Appendix: Alabama’s Education Funding System

Alabama allocates education funding throughout the state using a system called the Foundation Program, which was put into place in 1995 after the Alabama Supreme Court found that the prior funding system was unconstitutional in Ace v. Hunt (1993). Alabama’s funding system uses a resource-based formula to allocate money to school districts, and how much the state and local district contribute is determined by a complicated formula that hinges on a teacher-to-student ratio set by the state. Student counts are used to determine the number of teacher positions to be funded in a district and per-teacher funding amounts are set using a salary scale based on the training and experience of the district’s actual teachers. The state then adds up how much it will cost to provide the teachers and additional support staff and administrators; fringe benefits such as health and retirement; other expenses such as utilities, secretarial staff, and custodians; and instructional support such as library enhancement, teacher materials, technology, and textbooks. The sum is the district’s formula amount, to be funded by a combination of state and local dollars.

The district’s local tax responsibility is determined by what is called the “10-mill match,” which is the equivalent of the revenue raised from a 1 percent tax on the assessed value of certain properties in the district. If a district does not contribute the value that can be raised at this tax rate, it will not receive state formula funds for education. How much a school district receives from the state is the difference between the total number needed to carry out instruction calculated by the state formula—its formula amount—minus the district’s local tax contribution.

For example, it will cost school District A $1 million to carry out instruction based on the state formula. The district is able to raise $400,000 from its required 10-mill (1 percent) property tax. The state will provide the remaining $600,000.

This approach is intended to require all districts to exert the same amount of local tax effort for their schools. However, because the value of a “mill” (one-tenth of 1 percent of taxable property value) varies significantly across the state, the ultimate match amount also varies. This means that local wealth, reflected in property value, influences how much jurisdictions can contribute to this match. Some jurisdictions collect more than the minimum 10-mill required by the state, further exacerbating school funding inequity.