secondary schools, students who had the opportunity to matriculate through a career academy earned 11 percent more money than students in the control group who did not attend a career academy (Jacob, 2017).

In addition, as referenced within [Section 16-37-8](#) of *The Code of Alabama 1975*, there are circumstances where LEAs work collaboratively to combine CTE resources and efforts to maximize CTE opportunities for students. For example, many city systems in Alabama partner with their county systems to allow students to take advantage of CTE programs in each system. Such examples exist between DeKalb County Schools and Fort Payne City Schools, Randolph County Schools and Roanoke City Schools, and Cullman County Schools and Cullman City Schools.

Middle School Grades and Career & Technical Education

While the newest reauthorization of the federal law known as the *Carl D. Perkins Act* mandates that funds be used for middle grades 5-8, Alabama currently provides CTE opportunities only for students in grades 6-8. More information regarding the Carl D. Perkins Act will be shared later within this section. Currently, within the middle school model, CTE is generally designed

around career awareness, career exploration, and CTE activities. Alabama is currently developing a variety of initiatives for middle grades. The Alabama State Department of Education (ALSDE) has developed an Alabama Career Development Model that assists educators in designing career awareness and exploration activities for families and students down to first grade. In addition, yearly grants are being made available for middle grades CTE innovations that have been developed around Science, Technology, Engineering, and Mathematics (STEM) to increase engagement to enhance CTE awareness and exploration within the middle grades. Finally, the ALSDE is in the beginning stage of developing required courses for middle grades and mobile career exploration simulation labs (Hull, 2022).

Above all, LEAs can build their CTE programs based on what is best for students within the system using workforce development and labor market data to drive their decisions; however, they must meet the requirements for having five different programs and two high schools in the system to have a standalone center. In addition, they must meet the specific requirements as deemed appropriate for their programs outlined within [290-6-1](#) of the *Alabama Administrative Code* as well as other state and federal requirements.

Career and Technical Education Student Organization (CTSO)

Career and technical education student organizations (CTSO [Alabama-CTSO](#)) are an integral, co-curricular component of each CTE program and enhance classroom instruction, develop leadership and workplace readiness skills, and provide opportunities for personal and professional growth for students as they participate in real world application through instructional activities, events, and competitions (*Alabama Administrative Code, 1975*). In addition, CSTO allows students to be involved in co-curricular opportunities to receive career and technical education support designed to enhance school- and work-based learning. It is important for LEAs to ensure that policies and procedures are developed and implemented with fidelity to manage funds for CTSTO programs as do they with any other student activity within the system. These are not extracurricular clubs, but rather, they are professional organizations that are integrated into the COS standards and classroom instruction.

Jobs for Alabama's Graduates

[Jobs for Alabama Graduates](#) (JAG) is one of Alabama's career and technical student organizations (CTSO) that engages students who are experiencing challenges with difficult circumstances and prevents them from dropping out of high school by equipping them with academic, professional, and leadership skills. Using a 360-degree approach, JAG has seen a 98.38 percent graduation success rate of students who were once destined to drop out of school. In FY22, \$1.3 million were awarded in grant funds to local school systems in Alabama. For FY23, that amount has increased to \$2.2 million.

JAG currently operates 27 programs serving over 1,000 students statewide, and there is still much room for growth. The Alabama JAG program has surpassed the national averages and has a graduation success rate in the 98th percentile. After more than two decades of operation, JAG

has proven to be one of the most cost-effective and successful state-level strategies for tackling high dropout rates, low academic performance, youth unemployment, and other critical issues related to at-risk youth ([Alabama-JAG, 2022](#)).

Jobs for Alabama Graduates (JAG) Grant FY23 Allocations to Local Education Agencies (LEAs)

LEA	Amount
Autauga County	55,000.00
Blount County	55,000.00
Butler County	55,000.00
Calhoun County	55,000.00
Cherokee County	55,000.00
Choctaw County	55,000.00
Conecuh County	55,000.00
Coosa County	55,000.00
Covington County	110,000.00
Crenshaw Co	55,000.00
Dallas County	110,000.00
Escambia County	55,000.00
Franklin County	55,000.00
Greene County	55,000.00
Hale County	55,000.00
Henry County	55,000.00
Jefferson County	110,000.00
Lauderdale County	165,000.00
Lowndes County	55,000.00
Madison County	55,000.00
Marion County	55,000.00
Marshall County	55,000.00
Mobile County	55,000.00
Monroe County	55,000.00
Montgomery County	55,000.00
Morgan County	110,000.00
Russell County	55,000.00
Walker County	55,000.00
Wilcox County	55,000.00
Winston County	55,000.00
Attalla City	55,000.00
Birmingham City	55,000.00
Enterprise City	55,000.00
Fairfield City	55,000.00
	2,200,000.00

Please contact the Administration and Financial Division at the Alabama State Department of Education for updated JAG Allocations for FY2025.

National Career Clusters for Career & Technical Education Programs

The [National Career Clusters](#) Framework® for CTE Programs serve as a managing resource for [programs of study](#) in CTE within a framework of curriculum and instructional design. Within these career clusters, there are 16 national frameworks, representing 79 Career Pathways to assist students in navigating their way to success in college or a career within the workforce. In addition, this innovative framework functions as a useful guide in helping educational providers develop programs of study to bridge secondary and postsecondary systems and for creating individual student plans of study designed for a complete range of career options. Also, it helps students discover their interests and passions and empowers them to choose the educational pathway that can lead to success in high school, college, and a professional career (Advance CTE, 2023).

National Career Clusters

- [Agriculture, Food, and Natural Resources](#)
- [Architecture & Construction](#)
- [Arts, AVV Technology, and Communications](#)
- [Business Management and Administration](#)
- [Education and Training](#)
- [Finance](#)
- [Government and Public Relations](#)
- [Health Science](#)
- [Hospitality and Tourism](#)
- [Human Services](#)
- [Law, Public Safety, Corrections, and Security](#)
- [Manufacturing](#)
- [Marketing](#)
- [Science, Technology, Engineering, and Mathematics](#)
- [Transportation, Distribution, and Logistics](#)

Download a full list of the Career Clusters and Career Pathways [here](#).

Career Clusters for Alabama Career & Technical Education Programs

According to 290-6-1-.01 of the *Alabama Administrative Code*, CTE in Alabama is organized in alignment with the 16 National Career Clusters discussed earlier. These pathways are organized into sub-groups within the 16 Clusters that are based on a set of common knowledge and skills. They contain course offerings which define a CTE Program. Please review 290-6-1-.01: Framework of Secondary Career/Technical Education within the *Alabama Administrative Code*, as well as the [Career and Technical Education Section](#) of the ALSDE website for additional

information and guidance for LEAs related to Career Clusters for CTE Programs in Alabama Public Schools.

Resources

- [Alabama State Department of Education CTE Resources](#)
 - [ALSDE Program Guide for Education and Training Cluster](#)
- [Alabama Career and Technical Education Program Student Organizations](#)
- [National Coordinating Council for Career and Technical Student Organizations](#)
- [Advance CTE: State Leaders Connecting Learning to Work](#)

Funding Sources for Career and Technical Education (CTE) Programs

Federal Government's Fiscal Year

Unlike Alabama's operational fiscal year that is from October 1 through September 30, the federal government's operational fiscal year is from July 1 to June 30. Therefore, the Alabama State Department of Education (ALSDE) may sometimes have to estimate the federal government's funding amount to support career and technical education in Alabama public schools. Most often, the estimated allocations are made available to school systems during the spring of the academic year for budgetary planning purposes.

History of Federal Government's Involvement in Career & Technical Education

The federal government has a long-standing history of supporting workforce development and CTE dating back to the mid to late 1800s. The purpose of these funds was to ensure that students could learn a skill or “trade” to enter the workforce industry at the time and become productive members of society. In addition, the goal of federal legislation and financial support was to keep students enrolled in school through their high school careers and become successful graduates ([EveryCRSReport.com](#), 2016). Today, federal support is still being provided to local education agencies (LEAs) for CTE programs to focus on improving the academic and technical achievement of CTE students, strengthening the connections between secondary and postsecondary education, and improving accountability. This new federal legislation allows states and local communities to implement a vision for CTE that uniquely supports the range of educational needs of students — career exploration through career preparation — and balances students’ needs with the current and emerging needs of the economy and workforce (Advance, CTE). In FY2016, the total appropriations for Perkins IV were approximately \$1.1 billion ([EveryCRSReport.com](#), 2016).

Federal legislation that supported funding for CTE prior to the *Carl D. Perkins Act V*:

- [History of Federal Involvement in CTE](#)
- [Morrill Acts \(1862 and 1890\)](#)
- [Smith-Hughes Act \(1917\)](#)
- [Vocational Education Act of 1946](#)
- [Vocational Education Act of 1963 and Vocational Education Amendments of 1968](#)

- [Perkins I](#)
- [Perkins II](#)
- [Perkins III](#)
- [Perkins IV](#)

Carl D. Perkins Act V

The *Carl D. Perkins Act* was named after an American politician and member of the United States House of Representatives, Carl Dewey Perkins, who was from Kentucky and served from 1949 until his death in 1984. In 1984, the *Vocational Education Act* was renamed the *Carl D. Perkins Act*. Known as the *Perkins Act*, its purpose is to support career and technical education (CTE). The *Act* has gone through revisions and reauthorizations to strengthen its support for CTE ([EveryCRSReport.com](#), 2016, *New York Times*, August 4, 1984).

The newest version of the *Carl D. Perkins Act* was reauthorized and signed into law as *The Strengthening Career and Technical Education for the 21st Century Act (Perkins V)* on July 31, 2018, and was effective July 1, 2019. Some provisions of the law went into effect in the 2019-2020 school year, which served as a transition year for the new law. Full implementation of the law went into effect during the 2020-2021 school year (*Perkins V Operational Handbook*, 2020).

The law, which had bipartisan support, reauthorized the *Carl D. Perkins Career and Technical Education Act of 2006 (Perkins IV)* and continued the federal government's commitment to providing nearly \$1.3 billion annually for career and technical education (CTE) programs throughout the country. The purpose of *Perkins V* is to expand opportunities for all students to explore, choose, and follow CTE programs and career pathways to earn credentials (Advance CTE, 2023). In addition, the new law promotes equity in CTE through data analysis, funding, technical assistance, professional development, and regular engagement of stakeholders representing learners within the special population. The law also provides access for Middle Grades 5-8 to participate in CTE educational opportunities (Hull & Morrison, 2022). Please see the [Perkins Side-by-Side](#) for a complete analysis between *the Carl D. Perkins Act IV and the Carl D. Perkins Act V* (Advance CTE, 2023). For more information about the purpose of the Act, see *The Strengthening CTE for the 21st Century Act*, Section 2.

State Allocations

Each year, Congress appropriates approximately \$1.2 billion in state formula under Title I (Basic State Grants) to develop more fully the academic knowledge and technical and workforce development skills for secondary and postsecondary education students who enroll in career and technical education programs and programs of study. The Title I part of the *Act* outlines the structure and requirements related to the Basic Grant under *Perkins V*. The *Act* specifies the formula to be used for the allotment and distribution of funds to states, as well as requirements for how states distribute those funds. The state allocation formula awards proportionally larger grants to states with larger populations in the age range traditionally targeted by CTE programs (15 to 19 years old) and to states with lower-than-average per capita incomes (PCI). These

funds are dispersed through LEAs to CTE programs for improvements and expansion. It is important to note that these funds are NOT to be used for program maintenance and consumables. (EveryCRSReport.com, 2016, Advance CTE, 2022, & Morrison, 2022)

Distribution of Perkins Funds Within States. In FY21, Alabama received a total estimated allocation of \$22,550,695, and in FY22, that estimated amount of the allocation increased to \$23,291,195. A partial amount of these funds is available to states on July 1 of each year, and the remaining amount of the funds is available on October 1 of that same year. Please see the information about state allocations at the end of this section regarding the breakdown of CTE Perkins funds for each year. For example, during FY21, Alabama received \$9,310,115 on July 1, 2021, and \$13,240,580 on October 1, 2021, that totaled the annual estimated allocation of \$22,550,695.

As specified in the *Perkins V*, Title I funds that are allocated to Alabama are distributed using the following methods:

- 85 percent** – eligible recipients through formula-based distribution
- 10 percent** – state leadership activities
- 5 percent** – state-level administration of the grant.

In the Alabama State Plan, sub-recipients are local LEAs that serve CTE programs at the secondary and postsecondary levels. These sub-recipients receive 85 percent of the formula-based allocations. The funds allocated to the formula-based distribution category are split between secondary and postsecondary eligible recipients as described in the State Plan. All funds that are not used in the fiscal year in which they were awarded are recaptured and reallocated through the formula.

Eighty-five percent of the Perkins state allocation flows to the Alabama LEAs by formula distribution. This 85 percent is further subdivided into the basic allocation (90 percent of the 85 percent) and the reserve (10 percent of the 85 percent). Under *Perkins V* law, states can increase reserve funds up to 15 percent of the basic allocation. *Note: states determine whether reserve funds are awarded and at what level* (Hull & Morrison, 2022).

In addition, calculations for the Basic Grant are based on specific attributes of the secondary and postsecondary constituents. While the dates of gathered data will change to utilize the latest information, the basic formula remains constant. Alabama distributes 70 percent of the 85 percent to secondary recipients and 30 percent of the 85 percent to post-secondary recipients.

Secondary Formula (*Section 131 of Perkins V*)

The secondary formula is based 30 percent on population and 70 percent on poverty. Thirty percent of the secondary allocation is based on the following:

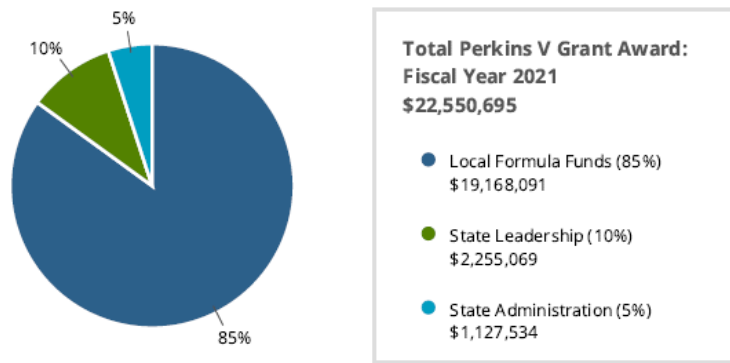
- **District population** of individuals aged 5-17 compared to
- **State population** of individuals aged 5 -17

Seventy percent of the secondary allocation is based on the following:

- **District population** of individuals aged 5-17 in poverty compared to
 - **State population** of individuals aged 5-17 in poverty
- Results for each district are multiplied by the total secondary formula amount for Alabama from the Office of Career, Technical, and Adult Education (OCTAE) allocation. The secondary LEA formula equals the sum of the amounts calculated for each district member in the LEA (Hull & Morrison, 2022).

Below is the total *Perkins V* Grant FY21 Funding Distribution for the State of Alabama:

FUNDING DISTRIBUTION



Fiscal Year 2021

	Amount	Percent
Total Perkins V Grant Award	\$22,550,695	
State Administration	\$1,127,534	5% of Total Grant Award
State Leadership	\$2,255,069	10% of Total Grant Award
Individuals in State Institutions	\$20,000	0.09% of Total Grant Award
Correctional Institutions	\$0	
Juvenile Justice Facilities	\$20,000	
Institutions That Serve Individuals with Disabilities	\$0	
Non-Traditional Training and Employment	\$60,000	
Special Populations Recruitment	\$22,551	
Local Formula Distribution	\$19,168,091	85% of Total Grant Award
Reserve	\$1,916,810	10% of Local Formula Distribution
Allocation to Eligible Recipients	\$17,251,282	90% of Local Formula Distribution
Secondary Recipients	\$12,075,897	70% of Allocation to Eligible Recipients
Postsecondary Recipients	\$5,175,385	30% of Allocation to Eligible Recipients

Source: Perkins Collaborative Resource Network, 2022

Alabama Department of Education
 Carl D. Perkins Career and Technical Education Act
 P. L. 109-270
 Fiscal Year 2022 Preliminary Allocation

CFDA# 84.048A			Revenue Code 3310		
SysID	System	Allocation	SysID	System	Allocation
001	Autauga County	116,083	107	Athens City	51,340
002	Baldwin County	381,302	109	Attalla City	18,165
003	Barbour County	42,419	110	Auburn City	65,656
004	Bibb County	57,291	113	Bessemer City	98,359
005	Blount County	136,455	114	Birmingham City	659,569
006	Bullock County	37,876	115	Boaz City	28,218
007	Butler County	67,931	116	Brewton City	16,137
008	Calhoun County	130,106	121	Chickasaw City	21,401
009	Chambers County	77,452	125	Cullman City	31,829
010	Cherokee County	58,547	126	Daleville City	32,342
011	Chilton County	121,742	127	Decatur City	138,516
012	Choctaw County	34,813	128	Demopolis City	25,976
013	Clarke County	55,917	130	Dothan City	206,387
014	Clay County	31,592	131	Elba City	15,939
015	Cleburne County	32,860	132	Enterprise City	73,636
016	Coffee County	53,952	133	Eufaula City	51,411
017	Colbert County	48,434	137	Fairfield City	36,148
018	Conecuh County	39,529	141	Florence City	88,365
019	Coosa County	23,555	143	Fort Payne City	54,704
020	Covington County	55,073	144	Gadsden City	122,736
021	Crenshaw County	38,997	146	Geneva City	20,671
022	Cullman County	143,971	152	Gulf Shores City	23,028
023	Dale County	40,774	154	Guntersville City	20,226
024	Dallas County	69,390	155	Haleyville City	20,295
025	DeKalb County	205,371	156	Hartselle City	24,916
026	Elmore County	165,917	157	Homewood City	31,591
027	Escambia County	86,841	158	Hoover City	116,318
028	Etowah County	133,528	159	Huntsville City	411,612
029	Fayette County	36,207	162	Jacksonville City	25,984
030	Franklin County	62,718	163	Jasper City	33,879
031	Geneva County	50,336	165	Lanett City	25,783
032	Greene County	35,792	167	Leeds City	22,143
033	Hale County	48,921	168	Linden City	18,318
034	Henry County	49,358	169	Madison City	80,661
035	Houston County	108,335	171	Midfield City	23,344
036	Jackson County	84,917	175	Mountain Brook City	35,006
037	Jefferson County	535,104	176	Muscle Shoals City	23,988
038	Lamar County	31,980	177	Pelham City	33,659
039	Lauderdale County	101,506	178	Oneonta City	16,262
040	Lawrence County	81,220	179	Opelika City	73,467
041	Lee County	143,068	180	Opp City	22,512
042	Limestone County	136,480	181	Oxford City	56,092
043	Lowndes County	35,844	182	Ozark City	56,555
044	Macon County	53,532	183	Pell City	64,935
045	Madison County	231,373	184	Phenix City	116,641
046	Marengo County	26,137	185	Piedmont City	17,955
047	Marion County	59,215	186	Pike Road City	7,691
048	Marshall County	140,764	187	Saraland City	26,022
049	Mobile County	1,101,006	188	Roanoke City	24,125
050	Monroe County	67,376	189	Russellville City	31,068
051	Montgomery County	612,193	190	Scottsboro City	29,589
052	Morgan County	104,761	191	Selma City	82,054
053	Perry County	34,287	192	Sheffield City	26,897
054	Pickens County	60,552	193	Sylacauga City	32,017
055	Pike County	40,882	194	Talladega City	44,922
056	Randolph County	42,724	195	Tallassee City	22,868
057	Russell County	69,418	196	Satsuma City	14,051
058	Saint Clair County	107,040	197	Tarrant City	31,364
059	Shelby County	186,346	198	Thomasville City	13,724
060	Sumter County	35,664	199	Troy City	40,669
061	Talladega County	120,354	200	Tuscaloosa City	194,845
062	Tallapoosa County	50,755	201	Tuscumbia City	19,158
063	Tuscaloosa County	270,425	202	Vestavia Hills City	40,745
064	Walker County	135,457	204	Winfield City	14,972
065	Washington County	49,076	205	Trussville City	30,096
066	Wilcox County	50,063	800	Accel Academy	7,470
067	Winston County	35,605	801	University Charter School	9,634
101	Albertville City	68,813	802	LEAD Academy	7,845
102	Alexander City	48,448	803	Legacy Prep	0
103	Alabaster City	64,542	805	13 Academy	11,198
104	Andalusia City	27,878	807	Life Academy	8,311
105	Anniston City	68,660	808	Breakthrough Charter School	3,908
106	Arab City	18,702	810	Magic City Acceptance Academy	4,768
			TOTAL LEAs		12,044,238

Alabama Department of Education
 Carl D. Perkins Career and Technical Education Act
 P. L. 109-270
 Fiscal Year 2023 Preliminary Allocation

CFDA# 84.048A

Revenue Code 3310

SysID	System	Allocation	SysID	System	Allocation
001	Autauga County	132,875	109	Attala City	18,451
002	Baldwin County	409,098	110	Auburn City	77,958
003	Barbour County	43,300	113	Bessemer City	93,426
004	Bibb County	57,759	114	Birmingham City	726,833
005	Blount County	126,210	115	Boaz City	33,776
006	Bullock County	41,029	116	Brewton City	18,575
007	Butler County	73,214	121	Chickasaw City	24,614
008	Calhoun County	124,502	125	Cullman City	35,093
009	Chambers County	76,091	126	Daleville City	37,363
010	Cherokee County	66,963	127	Decatur City	155,614
011	Chilton County	131,370	128	Demopolis City	25,974
012	Choctaw County	39,188	130	Dothan City	206,301
013	Clarke County	64,330	131	Elba City	16,295
014	Clay County	37,234	132	Enterprise City	81,106
015	Cleburne County	39,833	133	Eufaula City	55,034
016	Coffee County	57,331	137	Fairfield City	40,386
017	Colbert County	58,979	141	Florence City	97,332
018	Conecuh County	45,175	143	Fort Payne City	41,102
019	Coosa County	26,523	144	Gadsden City	127,289
020	Covington County	55,820	146	Geneva City	27,912
021	Crenshaw County	45,534	152	Gulf Shores City	17,739
022	Cullman County	172,666	154	Guntersville City	23,676
023	Dale County	44,903	155	Haleyville City	22,922
024	Dallas County	80,099	156	Hartselle City	28,491
025	DeKalb County	171,605	157	Homewood City	32,564
026	Elmore County	176,576	158	Hoover City	132,152
027	Escambia County	100,910	159	Huntsville City	429,614
028	Etowah County	146,616	162	Jacksonville City	20,480
029	Fayette County	43,077	163	Jasper City	33,649
030	Franklin County	66,662	165	Lanett City	26,296
031	Geneva County	73,288	167	Leeds City	24,218
032	Greene County	38,274	168	Linden City	13,904
033	Hale County	54,814	169	Madison City	88,021
034	Henry County	48,998	171	Midfield City	26,315
035	Houston County	106,757	174	Orange Beach City	9,925
036	Jackson County	98,327	175	Mountain Brook City	39,037
037	Jefferson County	606,099	176	Muscle Shoals City	29,436
038	Lamar County	37,193	177	Pelham City	43,162
039	Lauderdale County	110,058	178	Oneonta City	15,604
040	Lawrence County	92,563	179	Opelika City	92,282
041	Lee County	176,202	180	Opp City	22,795
042	Limestone County	148,898	181	Oxford City	53,336
043	Lowndes County	42,977	182	Ozark City	60,667
044	Macon County	63,573	183	Pell City	72,172
045	Madison County	258,531	184	Phenix City	144,083
046	Marengo County	29,115	185	Piedmont City	17,206
047	Marion County	68,046	186	Pike Road City	9,203
048	Marshall County	157,743	187	Saraland City	29,961
049	Mobile County	1,285,268	188	Roanoke City	24,603
050	Monroe County	70,752	189	Russellville City	33,954
051	Montgomery County	734,097	190	Scottsboro City	34,529
052	Morgan County	117,650	191	Selma City	94,944
053	Perry County	36,335	192	Sheffield City	32,626
054	Pickens County	65,320	193	Sylacauga City	36,400
055	Pike County	51,010	194	Talladega City	49,305
056	Randolph County	48,723	195	Tallassee City	26,917
057	Russell County	83,468	196	Satsuma City	15,879
058	Saint Clair County	120,223	197	Tarrant City	35,277
059	Shelby County	229,928	198	Thomasville City	16,790
060	Sumter County	37,599	199	Troy City	44,932
061	Talladega County	126,187	200	Tuscaloosa City	208,079
062	Tallapoosa County	60,490	201	Tuscumbia City	23,206
063	Tuscaloosa County	284,859	202	Vestavia Hills City	45,377
064	Walker County	145,703	204	Winfield City	15,726
065	Washington County	45,956	205	Trussville City	33,044
066	Wilcox County	40,225	800	Accel Academy	15,106
067	Winston County	41,303	801	University Charter School	12,241
101	Albertville City	77,080	802	LEAD Academy	9,050
102	Alexander City	55,766	803	Legacy Prep	10,493
103	Alabaster City	75,190	805	I3 Academy	15,598
104	Andalusia City	28,557	807	Life Academy	6,589
105	Anniston City	59,813	808	Breakthrough Charter School	4,569
106	Arab City	21,075	810	Magic City Acceptance Academy	1,932
107	Athens City	56,554	811	Empower Community School	9,050
			812	Alabama Aerospace and Aviation	4,918
			TOTAL LEAs		13,326,537

Please see the updated information regarding *Perkins V* State Allocations and other essential information below:

- [State Allocations](#)
- [State Profiles/Funding Distributions](#)
- [Program Memoranda](#)

State Plans. Section 122 (a)(1) of the *Perkins V Act* requires each agency that is eligible and seeks assistance from *Perkins V* funds during each fiscal year to develop and submit a state plan and, in subsequent years, state plan revisions. The state plan must be submitted to the U.S. Department of Education [Office of Career, Technical, and Adult Education \(OCTAE\)](#). Each eligible agency must develop its state plan in consultation with key stakeholders, the governor, and other state agencies with authority for CTE, consistent with section 122(c) of the Act. Pursuant to section 122(b)(1) of the Act, an eligible agency may choose to submit its state plan as part of its Workforce Innovation and Opportunity Act (WIOA) Combined State Plan (Perkins Collaborative Resource Network, 2022).

State plans must include the following:

- A cover page, including a letter providing joint signature authority from the governor;
- Narrative descriptions required by statute;
- Assurances, certifications, and other forms required by statute and/or applicable Federal regulations, including the Education Department General Administrative Regulations (EDGAR) at 34 CFR Part 76;
- A budget for the upcoming year; and
- State-determined levels of performance (SDPLs).

The Alabama State Board of Education is the “state eligible agency” under the *Perkins V* grant and receives a direct grant from the U.S. Department of Education. The Alabama State Board of Education also establishes and approves policies and procedures for local and statewide articulation agreements. Alabama has two agencies responsible for the administration and supervision of career and technical education: the Alabama State Department of Education (ALSDE) and the Alabama Community College System. ALSDE operates under the direction of the Alabama State Board of Education and is authorized by the Alabama State Board of Education to serve as the fiscal agent for the Perkins grant. ALSDE is also responsible for administering Perkins career and technical education enhancement-related activities at the secondary level (*Perkins V Operational Handbook*, 2020). Please see the following related links below:

- [Alabama Workforce Innovation and Opportunity Act \(WIOA\) Plan](#)

Allowable Expenses & Non-Allowable Expenses of Perkins V Funds

Allowable Expenses	Non-allowable Expenses
<ul style="list-style-type: none"> • Development and implementation of the evaluation of the activities conducted with funds under this Act, including evaluations necessary to complete the required comprehensive needs assessment • CTE Interest, Aptitude, and Ability Inventories (with LEA/state approval) • CTE-related software (with LEA/state approval) • CTE student organizations (advisor travel, instructional materials/supplies - non-consumables) • Charter schools • Contracted services • Curriculum development/curriculum modification - CTE/ state-approved programs • Equipment/equipment upgrade (pre-approved) to meet industry standards • Expenditures for CTE career exploration and awareness down to the middle grades, including grades 5 through 8 • If on official travel for the CTE program, travel costs, including meals, can be allowable (must have agenda). Note if simply driving across town for a meeting at a school, food would NOT be allowed by the USDE. • Instructional materials and supplies related to CTE programs (not consumables) • Meetings and conferences (registration fees, travel costs) related to CTE programs • Professional development costs for CTE personnel 	<ul style="list-style-type: none"> • Alcoholic beverages • Alumni/ae activities • CTE Personnel and benefits • Childcare • Commencement and convocation costs • Construction, renovation, and/or remodeling of facilities • Contributions and donations (cash, property, services) • Entertainment – amusement and social activities (sports tickets) • Expenditures for non-approved CTE programs • Expenditures for career education prior to the middle grades (grades 5 through 8) • Expenditures that supplant • Fines and penalties • Fundraising • Gifts • Goods or services for personal use • Items retained by students (supplies, clothing/ uniforms, tools, calculators) • Monetary awards • Furniture • Postsecondary customized training courses and programs • Political activities such as contributions, fundraising, or lobbying • Promotional materials (T-shirts, pens, cups, key chains, book bags, etc.) • Remedial (developmental) courses at both secondary and post-secondary levels • Scholarships • Student expenses/direct assistance to students (tuition, tools, fees, car repair, etc.)

- Professional development related to CTE for non-CTE teachers/faculty/counselors (involved in CTE initiatives such as programs of study, academic technical integration, career awareness activities)
- Professional service costs (consultants)
- Program advisory committees
- Program evaluation
- Substitute pay for CTE teachers
- Supplemental Support Services for Perkins special populations
- Supportive personnel/instructional aids and devices
- Teacher/faculty CTE in-services
- Training costs (administrative, instructor, Perkins staff)
- Transportation costs incurred for approved CTE programs, workshops, professional development for Career and Technical Student Organization competitions (administrators, counselors/advisors, CTE instructors, Perkins staff)
- Student stipends
- Vehicles, unless used for CTE instruction

Source: Perkins V Operational Handbook, 2020

NOTE: Allowable and non-allowable uses of funds reflect additional requirements for spending *Perkins V* funds that are specified by the following:

- Education Department General Administrative Regulations (EDGAR),
- U.S. Office of Management and Budget Circulars,
- Alabama State Law,
- Alabama State Department of Education policies and Alabama State policies.

Also, an allowable cost must be referenced in each LEA Plan (*Code of Alabama, 1975: Chapter 37 & Perkins V Operational Handbook, 2020*).

Supplement Not Supplant

The “Supplement Not Supplant” provision requires states and local education providers to supplement, not supplant, non-federal funds to conduct CTE activities. Section 211(a) of *Perkins V* clearly states: “SUPPLEMENT NOT SUPPLANT—Funds made available under this Act for career and technical education activities shall supplement, and shall not supplant, non-federal funds expended to conduct career and technical education activities.” According to the ALSDE *Perkins*

V Operational Handbook (2020), Perkins funds shall supplement, not supplant (replace), non-federal funds expended for CTE. If an activity is or has been supported by non-federal funds, *Perkins V* funds may not be used to support that activity unless there is overwhelming evidence that the activity would be terminated if federal funds were not available. **If you have questions, please seek assistance and/or guidance from the ALSDE before proceeding under this exception. It is important to remember that if the LEA would normally pay for an item, service, or activity, then *Perkins V* funds should not be used.**

Essential Activities at the Local Level



For LEAs to use their allocated basic and reserve funds, each LEA must develop and submit an annual plan addressing the requirements identified in Sec. 134 of the *Perkins V Act*. At this sub-recipient (LEA) level, expenditures are based on the approved e-GAP application and Comprehensive Local Needs Assessment. For additional guidance regarding the use of expending *Perkins V* funds at the local level, please refer to the Sections: “Requirements for Local Uses of Funds” and “Algorithm for Making Local Funding Decisions” within the [Perkins V Operational Handbook-Alabama](#), beginning on page 18 ,as well as the following **additional resources**:

- [290-6-1.3 Planning and Accountability: Alabama Administrative Code](#)
- [Alabama CTE Resources Page- Handbooks Section](#)
 - Handbook for Career & Technical Education Workforce Development Advisory Councils and Committees
 - Comprehensive Local Needs Assessment
 - Handbook for CTE Local Partnering

State Funding

Although the information below has been placed in the manual for training purposes, please visit <https://careertech.org/> for updated information regarding Alabama *Perkins* Data for the current year.

Alabama Perkins Data for FY22

Perkins Data	
Perkins Eligible Agency	Alabama State Department of Education
Funding for FY22	\$23,291,195
Percentage of Funding Directed to:	
Secondary	 70%
Postsecondary	 30%
Combined State Plan with Perkins and WIOA	<input checked="" type="checkbox"/>
Ways the Secondary CTE, Postsecondary CTE and Workforce Systems Collaborate	<ul style="list-style-type: none"> • Through statewide advisory committees/boards • Sharing labor market data • Using shared definitions of "high-skill, high-wage and in-demand" • Aligning programs of study with career pathways • Developing joint programs of study • Offering joint professional development • Braiding funding across programs
Is the State Using the Reserve Fund?	<input checked="" type="checkbox"/>
Percent of Funds Being Reserved in Total	10.0%
Percent of Leadership Funds the State Set Aside for State Correctional Institution	0.90%
Amount of Leadership Funds the State Set Aside to Prepare Students for Non-Traditional Careers	\$60,000
Middle Grades That are Eligible for Perkins V Funding	5-8
Secondary Program Quality Indicator(s)	<input checked="" type="checkbox"/> Postsecondary-Recognized Credentials

Postsecondary Goals

Statewide Postsecondary Attainment Goal 65% Attainment by 2025

Statewide Postsecondary Attainment Progress 44.1%

ESSA Metrics

ESSA School Quality and Student Success Indicators

Alabama's SQSS Indicator measures success in six metrics:

- Achieving a benchmark score on the ACT - Scoring a 3+ on an AP exam or 4+ on an IB exam
- Scoring silver or above on the ACT WorkKeys assessment
- Earning transcribed college credit
- Earning an industry credential
- Being accepted for enlistment into the military.

For high schools, the college and career readiness indicator is weighted at 10 percent of the total score.

Other Essential Data/Information

Secondary CTE Enrollment

Public High Schools

367

Public High School Enrollment

211,329

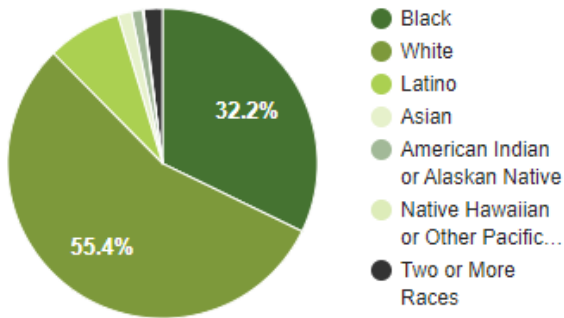
High School CTE Concentrators

96,462

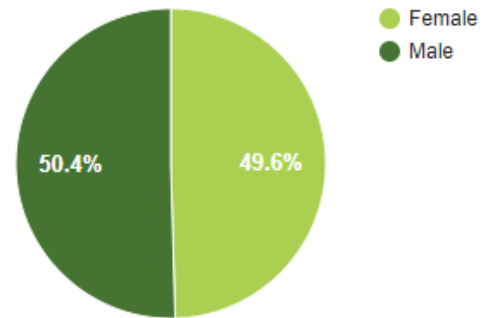
Total Secondary CTE Enrollment

158,763

Secondary CTE Enrollment by Race



Secondary CTE Enrollment by Gender



Postsecondary CTE Enrollment

Public Community Colleges

24

Public Community Colleges Enrollment (full & part-time)

118,821

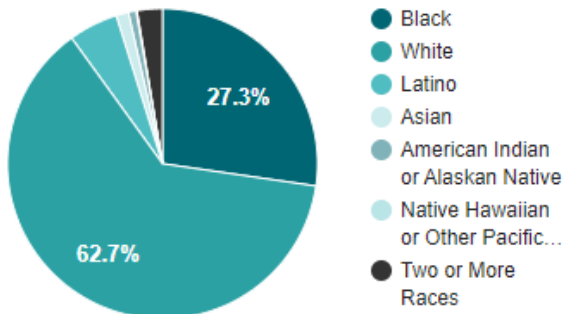
Postsecondary CTE Concentrators

35,096

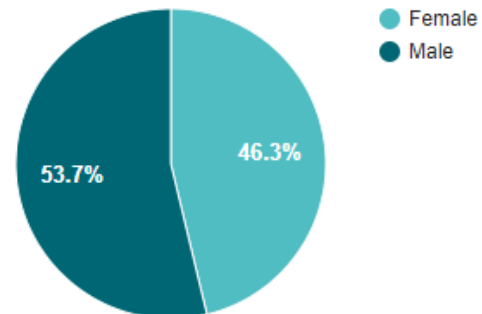
Total Postsecondary CTE Enrollment

48,357

Postsecondary CTE Enrollment by Race



Postsecondary CTE Enrollment by Gender



Source: Advance CTE, 2022

**ALABAMA STATE DEPARTMENT OF EDUCATION
CAREER & TECHNICAL EDUCATION SECTION CONTACTS**

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Operations and Maintenance Funds

In 290-6-1-.08 part (a) of the *Alabama Administrative Code*, it states that Alabama CTE programs shall be provided financial support toward instructional supplies and materials, equipment, CTSO activities, professional development, business/industry awareness, cooperative education coordination, and other program-related activities. These state legislative funds are provided for teachers to be used for consumable materials and supplies. In addition, these funds may be used for other materials, supplies, textbooks, or anything related to CTE student instruction.

The allocation from the state may vary annually based on the number of teachers in the state and the state revenue that is generated through the Education Trust Fund. It is important to note that Operations and Maintenance funds are provided based on the number of teachers

coded as CTE in LEAPs within a school system from the preceding year. In addition, JROTC instructors are coded as CTE teachers in LEAPs and receive these funds as well. With ALSDE approval, Operations and Maintenance Funds may be combined by several teachers to buy a large item related to student needs (Hull & Morrison, 2022).

During FY21, the total amount of the allocation to LEAs for CTE Operations and Maintenance was \$500,000. That number increased by \$300,000 to \$800,000 for FY23 and remains at this amount for FY25. While this number has continued to increase over the past few years, some CTE directors stated that they would like to see additional funds provided towards student transportation for CTSO district, state, and national conferences (Harrison, 2022).

FY21 Total CTE Operations and Maintenance Allocations to LEAs

<i>State Funds</i>				
Foundation Program ETF	3,948,937,633		3,927,589,922	21,347,711
School Nurses Program	33,993,095		32,993,095	1,000,000
Salaries - 1% per Act 97-238	0		0	0
Technology Coordinator	8,775,573		8,775,573	0
Transportation Operations	328,697,909		328,697,914	-5
Fleet Renewal (\$7,739 /bus)	47,083,530	(\$8,326 /bus)	47,083,530	0
Current Units	13,109,561		13,109,561	0
At Risk	19,567,734		19,517,734	50,000
Board Of Adjustment	750,800		750,800	0
Career Tech O and M	5,000,000		5,000,000	0

FY23 Total CTE Operations and Maintenance Allocations to LEAs

<i>State Funds</i>				
Foundation Program ETF	4,281,082,751		4,002,881,906	278,200,845
School Nurses Program	49,579,875		40,672,957	8,906,918
Salaries - 1% per Act 97-238	0		0	0
Technology Coordinator	20,413,129		12,551,084	7,862,045
Transportation Operations	355,984,794		331,941,251	24,043,543
Fleet Renewal (\$7,581 /bus)	49,754,103	(\$7,581 /bus)	48,495,657	1,258,446
Current Units	2,000,000		2,000,000	0
At Risk	20,967,734		19,567,734	1,400,000
Board Of Adjustment	750,800		750,800	0
Career Tech O and M	8,000,000		7,000,000	1,000,000

A Sampling of Alabama CTE Operations and Maintenance Funds for FY21

FY 2021 Career Tech O and M Allocation

<u>BudgetYear</u>	<u>SysCode</u>	<u>Systemname</u>	<u>CareerTechOaM</u>
2021	001	Autauga County	\$ 47,886.00
2021	002	Baldwin County	\$ 175,586.00
2021	003	Barbour County	\$ 7,981.00
2021	004	Bibb County	\$ 27,934.00
2021	005	Blount County	\$ 50,980.00
2021	006	Bullock County	\$ 11,972.00
2021	007	Butler County	\$ 19,953.00
2021	008	Calhoun County	\$ 63,850.00
2021	009	Chambers County	\$ 28,433.00
2021	010	Cherokee County	\$ 41,901.00
2021	011	Chilton County	\$ 67,242.00
2021	012	Choctaw County	\$ 17,958.00
2021	013	Clarke County	\$ 17,958.00
2021	014	Clay County	\$ 12,930.00
2021	015	Cleburne County	\$ 23,944.00
2021	016	Coffee County	\$ 13,688.00
2021	017	Colbert County	\$ 21,948.00
2021	018	Conecuh County	\$ 11,114.00
2021	019	Coosa County	\$ 7,981.00
2021	020	Covington County	\$ 15,962.00
2021	021	Crenshaw County	\$ 22,747.00
2021	022	Cullman County	\$ 57,864.00
2021	023	Dale County	\$ 17,958.00
2021	024	Dallas County	\$ 22,248.00
2021	025	DeKalb County	\$ 67,840.00
2021	026	Elmore County	\$ 65,845.00
2021	027	Escambia County	\$ 45,892.00
2021	028	Etowah County	\$ 59,899.00
2021	029	Fayette County	\$ 17,958.00
2021	030	Franklin County	\$ 31,925.00
2021	031	Geneva County	\$ 19,953.00
2021	032	Greene County	\$ 7,981.00
2021	033	Hale County	\$ 11,972.00
2021	034	Henry County	\$ 23,944.00
2021	035	Houston County	\$ 50,641.00
2021	036	Jackson County	\$ 45,892.00
2021	037	Jefferson County	\$ 280,341.00
2021	038	Lamar County	\$ 20,951.00
2021	039	Lauderdale County	\$ 66,843.00
2021	040	Lawrence County	\$ 37,911.00
2021	041	Lee County	\$ 61,855.00
2021	042	Limestone County	\$ 72,310.00
2021	043	Lowndes County	\$ 17,958.00
2021	044	Macon County	\$ 18,357.00

Career & Technical Education Positions Funded from the State Foundation Program

Currently the state funds the following CTE positions through the Alabama State Foundation Program:

- Career and Technical Education Director
- Career and Technical Education Counselor
- Career Coach

Local Funding for Career & Technical Education

Career & Technical Education Required Local Maintenance of Effort

In 290-6-1.08 (b) of the *Alabama Administrative Code*, it states that all CTE programs shall be provided local financial support to emulate prevailing business and industry standards that fulfill the career cluster requirements in an amount of not less than \$300 per teacher, plus not less than \$3 per student based upon previous year 40-day enrollment count. These local maintenance funds shall be in addition to the amounts otherwise allocated by the state legislature. These funds may be used for supplies, textbooks, equipment maintenance, and for the purchasing of equipment.

Local Teaching Units

The funding of CTE teaching units may vary from local school system to system. For example, regarding standalone CTE programs or centers, some systems fund local teaching units with local funds from their general fund operational annual budget; however, for standalone CTE programs, in most cases, the CTE teaching unit(s) is charged back to one or more high schools within the system, based on the number of students enrolled in the standalone center. These “charged-back” units are funded from the State Foundation Program; therefore, neither the LEA nor high school is paying for the teaching position using local funds. In addition, in most, if not all, comprehensive high schools, the teaching units are funded from the State Foundation Program. In some situations, however, the system may have to use local funds from its general fund budget to pay for a local CTE teaching unit. For example, if there is an increase in student Average Daily Membership (ADM) for CTE during the beginning of a new school year, the system may have to use local funds to pay for the teaching unit until the teaching position is funded within the state budget for the upcoming school year since public schools in Alabama are funded a year in arrears explained in an earlier section of the manual. When this happens, the superintendent and chief school financial officer should be aware of the situation and have collaborated with the local board of education to approve the funds to be used for the additional local teaching units.

Donations

In some cases, systems and schools are given donations for CTE from various donors or groups for program use. These funds may be from business and industry, alumni, parents, educational organizations, legislators, etc. Like all CTE funds, it is important for CTE programs to use these funds to support the information outlined within their improvement plan or as a priority to enhance programmatic needs. In addition, the system should develop guidelines for how these funds can be used.

Development of Career & Technical Education Budget

Planning Process

In 290-6-1.08 (c) of the *Alabama Administrative Code*, it states that a written budget shall be developed for each CTE program. In addition, in item two of the same section, it outlines how CTE funds should be used:

- (a) Federal and State funds shall be used to support CTE personnel, instructional activities, administrative activities, or other CTE purposes.
- (b) CTE personnel shall participate in routine school activities and special projects expected of all other professional personnel.
- (c) Equipment purchased with CTE funds shall only be used for CTE activities.
- (d) Maintenance of Effort (MOE) shall be provided as required by state and federal regulations.

During the budget planning phase, it is important to determine the essential needs and resources to support the success of the CTE program. CTE directors, teachers, and other key stakeholders who support the effectiveness of the program must plan collaboratively to make certain CTE funds from all sources of revenue - *Perkins V*, Legislative Operations & Maintenance, and Local Maintenance of Efforts funds - are maximizing the use of funds for all CTE students and promoting and sustaining innovation and program improvements in CTE throughout the system. These steps include, but are not limited to, the following action steps:

Superintendent	CTE Director
<ul style="list-style-type: none">• Provide instructions, guidance, and support to CTE directors regarding the budget planning/development process.• Review expenses from the previous year.• Re-evaluate workforce development data related to CTE programs.• Review CTE system budget with CTE director and chief school financial	<ul style="list-style-type: none">• Provide instructions, guidance, and support to CTE teachers regarding the budget planning/development.• Develop a budget based on priorities and actions within system and local CTE improvement plans.• Use data and other information for a comprehensive needs assessment.• Review 5-year equipment list and technology replacement schedule.

officer to ensure proposed CTE budget guides innovation and programs throughout the system.

- Provide final approval for CTE budget to be uploaded into e-GAP by system designee (CSFO, federal programs director, etc.)
- Approve the final CTE annual budget in e-GAP.
- Review expenses from the previous year.
- Re-evaluate workforce development data related to CTE programs.
- Ensure that budget allocations are aligned to the correct CTE funding sources and that expenses are allowable.
- Review CTE system budget with CTE instructors to ensure the proposed CTE budget guides innovation and programs throughout the system.
- Present a copy of the final proposed CTE budget to the Advisory Committee for insight and feedback.
- Finalize proposed system CTE budget.

Electronic Grant Application Process (e-GAP)

The term e-GAP stands for the Alabama State Department of Education’s **Electronic Grant Application Process**. The Federal Programs Consolidated Application and the funding application for career and technical education, safe schools, special education, and technology Initiatives are included on e-GAP. The e-GAP system allows LEAs to submit applications, develop plans, request funding, and provide expenditure reports over the Internet. Additional capabilities include online application submission and approval, application status tracking, automatic email notifications, and all necessary fiscal processing (*ALSDE Federal Programs Handbook, 2021*).

e-GAP CTE Worksheet

The [e-GAP CTE Worksheet](#) is used during the initial creation of the Perkins budget within the platform.

Directions for Viewing CTE Funding Application in eGap

Directions for viewing CTE Funding Applications in eGAP **Electronic Grant Application Program (eGAP)**

1. Go to the internet and enter www.alsde.edu
2. Across the top blue line click o Schools and School Systems
3. On the far right, under Financial Information, click on eGAP Application
4. Sign in using the following:
 - Username:** first initial of your first name plus your last name
(Example: Mary Simon – msimon)
 - Password:** you create your own. If you have one you have forgotten, click to reset
5. Once you are signed in, look on the left side. This is where the document library is located.
6. Also on the left is the “Search” option. When you click search you can look for your LEAs by doing the following:
 - Hit the drop-down box by Search Organizations and click Search Applications
 - You can put the first letter of your system in the Name box to narrow responses
 - Make sure you are working in the correct Fiscal Year
 - Drop down to Career and Technical Education in Funding Application
 - Select the Application Status you want
 - Then click the Search button at the bottom and chose the LEA you wish to view

Every time you make a change in the choices above you need to hit the search button or it won't reset.
7. If you are looking for the Program Application Documents stored in eGAP click on Related Documents under the Description section. You will see a table with a garbage can & pencil & pad, then the name of the document and beside that, if the document has been eGAP Directions provided by the LEA, the name of a form in green and underlined. Click on the form to see the information you need.

Resources

- [ALSDE Federal Programs Handbook 2021-2022](#)
- [e-GAP Check Sheet](#)
- [CTE-e-GAP 101](#)
- [Tools for Assessing Program Effectiveness \(TAPE\) Presentation](#)
- [TAPE Program Improvement Plan](#)

You can find other [CTE Resources](#) on the Alabama State Department of Education website.

Administration and Supervision of Career & Technology Education Funds

Ensuring that administration and supervision of CTE funds are managed efficiently and effectively is a vital component of the superintendent’s role. Because of the complexity and regulations related to the various sources of CTE revenue, the superintendent must work collaboratively with the CTE director and the chief school financial officer to ensure proper policies, procedures, and guidelines have been established and implemented for successful and efficient fiscal management operations regarding CTE funds. While the CTE director is

responsible for the day-to-day operations of the CTE program(s), the superintendent plays a key role in ensuring this happens.

The superintendent, chief school financial officer, and CTE director are responsible for ensuring all *Perkins V* expenditures adhere to the following items:

1. The funding is for developing, implementing, refining, or supporting an approved CTE program or Program of Study.
2. Funding is allocable according to the *Perkins V Act*.
3. Supplement and NOT supplant. *Perkins V* funds cannot be used to pay for equipment, staff, programs, or materials that would otherwise be paid for with state or local funds. In other words, the expenditure was not previously funded with local funding OR **is not a state mandate**.
4. The expenditure is reasonable and necessary for the local plan's execution.

As stated earlier, it is important to seek guidance and assistance from the ALSDE CTE staff if you have questions relating to how CTE funds can be used.

Sample Roles and Responsibilities of Career & Technical Education Professional Staff

Having well-defined roles and responsibilities for CTE professional positions is key to supporting a CTE program's effectiveness. Below are some sample job descriptions outlining key roles and responsibilities of CTE professional staff members. These sample job descriptions can be found on the Alabama State Department of Education website within the Career and Technical Education Section under "Administrator Resources- Job Descriptions Samples" ([Career and Technical Education-CTE Directors](#)):

- Career and Technical Education Director Job Description
- Career Coach Job Description
- Co-Op Coordinator Job Description
- Agriscience Instructor Job Description

Key Definitions Related to Career & Technical Education

Within 290-6-1.11 of the *Alabama Administrative Code*, key definitions are related to CTE. Please see the following definitions below:

1. **Accountability**. The measurement of the educational effectiveness and efficiency of a program.
2. **Accommodations**. Alterations in the way tasks are presented that allow students with learning disabilities to complete the same assignments as other students. Accommodations do not alter the content of assignments; give students an unfair advantage; or in the case of credentialing, technical skill attainment, and business and industry skill assessments, change what a test measures.
3. **Advisory Committee**. A core group of business, industry, and community individuals with knowledge related to a specific CTE program that provides advice on program components.
4. **Advisory Council**. Skilled and knowledgeable individuals organized at the state or system level to provide advice on occupational and employment trends, societal needs, and the relevance of CTE offerings in meeting these needs.
5. **Business/Industry Certification (BIC)**. The validation that CTE programs comply with and maintain quality standards as agreed upon by business and industry, education professionals, and the Department.
6. **Career Cluster**. A grouping of occupations and broad industries based on commonalities. The sixteen career clusters provide a framework designed to prepare students to transition successfully from high school to employment or further education.
7. **Career Objective**. A student's statement of interest in seeking future employment in each occupation based on knowledge obtained from a career assessment, firsthand experiences, exploration, and discovery experiences, etc. SUPP. 05-4 CAREER AND TECHNICAL EDUCATION (CTE) 446.
8. **Career Pathway**. A specialized grouping of knowledge and skills within a career cluster.
9. **Career and Technical Alternative Baccalaureate Certificate (CTABC)**. A teaching certificate requested for an individual who holds a B.S. degree from a regionally accredited institution and meets additional department requirements as outlined in the CTABC Summary.
10. **Career and Technical Education Center**. A specialized school that may serve two or more high schools that shall provide five or more occupational programs to be used exclusively or principally in providing services to students in preparation for employment or further education.
11. **CTE Program**. An area of study that blends academic, occupational, and life skills leading to a credential, employment, or further education.
12. **Career and Technical Implementation Plan (CTIP)**. A component of the Individualized Education Program (IEP) for the CTE student who needs accommodations and/or modifications in the CTE course.

13. **Career and Technical Education Level Certificate or Specialty Area Certificate**. A CTE teaching certificate awarded to individuals who meet occupational standards and ALSDE requirements for technical education and health science endorsements.
14. **Career and Technical Student Organization (CTSO)**. An organization that functions as an integral part of the CTE instructional program with state and national affiliation that provides support for skill attainment and leadership development. CTSOs recognized in Alabama are DECA - An Association for Marketing Students, FBLA - Future Business Leaders of America, FCCLA - Family, Career and Community Leaders of America, Future Farmers of America, Health Occupations Students of America, SkillsUSA, and TSA - Technology Student Association.
15. **Clinical Experiences**. Planned activities (non-paid) promoting the acquisition of knowledge by providing opportunities for the application of theory through assignments in a health care setting such as a hospital, long-term care facility, clinic, community health agency, or other approved health care provider as part of a Health Science program.
16. **Completer**. A student earning concentrator status in a CTE program and one additional CTE credit.
17. **Concentrator**. A student earning two credits in a CTE program. Courses with prerequisites must be taken sequentially.
18. **Cooperative Education**. A structured component of CTE that integrates classroom instruction and learning with productive and progressive supervised work-based experiences in fields related to students' career objectives or career clusters.
19. **Courses of Study**. State Board of Education approved curriculum describing minimal instructional content for CTE.
20. **Educational Plan**. A developmental plan used to outline a student's course choices in support of a career goal.
21. **Extended Contract**. Time that a CTE teacher is employed by the LEA beyond the traditional contract period.
22. **Lesson Plan (CTE)**. A CTE prescribed structured outline that guides curriculum, instruction, and assessment for a designated period based on course content. SUPP. 05-4 CAREER AND TECHNICAL EDUCATION (CTE) 447.
23. **Live Work**. Work presented from outside the classroom (maybe from community sources, school-based projects, etc.) to be conducted by students that relates to the knowledge and skills taught as part of a CTE program of study.
24. **Local Maintenance Funds**. Local financial support provided to emulate prevailing business and industry standards that fulfill the career cluster area requirements in an amount not less than \$300 per teacher, plus not less than \$3 per student based upon the previous year's 40-day enrollment count. These funds are in addition to the amounts otherwise allocated by the state legislature.
25. **Maintenance of Effort**. A requirement that no local board shall be permitted to spend fewer state dollars for CTE than it did during the 1994-1995 school year.
26. **Methods of Administration Manual**. Document containing policies and procedures for managing CTE programs and their components. Sections within this manual include the following:

- Administrative Code
 - Administrative Code Interpretation
 - Administrator’s Desk Reference
 - Advisory Committee Handbook
 - Business and Industry Certification (BIC) Guidelines
 - Definitions Manual
 - Equipment Lists
 - Partnerships
 - Program Application
 - Work-based Learning Manual
27. **Methods of Administration for Office of Civil Rights**. Policies and procedures to ensure the rights of individuals according to the U.S. Department of Education Office of Civil Rights.
 28. **Modifications**. Changes made to the course content. Modifications can only be made for students with an IEP seeking certificates of attendance, not for students seeking diplomas. When course content is modified, the student is not pursuing the required content standards for completion of CTE programs. For any student (including a student with disabilities) to earn credit that can be applied toward obtaining an Alabama High School Diploma, the content that is prescribed in the applicable Alabama course of study must be taught. If the prescribed content is not taught, then credit may not be given for this course toward the Alabama High School Diploma.
 29. **Negotiated Level of Performance**. Level of performance agreed upon between the U.S. Department of Education and Alabama State Department of Education for state performance expectations, and between the ALSDE and local education agencies for local performance expectations.
 30. **New Administrator Academy**. Required professional development activities during the first year of employment, provided by the CTE section to new CTE administrators to orient them to instructional leadership, administrative tasks, and program responsibilities.
 31. **New Teacher Institute (NTI)**. Professional development activities provided to new teachers to meet requirements for a CTE Level or Specialty Area Certificate endorsed in technical education or health science education, or a Career and Technical Alternative Baccalaureate Certificate. SUPP. 05-4 CAREER AND TECHNICAL EDUCATION (CTE) 448
 32. **Nontraditional Student**. A student in a program that addresses an occupational area in which the student’s gender group is less than 25 percent of individuals employed nationally in the occupational area.
 33. **Postsecondary Education**. Education after high school.
 34. **Professional Development Plan**. A document that details the professional development framework, methods of delivery, and the learning outcomes for CTE teachers and administrators.
 35. **Program Application and Accountability Plans for CTE**. The funding application that is a part of the LEA’s comprehensive plan addressing the administration and management of CTE programs. The ALSDE distributes federal funds based on this application and

pursuant to the policies, procedures, rules, and regulations of the State Board of Education.

36. **Program of Study**. A sequence of instruction consisting of coursework, cocurricular CTSO activities, work-based learning, and other learning experiences that provide preparation for a career.
37. **Program of Work**. An organized list of tasks and objectives that includes timelines, activities, responsibilities, and evaluations.
38. **Safety Assessment**. The means of determining that students can perform at a proficient level (100 percent) regarding safety requirements of the CTE course.
39. **Special Populations**. Individuals with disabilities; individuals from economically disadvantaged families, including foster children; individuals preparing for nontraditional training and employment; and single parents, including single pregnant women.
40. **State Plan for CTE**. Accountability plan written by the state CTE Section and approved by the State Board of Education and the U.S. Department of Education addressing requirements of federal legislation to ensure continued Career and Technical funding.
41. **Syllabus (CTE)**. An overview, summary, or outline of a course listing the course name, prerequisites, course goals, course description, and assessment procedures.
42. **Work-Based Experience**. A methodology that provides students with educational opportunities in a work setting that typically cannot be obtained in a classroom.
43. **Work-Based Learning/Cooperative Education Coordinator**. An individual who holds a Class B or higher certificate in Career and Technical Education, has taken the coursework “Functions of the Coordinator” or “Principles of Coordination,” and coordinates a program of study and practice that provides legal employment for students with structured work-based experiences and school-based instruction.

Additional Resources

[Updated CTE Chapter of the *Alabama Administrative Code*](#)

[Five-Year On-Site Compliance Monitoring Schedule](#)

[Essential List of Key Acronyms](#)

[History of Advance CTE](#)

[Alabama Office of Apprenticeship](#)

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CHAPTER 8: THE FINANCING OF TRANSPORTATION IN ALABAMA SCHOOLS

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Introduction

The history of school buses as we know them today goes back to 1939 when school transportation officials from each state met to formulate design standards for American school buses. The goals were to increase safety through uniform coloring and to standardize manufacturing to allow for mass production. Thus, the yellow school bus was born, and today's school buses continue to roll through the streets and highways bearing the color National School Bus Glossy Yellow (Greene, 2019). According to Greene (2019), 43 standards were voted on in addition to color at the transportation conference. In 1977, additional safety standards and accessibility features were added. Meeting periodically since 1939, the National Congress on School Transportation (NCST) will meet in 2025 to continue its mission of "ensuring safe, efficient transportation for school children" (NCST). While the NCST establishes specifications for school buses and procedures for operation, states are not mandated to use them and may establish their own standards, specifications, and guidelines, as long as they do not conflict with Federal Motor Vehicle Safety Standards or National Highway Traffic Safety Administration's Highway Safety Guidelines #17—Pupil Transportation Safety.

Alabama has its own school transportation organization, the Alabama School Transportation Association (ASTA), which meets annually. According to the Alabama Department of Transportation (ALDOT), approximately 350,000 public school students ride school buses daily in Alabama. Busing students around the state is expensive, and funds are needed for driver and staff salaries, benefits, and training, as well as purchasing, insuring, equipping, maintaining, fueling, and housing buses.

According to 290-2-4-.01 of the Alabama Administrative Code, the Alabama State Department of Education (ALSDE) is responsible for the safe operation of school buses. This includes establishing minimum safety specifications for school bus equipment, training for school bus drivers, and leadership and training for local school officials. The ALSDE Pupil Transportation Section conducts annual training for new transportation supervisors and other staff and provides a new supervisor mentor program.

Transportation Funding in Alabama

School systems that maintain a transportation system receive a state allowance in the school Foundation Program Fund. To receive funding, a proposed transportation program showing the planned routing of buses and the condition of all roads to be used for transportation must be submitted to the State Superintendent of Education under the regulations of the State Board of Education (SBOE) 16-13-231 e. 2.

Allowance for Transportation

According to Alabama Code Section 16-13-233, a transportation allowance for local boards providing transportation shall be determined by the number of pupils transported on transportation routes approved under regulations of the State Board of Education (SBOE)

multiplied by an amount per pupil, which is fixed by the SBOE and applied to local boards of education within groups having similar density of population. Calculations for the average daily number of transported pupils include only those children who live two or more miles from a school center. Exceptions include students transported at public expense and the waiver of the two-mile rule to protect the safety of children. Studies are made from time to time to determine if there is a need to adjust the cost allowed per pupil or if the cost unit should be changed. Transportation allocations are typically prorated by ALSDE. For the fiscal year 2022, allocations were set at 81.2% of the request. Transportation has been traditionally underfunded in Alabama, with the percentage of funding hovering around 80%. Since 2009, the amount ranged from a low of 79% to a high of 84%, with the current rate set at 80.5%. Salaries and benefits constitute most of the funds, so the gap between need and allocation must come from the system's general fund.

Section 16-39-11 is the code section that authorizes Education Trust Fund (ETF) appropriations for transporting exceptional children. Eighty percent of the cost of a bus used exclusively for transporting eight or more exceptional children who are unable to ride regular buses shall be appropriated through the ETF. For fewer than eight children, a proportionate amount shall be apportioned for a vehicle used exclusively for transporting the exceptional children AL Code 16-39-11.

Acts 1971, No. 106, p. 373, §11; Acts 1995, No. 95-314, p. 634, §49.

Operations and Fleet Renewal

Transportation allocations include operations and fleet renewal.

Operations

The allocation for operations includes qualifying buses, salaried positions, benefits, fuel, and operational costs.

Qualifying Buses

Qualifying buses are those providing morning and afternoon routes, midday route buses, and a 20% spare allowance for both lift-equipped and non-lift-equipped buses. For example, if a system has 50 total buses made up of 45 regular route buses and 5 lift buses on special needs routes, the system will earn 20% of 45 (9) and 20% of 5 (1) for a total of 10 spare buses that would be added to 50, bringing the total of qualifying buses to 60. The qualifying bus number is important since positions earned are directly tied to the system's qualifying number.

Salaried Positions

Salaried positions are earned based on the size of the operation (tied to the system's qualifying number), with the number of bus drivers determined by efficient routing established by the system's transportation supervisor. Efficient routing can be difficult, particularly in large counties with a handful of riders in a far corner of the county. Transportation reviews occur

every five years to check for efficiency. Allowances can be made for routes serving sparse populations.

Salary amounts are obtained from the system's Local Education Agency Personnel System (LEAPS) report, with minimum and maximum salaries set for each position based on what systems across the state are paying. Two positions are required: **supervisor** (at least at the percentage shown) and **mechanic** (at the ratio of 1 per 22, with the next mechanic required once numbers are halfway to the next increment [See Table 1: FY 2024 Positions Funded]). Mechanics are currently funded at a ratio of 1 to 22. Funding will likely revert to 1 to 25 by FY 2025. When other positions are earned but not filled, the minimum salary figure plus benefits (See Table 2: FY 2024 Benefit Rates) is used to determine the system's allotment for the position. If the system's salary schedule shows a figure below the minimum, the system's allotment is what is shown on the system's salary schedule rather than the minimum set by ALSDE. Thus, it would be wise for systems to align their salaries with beginning salaries starting at the minimum shown on the chart. For systems that contract transportation, salaries defer to the minimum on the chart. The minimum is used since contractors have been found to pay salaries at a lower rate and may not provide the same level of benefits, thus justifying the minimum. The system gets funding for whatever is earned, according to the chart.

The second number (in the RATIO column) is the number required to earn the full position. Where * is shown, partial funding for the position can be earned. Categories with no * earn no partial funding; the full amount must be earned to receive funding for the position. Funds for earned positions that are earned but not hired are used to offset the transportation funding shortage. Salaries for supervisors vary widely since some systems hire certificated supervisors and others do not. A certificated supervisor would likely receive a salary close to the maximum.

Table 1

FY 2025 Positions Funded

Positions Funded w / Salaries				
FY 2025				
		* Proportional allocation for systems earning less than one position.		
		■ Required Position, non-flexible.		
POSITION	RATIO	ADDITIONAL	MINIMUM	MAXIMUM
Supervisor	1/40*	No additional	\$64,383	\$107,126
Secretary	1/40*	Second@100; additional every 100	\$33,354	\$50,449
Assistant Supervisor	1/200	Additional every 200	\$81,838	\$103,763
Mechanic	1/22*	1@22, 2@33; additional every 22	\$42,968	\$61,836
Shop Foreman	1/55	1@55; additional every 88	\$55,327	\$77,327
Parts Specialist	1/100	Additional every 250	\$36,613	\$52,428
Shop Assistant	1/22*	1@22, 2@33, 3@55, 4@77, additional every 88	\$26,919	\$42,648
Route Specialist	1/75	Additional every 100	\$46,214	\$77,215
Bus Driver	1/1	N/A (Midday: \$50.00 X 180 days X # of buses)	\$14,947	\$19,671
Utility Worker	1/40*	Additional every 40	\$14,018	\$18,217
Bus Aide	IEP	Not Funded	\$0	\$0
Nurse	IEP	Not Funded	\$0	\$0

A utility worker is a permanent substitute bus driver on hand every day to sub as needed, four hours each day for nine months, whereas a shop assistant is a full-time position typically assigned eight hours each day for 12 months. The shop assistant’s eight-hour day may include driving a bus and working in the shop. Both positions are required to have a Commercial Driver’s License (CDL) and a bus driver certificate.

Bus drivers are earned on a 1 for 1 basis depending on the number of buses running per route. Systems also earn funding for midday route drivers based on \$50 a day x 180 days x number of buses (\$9,000 per bus). Positions earned are based on the size of the operation. The number of bus drivers should be based on efficient routing, and supervisors are expected to make the routes as efficient as possible.

Bus aides and nurses may be required based on Individual Education Plans (IEPs). Bus aides and nurses were once funded but now are not due to the underfunding of transportation.

Benefits

Benefits are earned on all positions earned. See Table 2 for a summary of the current benefit rates.

Table 2

FY 2024 Benefit Rates

Benefit	Rate
Social Security	6.2%
Medicare	1.45%
Retirement (Tier I)	13.57%
Retirement (Tier II)	12.60%
Unemployment Compensation	.125%
Public Education Employees Health Insurance Program	\$800 x 12 mo. X positions earned
Leave	7 days per position earned @\$50 per day

Fuel

Fuel is determined by the state report submitted every October. The report shows every bus that is running a route, how many students it is transporting, and how many miles it is traveling (one way) doubled by ALSDE for a roundtrip, then multiplied by 180 days to get the total miles running for the year. The report also includes the miles per gallon (MPG) for each bus divided by the number of buses to get the fleet average. The total miles per year is divided by the fleet average to determine how many gallons of fuel the system should need for the entire school year. The number of gallons is multiplied by the projected cost of fuel for the next year for the fuel allotment. The projected fuel price is difficult to determine due to fuel price fluctuations. A cushion is built into the calculations to allow for fluctuations.

Figure 1

Fuel Allotment Formula

One-way miles for each bus x 2 x 180 days = miles per year (MPY)
Total MPG per bus / number of buses = fleet average (FA)
MPY/FA = Gallons of fuel needed
Gallons of fuel x projected fuel price = fuel allotment

Operational Costs

Operational funds are earned per bus to offset costs such as salaries, benefits, and fuel. Financial statement data are examined annually to determine the cost per bus. For FY 23, the

cost was \$5,454 per bus. Systems like to keep extra buses on hand; a 1 to 25 ratio is based on the total number in the fleet. Having extra buses available may require systems to hire another certified mechanic.

The categories added together (salaried positions, benefits, fuel, and operational costs) constitute the system's funded amount for operations. Keep in mind that the total is not likely to be 100%; typically, funding is around 80%.

Coding

Coding accuracy is critical since incorrect coding can result in a loss of transportation funding. Every route has its own abbreviation and code (See Route Report LEAPS Crosswalk). Funding for all routes comes from state allocations except for those that serve programs supported by federal funds, such as Head Start. Transportation for preschool students, students attending alternative programs, and students attending magnet schools is not funded if students are picked up at home. The routes are funded if students are picked up at school or near a school zone and then transferred to another bus. For schools affected by the Alabama Accountability Act, where school choice is required due to a failing school, parents have three options: a non-failing school in the same system, a non-failing school in another system, or a private school. Transportation is only required when the first option is selected: a non-failing school in the same system.

Table 3 shows the crosswalk between route type and function, and Table 4 shows the pairings of function and object code.

Table 3**Route Report LEAPS Crosswalk**

ROUTE TYPE	ABBREVIATION	FUNCTION CODE	FUNDED YES/NO
Regular Route	RR	4120	Y
Regular Route with AIDE	RA	4120	Y (Aides – No)
Natural Disaster	ND	4121	Y
Special Needs	SN	4130	Y
Special Needs with Aide	SA	4130	Y (Aides – No)
Transition to Work	TW	4131	N
Transition to Work with Aide	TA	4131	N (Aides – No)
Special Needs Midday	MD	4132	Y
Special Needs Midday with Aide	MA	4132	Y (Aides – No)
Technical School	TS	4140	Y
Midday	MD	4141	Y
Choice Transportation (AAA)	CT	4180	Y
Head Start	HS	4181	N
Preschool Home	PH	4182	N (Aides – No)
Alternative School	AS	4183	Y
Magnet School	MS	4184	Y
Magnet Home	MH	4185	N
Preschool	PS	4186	Y (Aides – No)
Alternative Home	AH	4187	N
Extended Day/Summer School	ED	4188	N
Homeless Transportation	HT	4189	N

Table 4

Function/Object Code Funding

Function Code/Object Code for Transportation Funding																			
The object code(s) listed under each function code are the only ones allowed. Incorrect coding can result in a loss of transportation funding.																			
Function Codes	4110	4120	4121	4130	4131	4132	4140	4141	4170	4180	4181	4182	4183	4184	4185	4186	4187	4188	4189
Object Codes	054	103	161	103	103	103	161	161	115	161	103	103	161	161	161	103	161	161	161
	099	121	167	121	121	121	167	167	151	167	121	121	167	167	167	121	167	167	167
	113	131		131	131	131			158		131	131				131			
	117	161		161	161	161			159		161	161				161			
	139	167		167	167	167			168		167	167				167			
	141	168		168	168	168			173		168	168				168			
	168	169																	

Fleet Renewal

Every bus running a morning and afternoon route that is less than 10 years old will receive fleet renewal funds. Only qualifying routes are included; federal programs such as Head Start are not. If a bus is double run (used for qualifying and non-qualifying routes), it is eligible for fleet renewal funds. The date is based on the bus’s invoice date. In a situation where a bus is ordered and delivered before the next route report, the start date used to determine the age of the bus is the date the bus was delivered. If a bus is ordered right before the fiscal year ends, it can be designated as an on-order bus, associated with the bus it will replace, and counted one year earlier on the fleet report. The board approval date is used to determine bus age.

To determine the amount earned per qualifying bus, figures are obtained from three bus companies that do business in Alabama. Once the average bus price is determined, it is divided by 10 (fleet renewal for 10 years). For FY23, the average bus cost was approximately \$98,000, a yield of \$9,800 per qualifying bus; however, the amount funded was \$7,581 per bus. This year is another example of how transportation is inadequately funded. The cost of a bus has gone up to approximately \$118,000.

Note: School systems can finance the purchase of buses; however, state approval is required if the system does not have a one-month operating balance.

Extracurricular

If systems run buses for extracurricular activities or summer programs, transportation must be reimbursed at the current rate determined by ALSDE. The current rate is \$1.85 per mile, an increase from the previous year’s \$1.35 per mile due to fuel price increases.

Retired Personnel and Teachers

Many systems are having issues finding bus drivers. Those struggling to find drivers could consider hiring retired bus drivers and teachers. Retired bus drivers may be hired after they have been retired for at least 30 days, but they may only drive 9 of 10 trips per week (10 equals full-time employment). Another option is having a temporary retired driver who could be hired after the start of the school year should a vacancy arise. The temporary retired driver is allowed to take over a vacated route and drive 10 of 10 trips. They may do this only once.

Since teachers do not fall under the wage and hour law, they may be hired to drive routes if the assignment does not infringe upon their school duties. PEEHIP for teachers comes out of foundation funding, so the PEEHIP allotment associated with the bus driving position may be used elsewhere in the transportation budget.

Summer Food Service

Buses can be used by the Child Nutrition Program (CNP) to provide meals for children in the summer. These “kitchens on wheels” travel to neighborhoods to feed children. Any costs associated with buses used for summer nutrition programs must be charged to CNP.

Contracting

Advantages: Do not have to purchase and maintain your own fleet of buses. Do not have to deal with personnel issues.

Disadvantages: Do not get tax exemptions on fuel of 53.4 cents in State and Federal taxes from which schools are exempt.

Alternate Fuel Sources

Fuel sources other than diesel include gasoline, propane, compressed natural gas, and electricity. Current fuel allotments are based on diesel fuel prices.

The initial cost of an electric bus is about \$350,000, making it cost-prohibitive for schools to shift to electric buses.

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