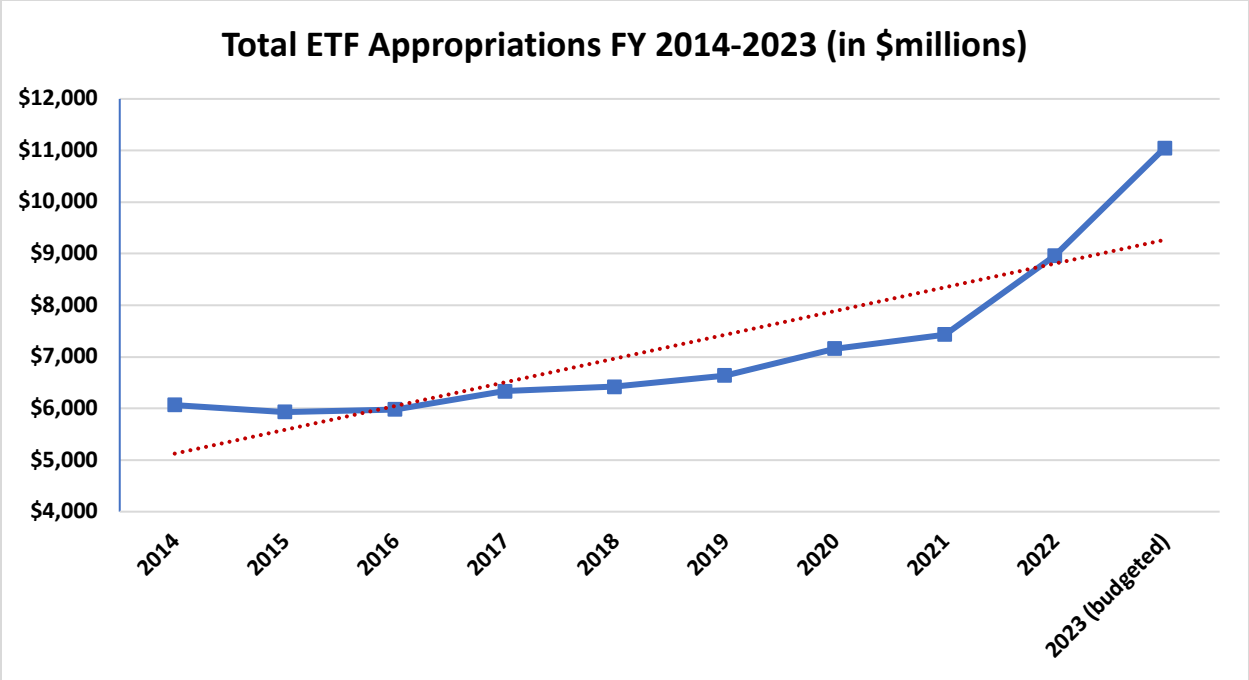




Record Budgets Haven't Created Record Results for Alabama's Students

The 2023 Alabama Regular Legislative Session marked another year of record state budgets. Base funding for both the state General Fund (GF) and Education Trust Fund (ETF) budgets are set to rise higher than ever before in 2024, reaching more than \$11.8 billion combined. The enacted budget totals do not include supplementary appropriations, which could drive total funding significantly higher.

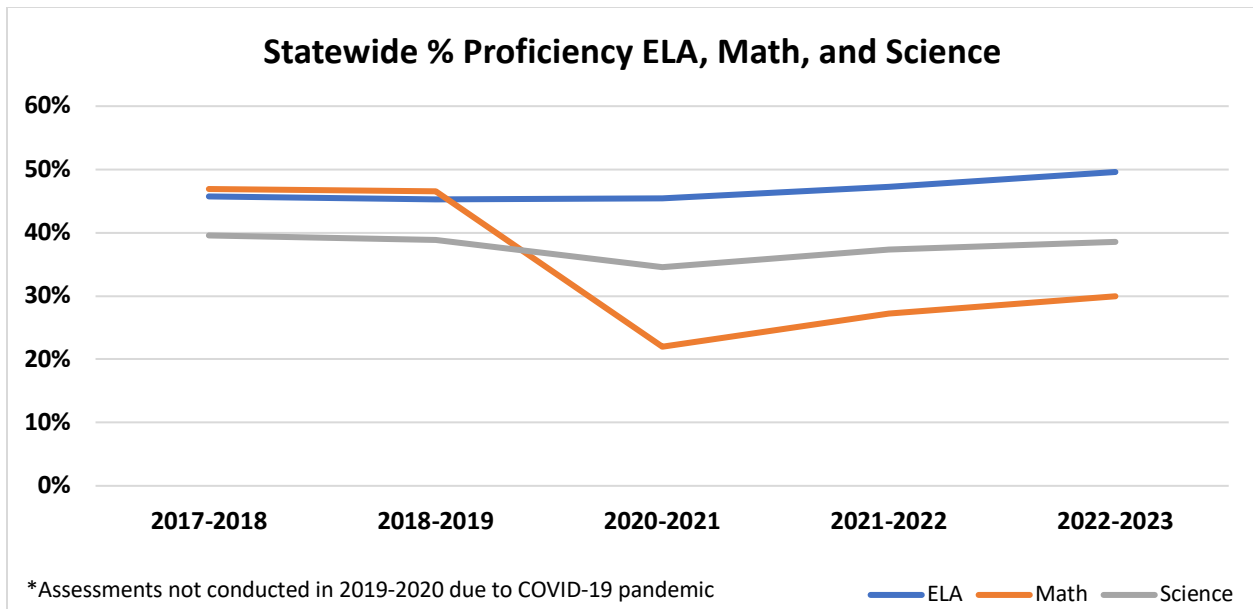
The FY 2024 budgets, and specifically the ETF budget, are not outliers. The last time that the ETF budget experienced a cut was in FY 2015. Each year since 2017 has represented the largest enacted ETF budget in Alabama history in terms of non-inflation adjusted dollars. From 2019 through the FY 2023 budget that the state is currently operating under, total ETF spending (including supplemental appropriations) grew by 66.4 percent. Over the past ten years, ETF funding has soared by over 82 percent.



The increase in ETF spending has been fueled by historic revenue growth. While final 2023 revenue figures will not be available until later this year, if ETF revenues hit Legislative Services Agency projections made in March 2023, five year growth will be just short of 47 percent and ten year growth will be approximately 82.4 percent. The ETF collected over \$10.4 billion in tax revenues in FY 2022.

Given the significant increases in ETF spending over the last decade, one could reasonably expect that the quality of K-12 education in Alabama has also materially improved. However, progress has been mixed at best.

Each year the Alabama State Department of Education (SDOE) tests K-12 public school students on their progress on the Alabama Courses of Study Standards, which is essentially the education framework intended to prepare students for college and/or their career. According to data from the SDOE, for the 2017-2018 school year Alabama’s K-12 students had a proficiency ranking of 45.76 percent in English/language arts (ELA), 46.91 percent in math, and 39.57 percent in science. The most recent results from the SBOE for the 2022-2023 school year show 49.46 percent proficiency in ELA, 29.94 percent in math, and 38.54 percent in science.



Despite more state education spending than ever, SBOE test scores have fallen in two out of three areas in the past five years.

Some of the lack of progress can be attributed to the COVID-19 pandemic, which undoubtedly disrupted learning and set some students back, particularly in math. The U.S. Department of Education granted an assessment waiver to the state in 2020, however, for the 2018-2019 school year statewide math proficiency was 46.52 percent, much higher than the post-COVID levels. ELA proficiency has shown slight improvement since 2018-2019 while science scores remain virtually the same.

The National Assessment of Education Progress (NAEP) is another indicator of whether the quality of K-12 education in Alabama is improving. Fourth, eighth, and twelfth-grade students are randomly selected to participate in the assessment for up to two subjects.

In 2019, Alabama was infamously “dead last” in public school math scores, ranking 52 out of 52 government run school systems. While the state no longer has the distinction of being last, NAEP scores continue to show that not enough progress is being made.

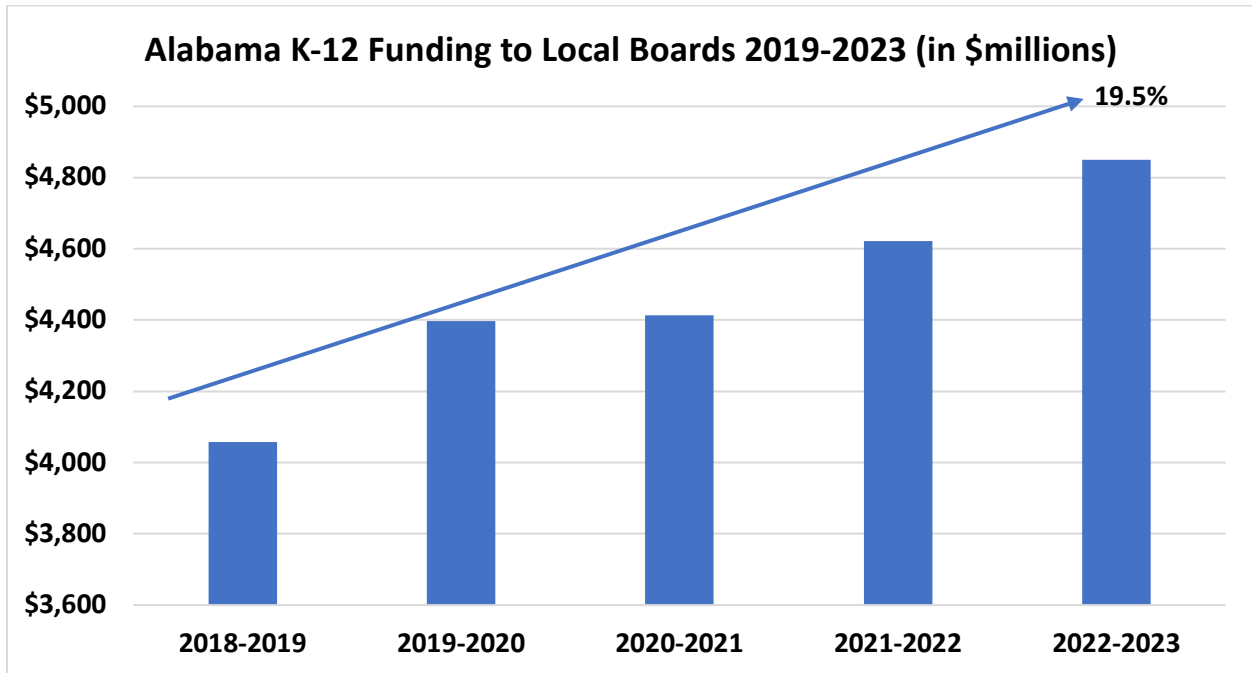
In 2022, Alabama’s math ranking went from 52nd to 40th and its reading rank rose from 49th to 39th. While that may seem like noteworthy progress on the surface, the numbers tell a different story. Compared to 2019, all 2022 scores decreased for eighth grade math and reading, and scores did not improve in fourth-grade math. Fourth-grade reading was the only area that increased from 2019, but scores only increased by one point (from 212 to 213 out of 500 points). All fourth and eighth graders are below the national average in both reading and math.

Alabama’s 2022 NAEP eighth-grade math scores were the same as they were in 2000. Eighth grade reading NAEP scores were four points lower than in 1998.

Out of 500 possible points, Alabama’s average eighth-grade math score in 2022 was 264, the same as in 2000 and a five-point decrease from 269 in 2019. The state’s average eighth-grade reading scores in 2022 were 251, two points less than 253 in 2019 and four points less than Alabama’s average score of 255 in 1998.

If record ETF budgets have not improved the academic outcomes from Alabama’s K-12 students, then what has the money gone towards?

Some of the additional funding has gone directly back into local school systems. For the 2018-2019 school year, state funding to local boards of education accounted for just over \$4 billion of the total ETF budget. In 2023, the budgeted spending to local school boards was set to reach \$4.85 billion, an increase of 19.5%. Over the same period, annual per pupil state expenditures rose by more than \$900.



A sizable portion of the new K-12 spending has gone into higher personnel costs attributable to salary increases.

Since 2018, Alabama’s public school teachers and support staff have received five pay raises. The only year that the Legislature did not enact a pay raise for education employees was during the COVID-19 shortened session in 2020. Since Governor Ivey took office in 2017, education salaries have increased by at least 15 percent, with some employees receiving higher increases due to changes in the state’s education salary matrix. The most recent 2 percent education employee pay raise will cost the state an estimated \$98.5 million annually.

Attracting and retaining high-quality teachers may be part of the equation in improving academic performance, but it is not a panacea.

In addition to across the board salary increases, in the 2024 budget the Legislature included a \$15 million line-item that will require all education support staff (i.e., school bus drivers, custodial staff, food workers, etc.) to receive a minimum salary of at least \$15.00 per hour, more than twice Alabama’s \$7.25 minimum wage for private sector employees.

Big ticket items in the 2023 ETF supplemental appropriations bill included \$480 million to the SDOE for one-time expenses, \$393 million for one-time refundable tax credits for Alabama taxpayers, which is paid with ETF revenues, over \$111 million to the Alabama Department of Commerce for one-time expenses,

\$59.2 million to the Retirement Systems of Alabama for COVID-19 related health insurance expenses, and \$51 million to the Alabama Innovation Fund for one-time expenses.

That is not to say that none of this spending was necessary or warranted, however, the state is spending a tremendous amount of dollars each year in areas that are unlikely to directly improve the quality of education for K-12 students. Sometimes the spending has no clear link to education period.

Aside from K-12 ETF funding, from 2019 through the 2024 enacted budget higher education funding has risen by approximately 33.5 percent, more than half a billion dollars annually. Institutes of higher education also received hundreds of millions in additional 2023 dollars mainly for one-time capital expenditures.

Starting next year, the Legislature could also have another \$300 million in ETF funding at its disposal. During the 2023 regular session lawmakers passed a bill to create a new Educational Opportunities Reserve Fund, which allows ETF revenues in excess of budgeted appropriations to be transferred into the fund. The new spending stream could be used to offset budget proration, fund unanticipated expenses, maintain prior year appropriations, and to fund initiatives that provide enhanced educational opportunities to the state's K-12 and higher education students.

The bottom line is that despite historic ETF budget increases, little has changed when it comes to academic performance in Alabama's K-12 classrooms. In some cases, there has been a downward trend in test scores. In most, academic achievement is flat at best. In the meantime, states like Florida, Tennessee, and Mississippi are spending less dollars per student than Alabama while seeing more improvement in academic performance.

This is not an issue of Alabama not having enough resources to offer students the highest quality education possible. It is an indicator of systematic issues within the state's education infrastructure that need to fundamentally change.