

# Presentation to the Alabama Association of School Boards

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# Presentation Overview

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Education Trust Fund (ETF) Revenues and Trends

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History of ETF Proration

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ETF Rolling Reserve Act

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ETF Conditions

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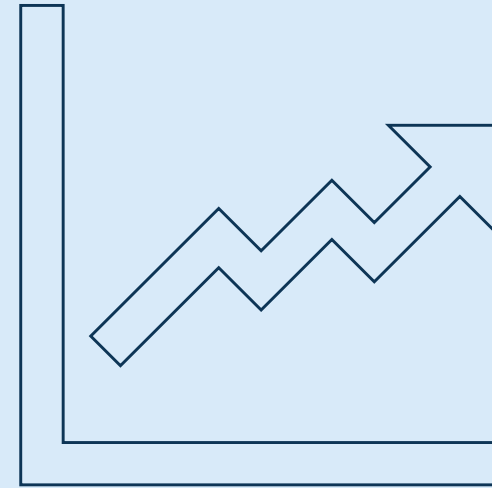
ETF Appropriations

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ETF Funding Issues for FY 2026 and FY 2027

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# ETF Revenues and Trends



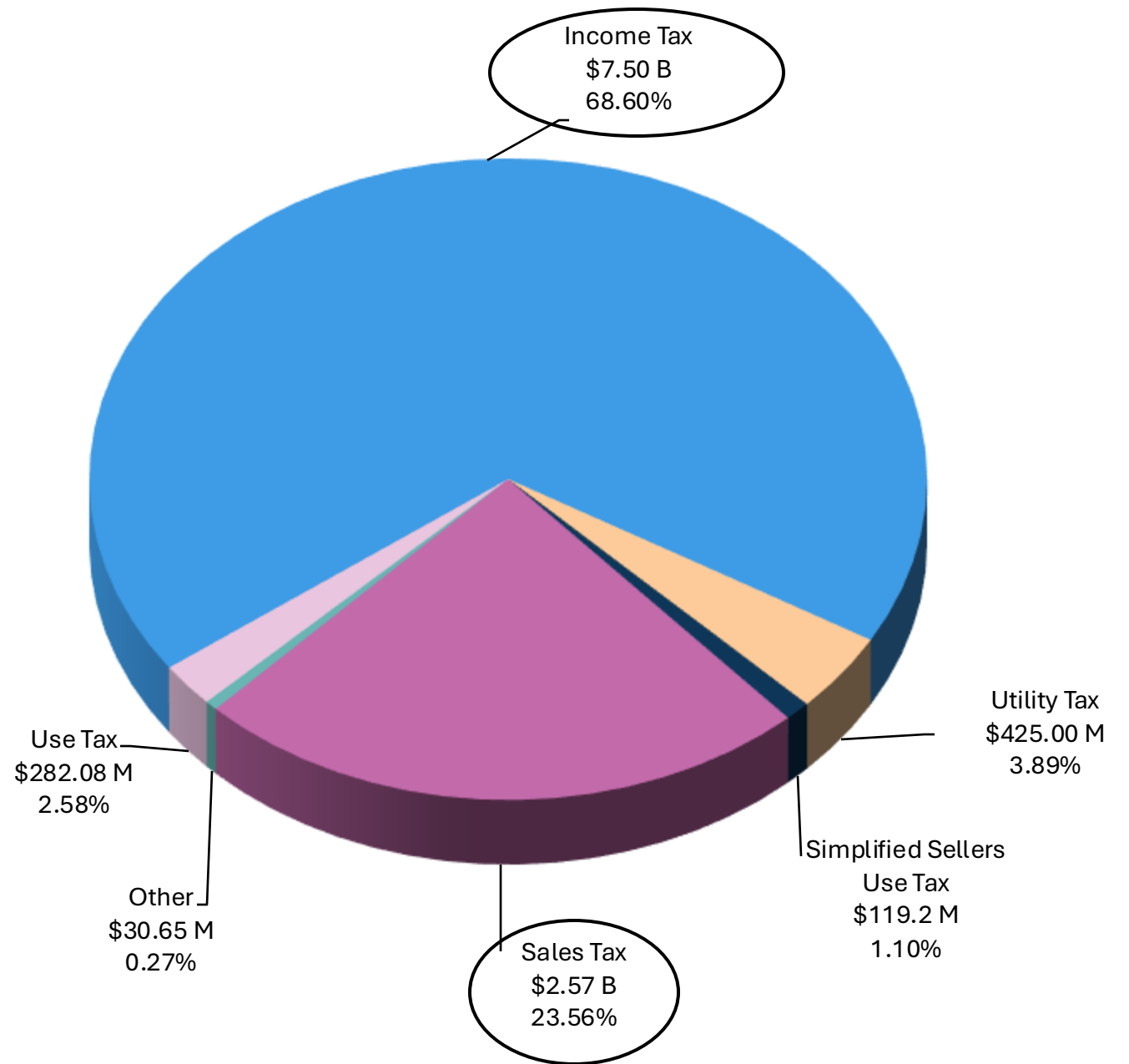


# Description

- The Education Trust Fund (ETF) is the largest operating fund of the State.
- Revenues credited to the ETF are used for the support, maintenance and development of public education in Alabama
- Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, debt service, scholarship programs, the state's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to other agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development
- Eleven tax sources are allocated to the ETF, the largest of which are the individual and corporate income tax, sales tax, utility tax, and use tax

# Education Trust Fund Revenue Sources – FY 2025

Total = \$10.93 billion



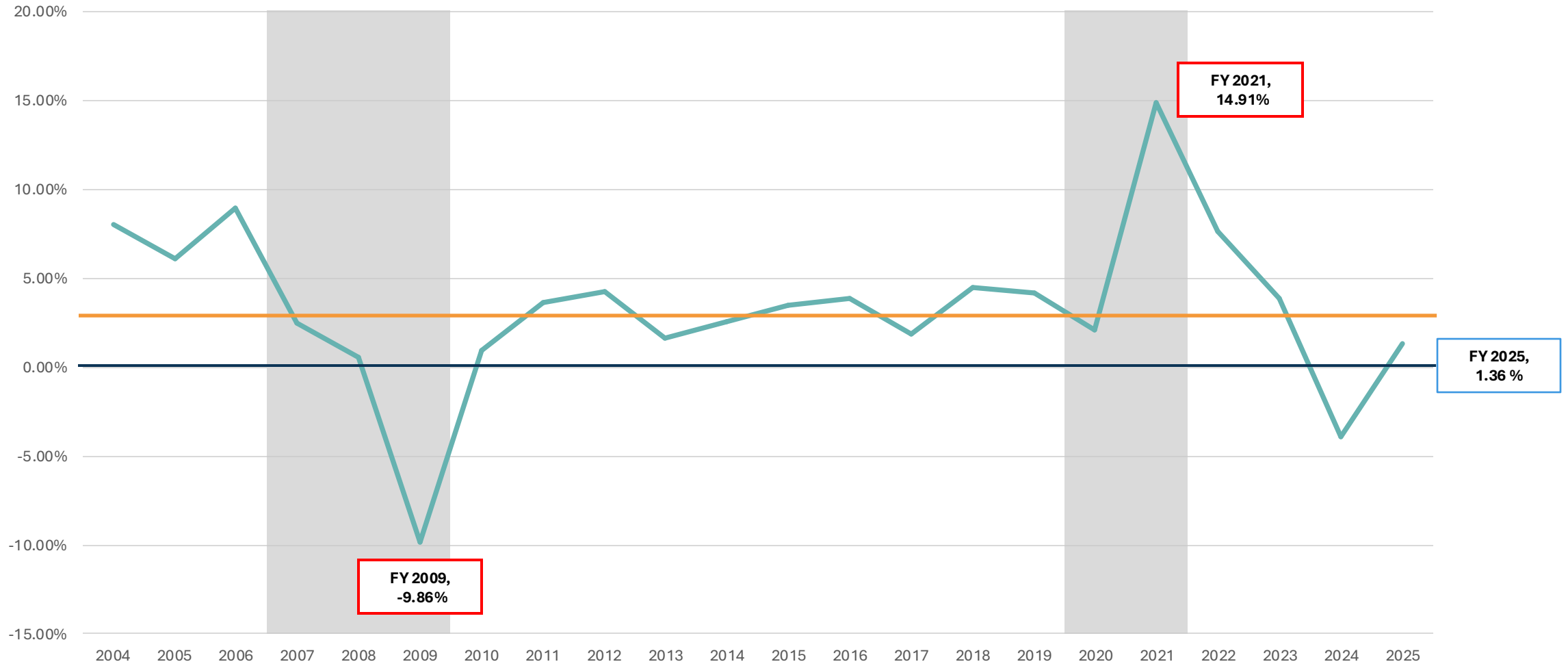
# Regular Receipts, 4-Year History

	FY 2022	FY 2023	FY 2024	2025
<b>Beer Tax</b>	22,347,818	22,597,381	21,461,147	20,335,788
<b>Income Tax</b>	7,182,568,354	7,032,093,931	7,267,128,927	7,495,179,540
<b>Mobile Telecommunications Tax</b>	7,876,760	8,089,746	8,102,178	8,540,671
<b>Sales Tax</b>	2,479,655,623	2,592,614,517	2,543,942,368	2,574,138,299
<b>Use Taxes</b>	240,399,645	258,761,926	256,741,021	282,078,946
<b>Simplified Sellers Use Taxes</b>	77,625,559	92,232,439	105,385,523	119,171,865
<b>Utility Tax</b>	406,487,071	421,950,643	425,813,175	424,999,487
<b>All Other</b>	<u>2,570,768</u>	<u>2,619,602</u>	<u>31,974,254</u>	<u>1,770,021</u>
<b>Grand Total</b>	<b>10,419,531,598</b>	<b>10,430,960,185</b>	<b>10,660,548,593</b>	<b>10,926,214,619</b>

# % Growth in ETF Recurring Revenues Since FY 2004



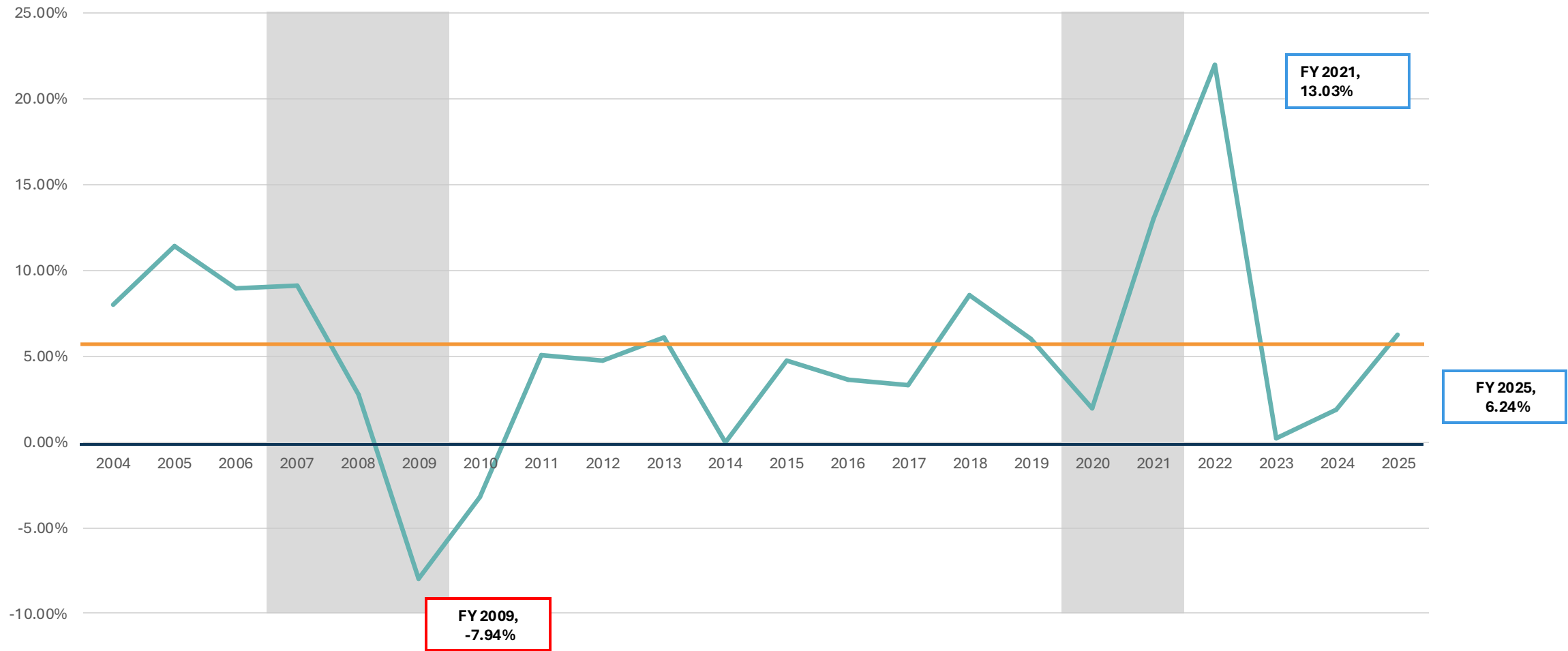
# % Growth in Sales Tax Gross Receipts Since 2004



Average Growth: 3.32%

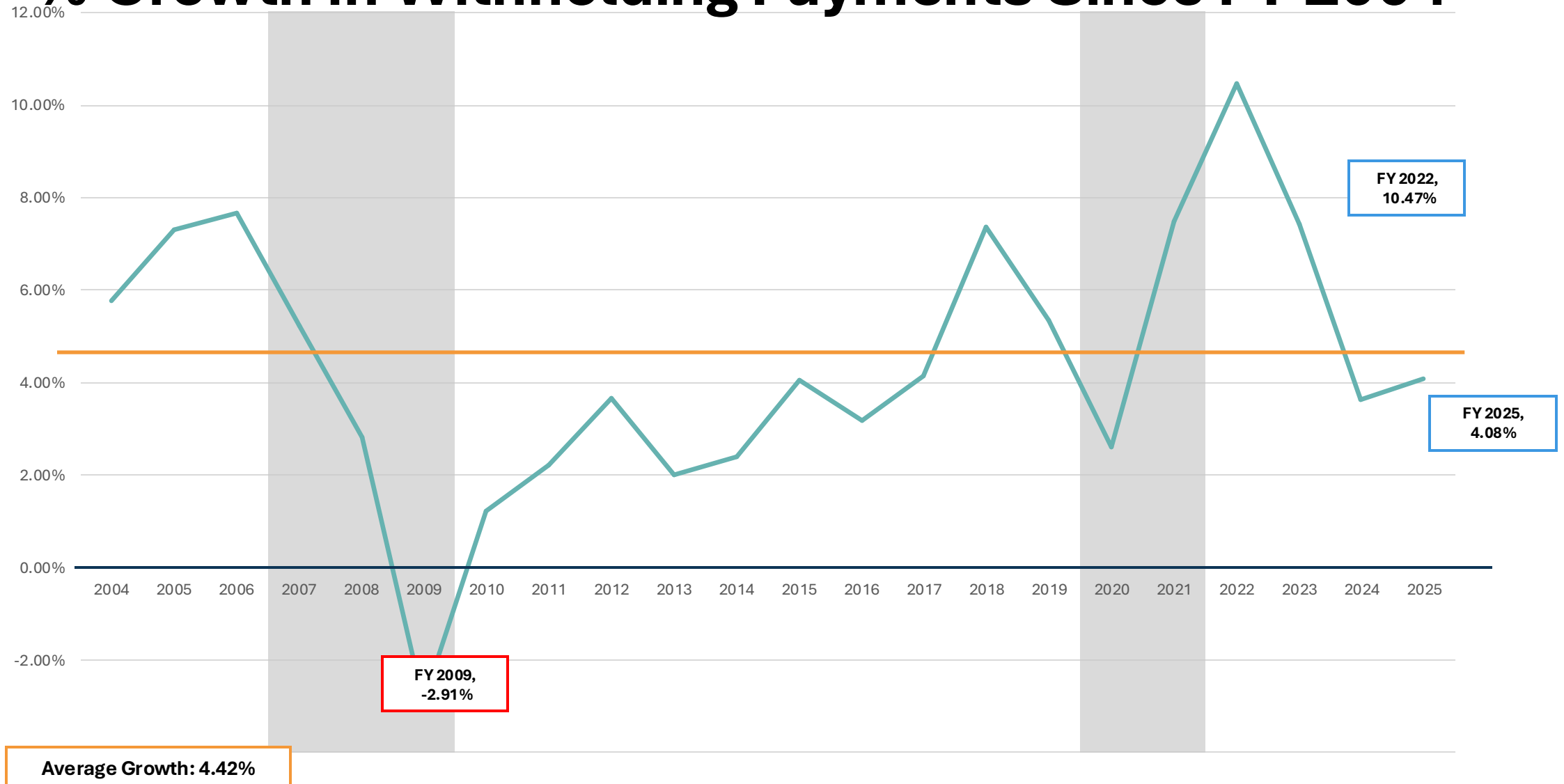


# % Growth in Individual Income Tax Gross Receipts Since 2004



Average Growth: 5.30%

# % Growth in Withholding Payments Since FY 2004



# **History of Education Trust Fund Proration**

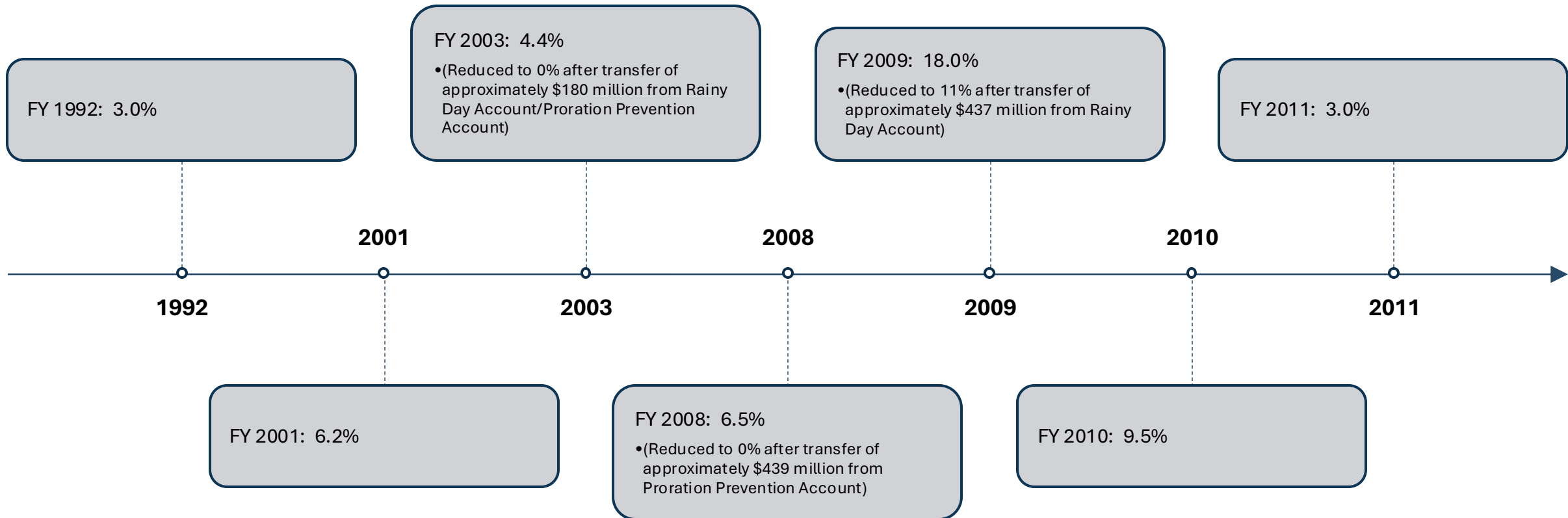




# Balanced Budget Required

- Section 213 of the Constitution of Alabama of 2022 provides that no warrants shall be withdrawn on the state treasury unless sufficient revenues are available
  - In such instances, any expenditures from funds (ETF or General Fund) which have insufficient revenues shall be prorated so that only available revenues are expended
  - Once proration is declared by the Governor, state expenditures from those funds are reduced across the board by the percentage necessary to balance the budget
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# ETF Proration Since 1992



# **Education Trust Fund Rolling Reserve Act**



# ETF ROLLING RESERVE ACT:

- Effective **beginning in FY 2024 (originally enacted in 2011)**
- Established a secondary spending limit for annual appropriations from the ETF equal to 106.5% of prior year appropriations in FY2024, reduced by .25% annually to 105.75% in FY 2027 and thereafter
- Capped the annual appropriations from the ETF to the appropriation cap, or secondary spending limit whichever is less
  - Dropped the high growth year from the calculation of the appropriation cap
- Created the ***Educational Opportunities Reserve Fund*** and provided for the use of funds
- Prescribed a new allocation of annual ETF receipts in excess of expenditures, including:
  - Budget Stabilization Fund – an amount equal to 1% of prior year ETF expenditures
  - Advancement and Technology Fund – 50% of the remaining balance, not to exceed \$1 billion annually
  - Educational Opportunities Reserve Fund – 20% of the remaining balance



# BUDGET STABILIZATION FUND

- In fiscal years where ETF appropriations are equal to the fiscal year appropriation cap:
  - A portion of any revenues deposited into the ETF in excess of the fiscal year appropriation cap are transferred to the Budget Stabilization Fund (BSF)
  - Up to 1% of the previous year's ETF appropriations until the fund reaches 10% of the previous year's ETF appropriations
- Amounts in the Budget Stabilization Fund may be withdrawn only to prevent proration in the ETF
- Total cash/invested balance in BSF (as of October 1, 2025): **\$840,038,537 million**



# Advancement and Technology Fund

- Available balance may be appropriated through a supplemental appropriation bill and divided between K-12 public schools and institutions of higher education in accordance with the percentage split between the two sectors
- Allowable one-time expenses:
  - Repairs/deferred maintenance of facilities
  - Capital outlay
  - Classroom instructional support
  - Insuring facilities
  - Transportation
  - School security measures
  - Educational technology and equipment
- A total of \$1.25 billion appropriated by Act 2025-269 - \$907,866,080 for K-12 Education (including \$100,000,000 for a grant program for career technology centers throughout the state)

# EDUCATIONAL OPPORTUNITIES RESERVE FUND

- May be withdrawn through a supplemental appropriation bill
- Allowable one-time uses:
  - 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 provide funding for unanticipated obligations
  - To sustain required programmatic increases for existing ETF obligations in the event of a change in economic conditions
  - To maintain prior year appropriation levels, if the computation of the fiscal year appropriation cap or secondary spending limit is less than prior year base ETF appropriations
  - For start-up or transitional support for initiatives that provide access to enhanced educational opportunities to all public K-12 or higher education students in the state, or both
- Act 2025-260 transferred ~\$400 million for initial funding for RAISE Act and CHOOSE Act implementation

# **Education Trust Fund Appropriations**



# FY 2025 ETF Supplemental Appropriations SB 113 (Act 2025-268)

Total ETF Appropriations \$524,276,588 including:	
Local Boards of Education	\$28,000,000
State Department of Education	\$136,029,000
Department of Revenue for the CHOOSE Act	\$50,513,000
Executive Commission on Community Services Grants	\$10,300,000
One-Time Projects for Universities	\$143,239,752
Community Colleges	\$55,811,836
Higher Education Commission	\$5,630,000
Historical Commission	\$7,575,000
Legislative Council	\$37,500,000
Department of Workforce for a state Veterans transition public/private partnership	\$5,000,000
All Other	\$44,678,000

# ETF Highlights FY 2026 (SB112 – Act 2025-270):

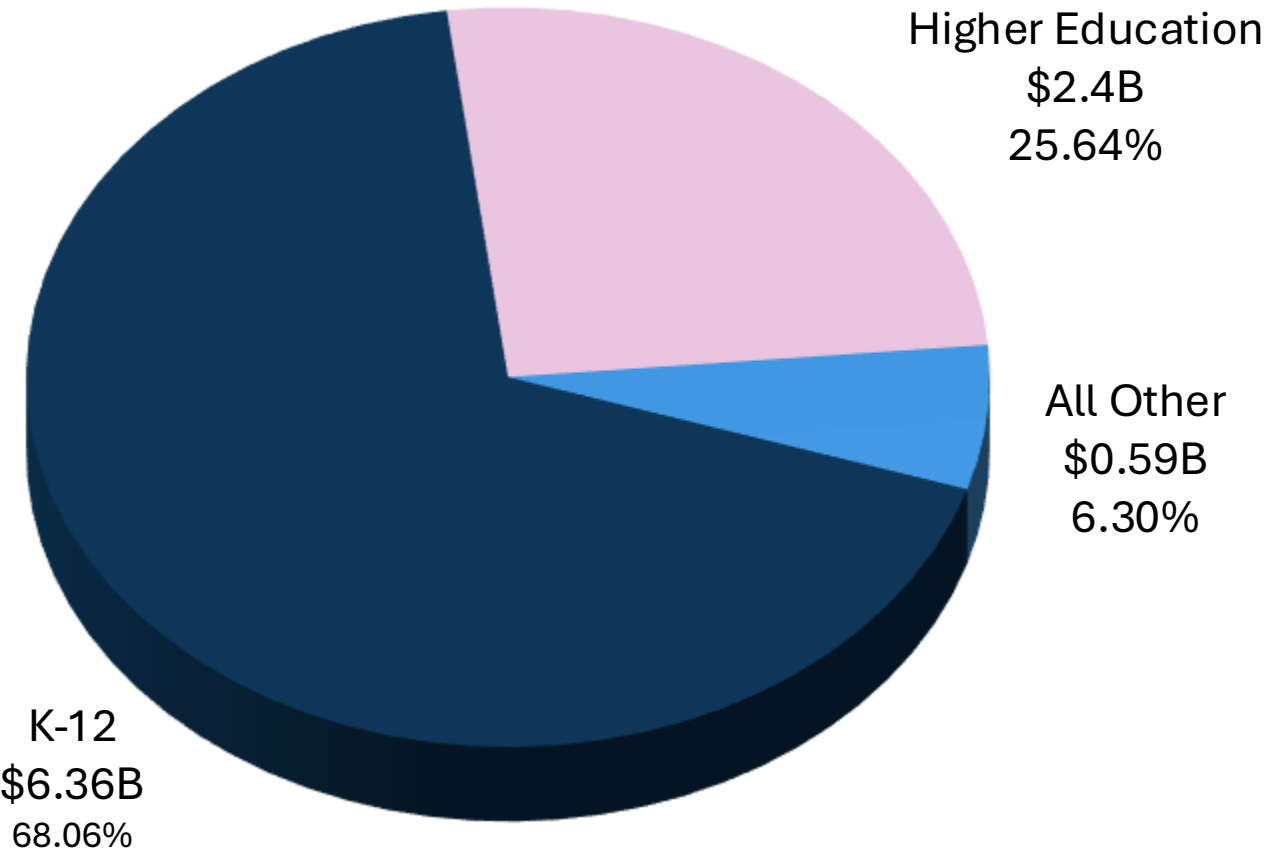
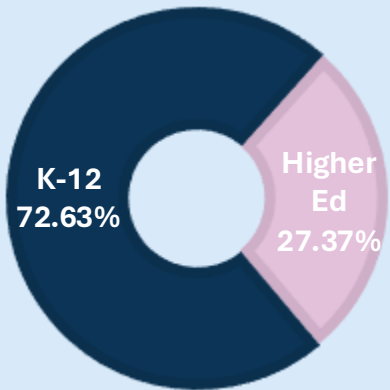
## K-12 Education, total increase, \$375.1 million including:

- Early Childhood Education - \$12.4 million total increase including \$12 million increase for Pre-K and \$768,000 increase to the Dolly Parton Imagination Library
- K-12 Local Boards of Education:
- Foundation Program (state and local funds) - \$213.6 million total increase,
- Transportation - \$39.9 million increase
- RAISE Act (new) - \$58 million
- Parental Leave (new) - \$9.6 million
- Math, Science, and Technology Initiative (AMSTI) - - \$32.2 million increase, including \$27 million increase for provisions of the Alabama Numeracy Act
- Reading Initiative - \$9.1 million increase
- Alabama Summer and Afterschool Program - \$14.4 million increase
- Distance Learning - \$2.33 million increase
- Jobs for Alabama's Graduates (JAG) - \$2 million increase
- Office of Specialized Treatment Centers - \$1 million increase
- Principal Leadership and Mentoring Act - \$1.75 million increase
- Teacher Observation Tool (new) - \$1 million
- Mental Health Telecounseling Pilot Project (new) - \$2.5 million
- Plasma Games (new) - \$2 million
- Special Education Certified Behavior Analysts - \$5 million increase
- Special Education Pre-School Program - \$1.38 million increase
- Public Education Employee Injury Compensation Program (new) - \$15.6 million
- School of Healthcare Sciences (new) - \$5.5 million
- Department of Revenue for CHOOSE Act (new) - \$101.25 million

# ETF APPROPRIATION FY 2026

ETF Total: \$9,348,506,169

The Split:



## Program Specifics

- Base Funding Factors (BFF)
- Weighted Factors
- Oversight and Accountability
- Program Review



## FY 2026 Appropriations

- \$58 Million Education Trust Fund (ETF)
- \$108 Million Raise Act Fund



## Weighted Factors

- Students in Poverty
  - Up to 20% of the BFF
- Special Education Students
  - Up to 25% (Tier 1)
  - 50% (Tier 2)
  - 150% (Tier 3) of the BFF
- English Language Learners (ELL)
  - Up to 15% of the BFF
  - Additional 5% for districts with large, concentrated populations
- Gifted Students
  - Up to 5% of the BFF for 5% of Average Daily Membership (ADM) in each district
- Charter School Students
  - Up to 10% of the BFF

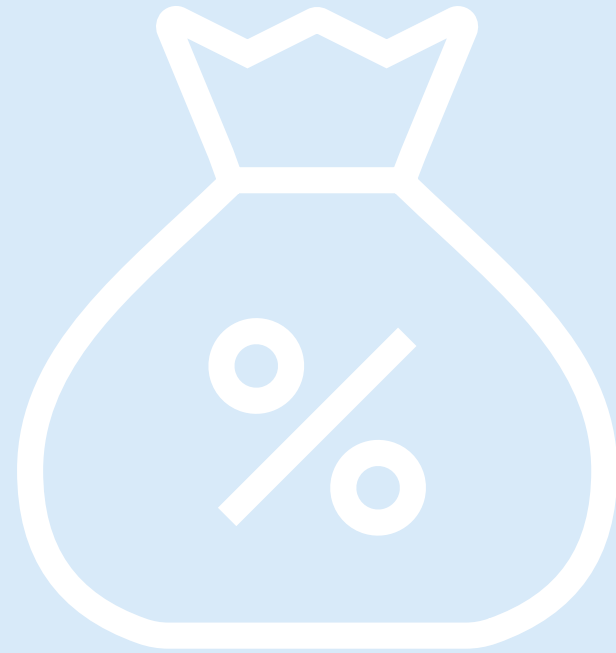
## Accountability



- Review Committee
  - Reviews funding factors and weighted allocations
- Accountability and Implementation Board
  - Monitors progress of schools
  - Reviews plans and reports
  - Holds hearings for deficient schools

# Raise Act (Act 2025-257)

## **Education Trust Fund Conditions**





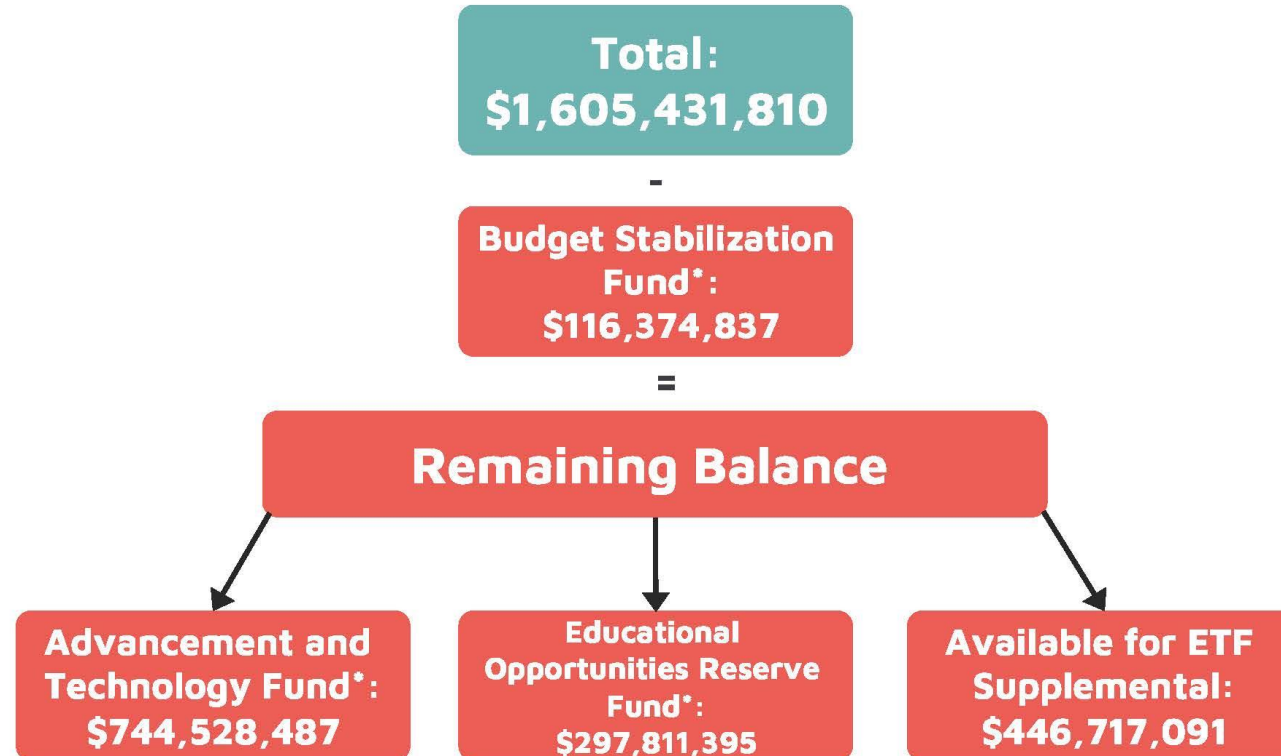
# CONDITION OF THE ETF – EOY FY25

Beginning Balance	2,315,918,528
Receipts	<u>10,926,214,619</u>
Total Available Funds	13,242,133,147
Total Obligations	<u>11,637,483,706</u>
Ending Balance ( <u>before</u> reversions and adjustments)	1,604,649,441
Reversions and Adjustments	<u>-441,261,812</u>
Total Ending Balance ( <u>after</u> reversions and adjustments)	2,045,911,253



# Allocation of ETF Excess Funds

Pursuant to the Rolling Reserve Act



\*Funds to be transferred by May 31, 2026

\*As of November 4, 2025

\*\*Less \$27 million previously committed

Beginning Balance	\$2,045,911,253
Revenues (as of 11/30/2025)	\$1,387,665,469
<b>Total Available Funds</b>	<b>\$3,433,576,722</b>
LESS APPROPRIATIONS AND OBLIGATIONS:	
Enacted Appropriations	\$9,909,416,539
Transfer to Budget Stabilization Fund	\$116,374,837
Transfer to Advancement and Technology Fund	\$744,528,487
Transfer to Educational Opportunities Reserve Fund	\$297,811,395
Reversions Reappropriated	\$440,005,275
<b>Total Appropriations and Obligations</b>	<b>\$11,535,136,533</b>
<b>Additional Receipts Needed (Dec-Sept FY 2026)</b>	<b>\$8,521,238,902</b>
<b>Receipts Dec-Sept FY 2025</b>	<b>\$9,547,755,695</b>

## Condition of the ETF – FY26

# **ETF Funding Issues**



## ETF BASE APPROPRIATIONS 5-YEAR HISTORY

Fiscal Year	ETF Appropriations	Difference
2022	\$7,672,576,575	\$423,611,462
2023	\$8,261,590,649	\$589,014,074
2024	\$8,798,594,041	\$537,003,392
2025	\$9,348,506,169	\$549,912,128
2026	\$9,909,416,539	\$560,910,370
2027*	\$10,479,207,990	\$569,791,451

\*Represents secondary spending limit for FY2027 pursuant to the Rolling Reserve Act.

# 25 YEAR ETF SPLIT HISTORY

K-12 Higher Education Splits as Enacted		
Fiscal Year	K-12	Higher Education
2002	71.81%	28.19%
2003	71.73%	28.27%
2004	71.43%	28.57%
2005	72.21%	27.79%
2006	71.70%	28.30%
2007	70.68%	29.32%
2008	70.00%	30.00%
2009	71.44%	28.56%
2010	71.60%	28.40%
2011	72.53%	27.47%
2012	72.63%	27.37%
2013	72.32%	27.68%
2014	73.59%	26.41%
2015	73.39%	26.61%
2016	73.10%	26.90%
2017	73.24%	26.76%
2018	73.05%	26.95%
2019	72.97%	27.03%
2020	72.97%	27.03%
2021	72.96%	27.04%
2022	72.87%	27.13%
2023	72.66%	27.34%
2024	72.63%	27.37%
2025	72.63%	27.37%
2026	72.63%	27.37%

# FY 2027 Issues

PEERIP – Requested increase from \$904 per member/month in FY 2026 to \$1,209 per member/month in FY 2027 – **A total increase of \$380 million**

Pay Raise? – No COLA in FY 2026 – Each 1% ~ \$45 million

Department of Education – Requested increase of \$222.4 million from ETF

# Thank You.



Kirk Fulford, Legislative Fiscal Officer



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