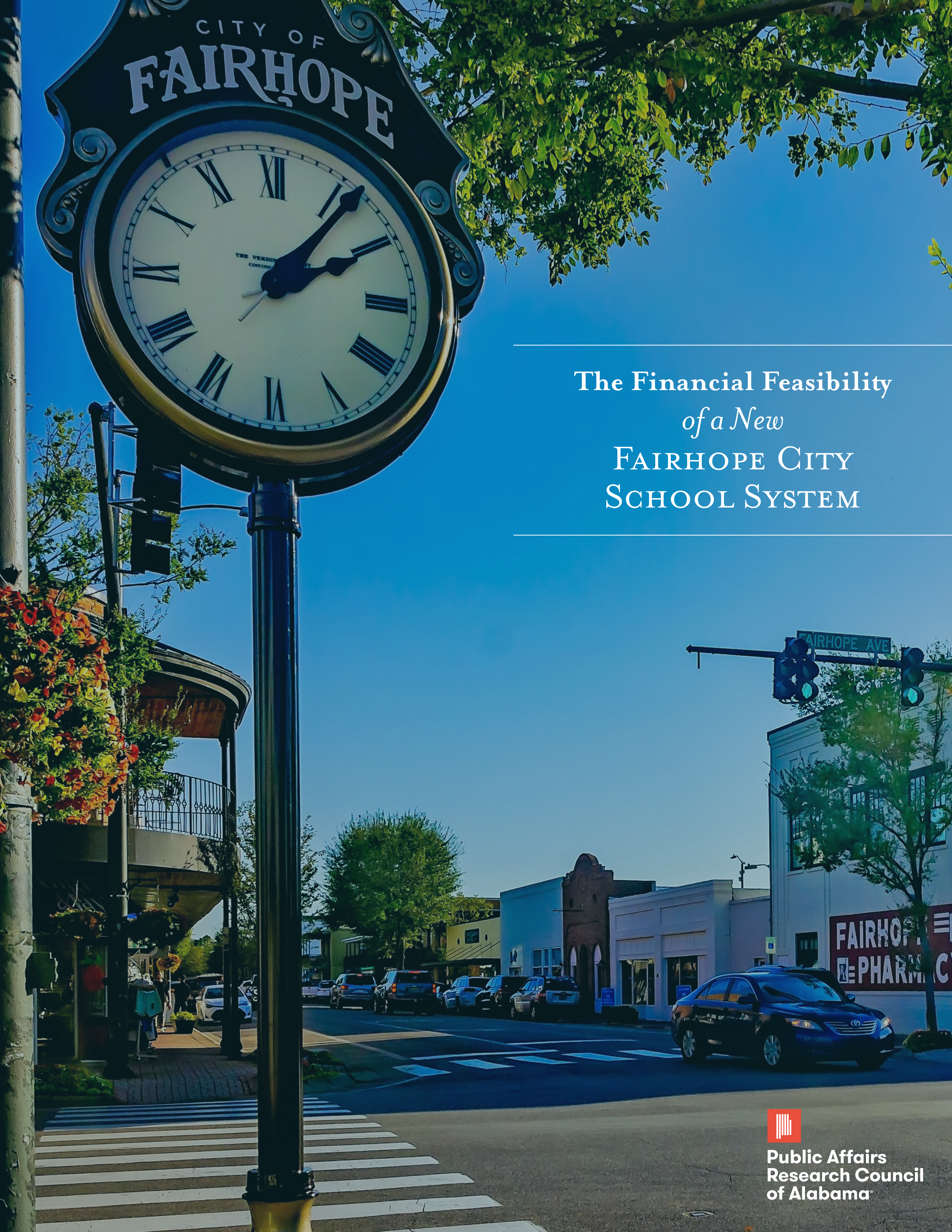

The Financial Feasibility *of a New* Fairhope City School System

Public Affairs
Research Council
of Alabama

The Financial Feasibility of a
New Fairhope City School System
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Executive Summary

The Public Affairs Research Council of Alabama (PARCA) analyzed publicly available data provided by the Baldwin County Board of Education (BCBE) and the Alabama State Department of Education (ALSDE) to estimate the financial viability of an independent city school system in Fairhope, Alabama.

The analysis assumes a Fairhope system will consist of the four schools within the city limits and serve only students who reside in Fairhope—approximately 2,835 in the 2022–23 school year. That figure includes students who live in Fairhope but currently attend J. Larry Newton Elementary School, which is in the Fairhope feeder pattern but located outside the city limits.

The analysis examines revenue projections and debt obligations provided by BCBE, develops an independent revenue projection, and compares both to actual expenditures in the four Fairhope schools.

BCBE projects that a new Fairhope system would need approximately $8.6 million in additional annual revenue to match current spending in the Fairhope schools.

This report reaches a different conclusion.

Based on our analysis, a new Fairhope system can match current per-student spending in the four Fairhope schools, meet debt obligations, and have $8.6 million per year remaining to spend on system administration and other expenses. The identical $8.6 million figures are coincidental; they refer to different estimates derived from separate analyses.

The following pages explore the findings.

Introduction

This report estimates the financial feasibility of an independent Fairhope school system by comparing the revenue a new system can expect to its likely expenses.

Before exploring finances, a brief background on city school systems and school funding is helpful.

Responsibility for a City System

In Alabama, every county has a school system. At present, seventy-three cities also have independent school systems. See the list in Appendix 1. Each city school system separated from its county system at some point in the past—the most recent was Orange Beach City Schools, established in 2020.

Independent city systems, such as Gulf Shores City Schools, Orange Beach City Schools, and Saraland City Schools serve students within the city limits. However, city systems are neither part of nor the responsibility of local city governments.

School systems, both county and city, are known as special purpose governments—units of government designed to provide a specific, discreet service. While it is true that in some communities, the city council appoints school board members, and most cities offer some level of financial support to their school system, city governments are not fundamentally responsible for the local school system's funding, governance, or leadership.

If the community decides to form a Fairhope system, the Fairhope city government would be involved in establishing it. The city government may select school board members and provide financial support, but it would not bear the responsibility for the system.

School Funding

Public education is funded by three sources: federal funds, state funds, and local funds—funds from the city or county. Each funding stream has different logic, calculations, limitations, and flexibility.

Federal Funding

Federal funds are distributed and expensed by federal formulas. Most federal funds support economically disadvantaged and special needs students.[1] Title 1 and the National School Lunch Program (NSLP), which provide free or subsidized meals to qualifying students, are among the largest examples. There are specific limitations on these funds. For example, NSLP funds cannot be used to pay teachers, and Title I funds cannot be spent on instruction in schools not designated as Title I recipient schools. As the composition of students changes, so does the federal funding for each school change. Local communities have no means to affect federal funding—and school leaders have no flexibility in spending these funds.

State Funding

State funds are distributed to each system, which budgets funds to cover direct expenses at each school and pooled system costs. Direct expenses connect directly to a specific school, such as administrators, teachers, materials, supplies, and building services. Pooled costs are expenses that cannot connect directly to a school. These can include central office expenses, transportation services, and more. These costs may not technically

[1] The pandemic has led to increased federal funding with fewer restrictions over the last three years; however, these funds are expiring. See Congressional Research Service. *Education Stabilization Fund Programs Funded by the CARES Act, CRRSAA, and ARPA: Background and Analysis* https://crsreports.congress.gov/product/pdf/R/R47027.

be "overhead" expenses, but that is a helpful way to consider them. School system administrators have some discretion in how state funds are allocated.[2]

State funding is allocated by a mix of formulas and direct allocations.[3] The largest share of funding comes from the Foundation Program, the funding mechanism within the Education Trust Fund (ETF). Foundation calculations are based on the number of students in a system.[4] The number of students is used to calculate the number of "units" earned. Units can be thought of as staff positions.[5] The number of units is then used in five separate calculations, plus a salary schedule, and the number of students is used in one additional calculation. The sum of these calculations determines the Foundation Program funding for the system. From that total Foundation amount, the state deducts the value of 10 mills of local ad valorem tax. For example, if a system's Foundation calculation is $1 million, and ten mills of local tax in that community generates $100,000, then the actual Foundation amount provided to the system is $900,000.

In addition to the Foundation funding, other state dollars are allocated on a per-system basis. For example, in FY2025, every system received $69,694 for a technology coordinator. Other funds are allocated based on the size of the bus fleet, recent changes in enrollment, the number of students deemed at risk, or other variables.

See the 2024 BCBE state funding report in Appendix 2.

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[2] See Alabama State Department of Education. "Detailed Budget Instructions for FY2024." https://www.alabamaachieves.org/wp-content/uploads/2023/08/LEAACC_2023814_FY2024-Detailed-Budget-Instructions_V1.0.pdf.

[3] See Alabama State Department of Education. *A Guide to State Allocation Collections: 2023-2024*. https://www.alabamaachieves.org/wp-content/uploads/2023/10/LEAFIS_2023103_State-Guide-to-Allocations-2023-24_V1.0.pdf.

[4] Technically, Foundation calculations are based on the Average Daily Membership (ADM), the average system enrollment over the first twenty days after Labor Day.

[5] Units can be thought of as personnel, but the number of earned units rarely matches the total employment in a system. Foundation calculations allow partial units, and local systems can use local funds to add staff.

This funding methodology has important implications for communities considering creating a new system.

First, state funding calculations can be estimated with confidence but not with 100% precision. Final funding amounts are based on a variety of data only available to system and state leadership, such as the number of students from low-income families and students' test scores. Also, funding is affected by decisions a new school board must make, notably the composition of professional staff. A system with more experienced and credentialed teachers and administrators will cost more but also result in more state funding.

Second, there is not a linear relationship between enrollment and state funds because of the varying ways funds are allocated. Increasing or decreasing enrollment does not mean a dollar-for-dollar matching increase or decrease in state funding. An enrollment change of one or two students will not affect state funding. Losing a few dozen students could affect state funding. Losing several hundred students would certainly affect state funding.

Local Funding

The Alabama Constitution requires local communities to support their local schools with an amount equal to 10 mills of local property tax revenue. As discussed in the previous section, the amount is deducted from the systems' Foundation Program allocations. Local governments can provide additional support to schools through additional millages, sales taxes, appropriations, or other sources. All revenue above the ten mills is a net gain to the system.

Local administrators have complete discretion to allocate local funds as they see fit, with two caveats. First, local funding has the same general legal restrictions as other public funds. Second, local funds must be spent following any authorizing language accompanying the millage(s) or city/county appropriation(s). The authorizing legislation may be flexible or list a wide array of allowed expenses, but spending must be for the purpose(s) defined in the legislation. For example, if a millage is adopted to fund teacher pay raises, those funds cannot be used for debt service, and vice versa.

School Funding Summary

Systems are funded through federal, state, and local funds. Federal and state funds are determined through calculations and direct appropriations.[6] Local leaders cannot change these mechanisms. School administrators have no real flexibility with federal dollars and limited flexibility with state dollars. Local communities can affect local revenue, and local school administrators have complete control over how local funds are expended, so long as the use is not prevented by law.

Per-Student Funding

Before exploring the specifics of a possible Fairhope system, a word concerning per-student funding is warranted.

Policymakers, educators, and this report generally speak in terms of per-student funding rather than school or system-wide totals.[7] This convention allows potential funding changes to be more easily understood. For example, a proposal to increase spending in a 5,000-student school system by $3 million dollars is more difficult to comprehend that a proposal to increase school spending by $600 per student.[8]

Likewise, a per-student number allows for some comparison of spending between systems. For example, in FY2023, Mobile County Schools spent $687 million while Linden City spent $7 million. Those figures are incomparable.

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[6] Additional federal funds can come from competitive grants. Other state funds can also come from state grants or other sources. The BCBE FY2024 Budget lists revenue from approximately 19 different state and federal funds, but 98% of BCBE's FY2024 state revenue comes from the sources discussed.

[7] The term "per pupil expenditures" or PPE is often used in state and system reporting.

[8] $3,000,000/5,000 students = $600 per student. Figures are used for illustrative purposes and have no relationship to BCBE or a potential Fairhope system.

However, dividing spending by the number of students allows some level of comparison. Mobile's expenses divided by 51,979, the state's largest enrollment, reveal per-student spending of $13,217. Linden City's expenses are divided by 434, and the state's smallest enrollment shows $16,328 spent per student.[9] Even then, care must be taken. For example, Linden City Schools have far fewer total overhead expenses but also far fewer students over whom to divide those costs.

Per-student funding and per-student spending make for an easier discussion of school funding. Yet, there are caveats.

First, as mentioned previously, student enrollment affects school funding, but it is not a dollar-for-dollar amount. Systems can see relatively significant changes in enrollment without significant changes in funding.[10]

Second, all systems report revenue and expenses on a per-student basis—total funding received (or spent) divided by total enrollment. This number includes direct and indirect expenses and can mask substantial variances in spending at the local school level.

Student demographics, teacher mix, and other factors determine funding for each school system. These same variables determine the budget for each school *within* the system. In other words, schools in a system are not funded equally. A system-wide per-student spending number may vary significantly from the per-student spending number in any given school in that system. This is true in BCBE and every other system in the state. This variance should not be viewed as malicious or negligent. Schools differ in student demographics, teacher experience, and programming, each contributing to variances in funding.

[9] ALSDE FY 2023 School System Per-Pupil Expenditures. https://www.alabamaachieves.org/wp-content/uploads/2024/08/RD_FR_20240826_System-Level-Per-Pupil-Expenditures-FY2023_V1.0.pdf

[10] The reasons are varied and complex. Some funding is awarded in lump sums to each system without regard to enrollment. Other funds are allocated based on enrollment ranges rather than exact amounts. Other funds are awarded based on the number or percentage of students with special needs, low test scores, or from low-income families. Finally, enrollment changes have differing effects based on the grade of the student. Changes in early grade enrollment can affect funding faster than changes in the upper grades, because the lower grades have smaller student-to-teacher ratios.

This nuance will become important, however, when considering BCBE’s current expenditures in the Fairhope schools.

Revenue: Baldwin County Board of Education Estimates

Note: All numbers have been rounded to the nearest whole dollar. So, slight errors may be apparent when columns are summed.

In the fall of 2023, BCBE presented data on the financial implications of a new Fairhope system based on its then-new FY2024 budget.[11] The presentation is provided in Appendix 3.

Using those figures, BCBE projected FY2024 funding for a new Fairhope system and compared that figure to funding the schools would receive as part of BCBE.[12] The analysis assumes a Fairhope system comprised of the four schools in the Fairhope city limits with an initial enrollment of 2,835 students—including 153 students who live in the city but attend J. Larry Newton Elementary School, which sits outside the city limits.[13] See Appendix 3, Slide 3. PARCA cannot independently verify the enrollment number. Doing so would require the addresses of every student in the current Fairhope feeder pattern.

The BCBE analysis estimates federal, state, and local funding of a new Fairhope system will equal $36,887,252, or $13,011 per student. See Table 1.

Table 1. Projected Total Funding in a New Fairhope City System

	Total Funding	**Per-Student Funding**
Federal Funding	$1,698,606	$599
State Funding	$15,456,803	$5,452
Local Funding	$19,731,843	$6,960
Total	**$36,887,252**	**$13,011**

Note: Per-student funding equals total funding divided by the projected enrollment of 2,835. numbers for consistency of comparison.

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[11] Baldwin County School System. "FY204 Proposed Budget." https://www.bcbe.org/Page/26194.

[12] These figures are slightly dated, but that does not affect the overall analysis. School funding does not change rapidly, and much of the analysis in this research considers historical trends.

[13] Figures are FY2022–2023 ADM numbers. School funding for the current year is based on the previous year's ADM. These figure are provided by BCBE but can also be seen in ALSDE's FY2022–2023 Fall ADM Report By System-School at https://www.alabamaachieves.org/wp-content/uploads/2022/12/RD_2022127_2022-2023-Fall-ADM-Report-by-System-School.xlsb. See footnote 4 for more on ADM.

Federal and State Funding

BCBE projects federal revenue of $599 per student. Federal revenue is based on the number of students in specific economic circumstances, with special needs, or other factors.

BCBE projects state funding of $5,452 based on projected enrollment and the established Foundation calculations and state allocations.

Local Funding

BCBE's local funding projection of $6,960 per student includes Fairhope's share of county and city revenue.

Countywide Funding

Several local revenue sources currently support schools in Baldwin County. See Table 2. The largest sources are the 9-mill countywide ad valorem and two countywide sales taxes.[14] Revenues from these taxes are distributed to the three systems in the county (BCBE, Gulf Shores, and Orange Beach) based on the share of total students in the county enrolled in each system. Currently, BCBE enrolls 89.5% of students in the county, so the system receives 89.5% of these countywide revenues. Gulf Shores and Orange Beach enroll 6.94% and 3.56% of students, respectively, so they receive 6.94% and 3.56% of countywide revenue, respectively. A new Fairhope system would enroll approximately 8.32% of students in the county and would receive 8.32% of the countywide revenue.

[14] A third countywide sales tax is also collected, but funds only support BCBE. That revenue is not reflected anywhere in this report.

Table 2. Allocation of Countywide Education Funding

Assessments	Allocation Method	Direct Share to Fairhope as part of BCBE	Direct Share to an independent Fairhope System
9-mill countywide ad valorem 1% countywide sales tax 1% penny sales tax	Allocated to systems based on the percentage of total Baldwin County students enrolled.	Revenue flows to the systems which determine spending. BCBE enrolls 89.5% of the students and thus receives 89.5% of the total revenue.	A new Fairhope system would serve 8.32% of students in the County and would receive 8.32% of revenue.

Source: "Fairhope Analysis" Appendix 3, Slide 7, and BCBE FY24 Budget Presentation.[15]

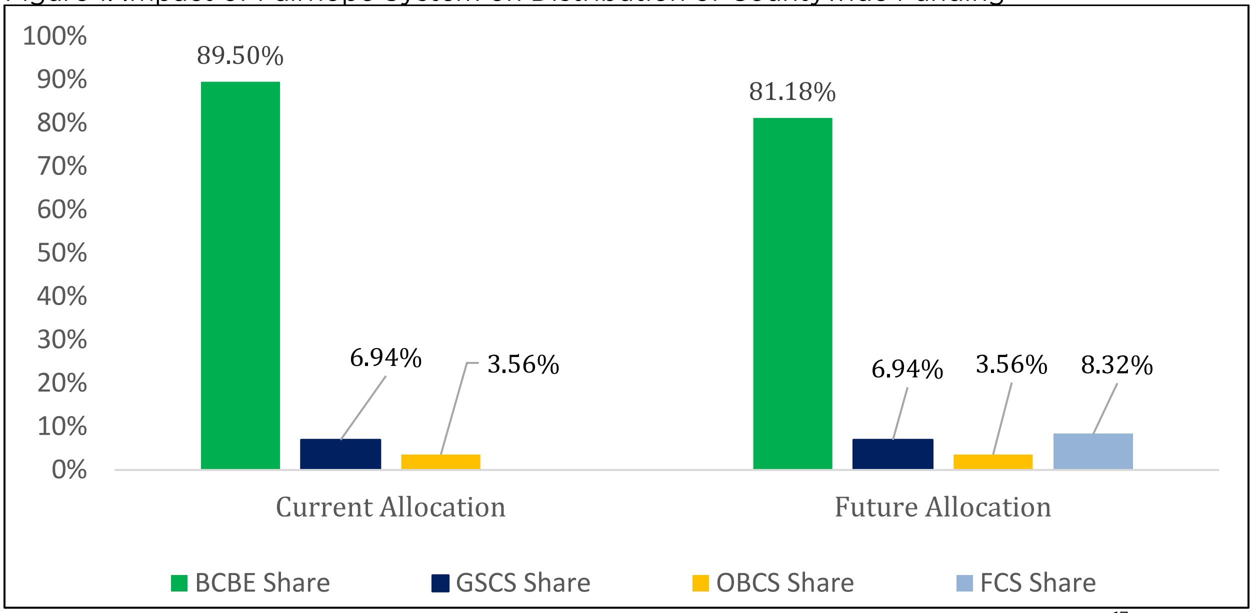
Currently, BCBE receives 89.5% of countywide revenue and allocates these funds to cover costs across the system. A new Fairhope system would receive 8.32% of countywide revenue and would allocate these funds to cover costs in its new system.

BCBE correctly states that if Fairhope creates a new system, BCBE "would still receive 81% of countywide taxes" collected for education in Fairhope.[16] The statement is correct—but that 81% would be a reduction from the 89.5% BCBE currently receives. See Figure 1.

[15] Baldwin County School System. "FY 2024 Proposed Budget August 31, 2024." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59218&FileName=2024%20Budget%20Presentation.pdf.

[16] "Fairhope Analysis" Slide 6.

Figure 1. Impact of Fairhope System on Distribution of Countywide Funding



Source: PARCA analysis of "Fairhope Analysis" Slide 7, and BCBE FY24 Budget Presentation.[17]

The first cluster in Figure 1 represents the current distribution of countywide revenues. Currently, BCBE, represented by the green bar, serves 89.5% of the county's students. Thus, they receive 89.5% of the countywide revenues. Gulf Shores (blue bar) and Orange Beach (orange bar) serve 6.94% and 3.56% of the students in the county, respectively. Thus, they receive 6.94% and 3.56% of countywide revenue.

The second cluster of bars represents allocations if a new Fairhope system is created. There is no impact on the Gulf Shores and Orange Beach systems—thus, their funding allocations are unchanged. However, the 2,835 students in the new Fairhope system (light blue) would come from BCBE, reducing BCBE's enrollment by 2,835 or 8.32 percentage points. Thus, BCBE's share of countywide funding would be reduced from 89.5% to 81.18%.

[17] Baldwin County School System. "FY 2024 Proposed Budget August 31, 2024." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59218&FileName=2024%20Budget%20Presentation.pdf.

District 2 and 3-Mill Overlay Funding

In addition to these countywide revenue sources, schools in Fairhope currently receive revenue from two additional, local ad valorem assessments: a 3-mill District 2 ad valorem and a 3-mill overlay ad valorem. See Table 3.

Table 3. District 2 and Overlay Revenue, Current and Future Distribution

	Assessment	Direct Share to Fairhope as part of BCBE	Direct Share to an independent Fairhope System
3-Mill District 2 Tax	Assessed on property in District 2	100% of revenue generated within city limits	100% of revenue generated within city limits
3-mill Overlay	Assessed on property in the Fairhope feeder pattern	100% of revenue generated in the Fairhope feeder pattern, which extends beyond the city limit	100% of revenue generated in the city limits[18]

Source: "Fairhope Analysis" prepared by John Wilson, CSFO, Baldwin County Board of Education; Appendix 3, Slide 7, and BCBE FY24 Budget Presentation.[19]

School systems can be further subdivided into taxing districts. Different districts in the same system may assess different taxes to support schools in that district. Fairhope is located within BCBE's District 2. Property in District 2 is assessed an additional 3-mill ad valorem tax. Schools in Fairhope currently receive 100% of District 2 revenue collected within the city limits of Fairhope. This allocation method will not change.

One additional 3-mill ad valorem is assessed on property in the current feeder pattern—commonly known as the 3-mill overlay. Revenues from this assessment support schools in the current feeder pattern: Fairhope High School, Fairhope Middle, East Elementary, West Elementary, and J. Larry Newton Elementary. Currently, that pattern includes property outside the

[18] With an independent Fairhope system, the Fairhope feeder pattern will not extend beyond the city limits. Thus, the overlay will only be collected in the city limits. The overlay will collect about 57% of current collections but will only be used to support the four schools located in the city limits.

[19] Baldwin County School System. "FY 2024 Proposed Budget August 31, 2024." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59218&FileName=2024%20Budget%20Presentation.pdf.

Fairhope city limits. If a new Fairhope system is created and comprised of the four schools in the city limits, the feeder pattern will change. The 3-mill overlay will remain in place, but the system will only receive revenue generated within the city limits. That revenue will now be for the four schools in the feeder pattern

Consequently, a new Fairhope system would receive 100% of the revenue generated in the City of Fairhope from the District 2 ad valorem and 100% of the revenue generated in the City of Fairhope from the 3-mill overlay ad valorem. These two assessments of equal rates, assessed on the same property, will generate equal amounts of revenue.

BCBE applied these allocation formulas to projected FY2024 revenue to estimate a new Fairhope system would receive $6,960 per student from city and county sources. See Table 4.

Table 4. BCBE Calculation of Local Revenues for New Fairhope System

	Baldwin County	**Fairhope Share of Countywide Tax**	**Fairhope District 2 & Overlay Tax**
9-mill countywide ad valorem	$59,005,248	$4,912,072	NA
3-mill district 2 ad valorem	$13,409,033	$0	$2,013,993
3-mill overlay	$1,491,867	$0	$2,013,993
Total 15 Mills	**$73,906,148**	**$4,912,072**	**$4,027,986**
1% countywide sales tax	$64,854,475	$5,395,892	NA
1% penny sales tax	$64,854,475	$5,395,892	NA
Total Regular Sales Tax	**$129,708,950**	**$10,791,785**	NA
Total	**$203,615,098**	**$19,731,843**	
Enrollment		2,835	
Total Local Funding/Enrollment		$19,731,843 / 2,835	
Total Local Funding per Student per Year		**$6,960**	

Source: PARCA analysis of "Fairhope Analysis" Slide 7. Numbers rounded.

A new system will also assume a share of BCBE's current debt.

Debt Service

BCBE reports that the Fairhope system would assume a debt of $71.3 million. See Table 5. These debts are for recent and planned construction and renovation in Fairhope schools, including additions at the high school, Fairhope East, and other improvements. See the description of projects provided by BCBE in Appendix 3, slides 9 and 11.

Table 5. Debt Summary

Total Debt				Total Fairhope Share		Average Annual Fairhope Debt Service	
	Initial Amount	Total Outstanding	Maturity	Percent of Total	Amount Owed	Per Year	Per Student
2007 Bond	$150 million	$116.75 million	2037	35.4%	$41.34 million	$3.7 million	$1,305
PAYG	$30 million	$30 million	2044	100%	$30 million	$3.6 million	$1,282
Total	**$180 million**	**$146.75 million**		**NA**	**$71.34 million**	**$7.3 million**	**$2,588**

Source: PARCA synthesis of "Fairhope Analysis" Slides 9–11. Numbers rounded.
Note: Total outstanding on the 2007 bond as of September 30, 2024. PAYG numbers are subject to final draw and public bid.

Debt service will not reduce the system's federal, state, or local funding, but it will reduce the system's flexibility to use funding.

Based on BCBE projections, a new Fairhope system will have $10,424 in available funding.

Table 6. Available Revenue Per Student Reported by BCBE

Revenue	$13,011
Debt Service	-$2,588
Available Funding	**$10,424**

Revenue: Independent System Verses Remaining in BCBE

Based on BCBE projections, a new Fairhope system will receive $13,011 per student and assume a debt of $2,588 per student for a total of $10,424 in available funding per student.

In comparison, BCBE reports that the schools would receive $13,454 per student in FY2024 if they remained in BCBE. See Figure 2.

Figure 2. FY2024 Fairhope Feeder Pattern Budgeted Expenditures

Fairhope Feeder Pattern										Enrollment	4,860
	Per-Pupil Expenditures FY24 Budget										
	1000-1999	2100-2199	2200-2299	2300-2399	3000-3999	4100-4199	4200-4299	9140	6000-6999		
Fund Source	Instructional Services	Student Support Services	Instructional Staff Support	School Admin Services	Operations and Maintenance	Transportation Services	Food Service	PreSchool	General Admin Services	Total	PPE
Federal	1,909,896	57,021	400,539	0	61,538	63,479	3,226,522	335,501	805,730	6,860,225	1,412
State	27,351,639	1,589,692	1,369,498	2,836,714	1,858,189	2,115,439	0	714,596	486,403	38,322,170	7,885
Local	7,887,411	1,224,138	332,027	837,510	5,663,772	205,858	0	1,000,371	2,212,536	19,363,623	3,984
Local Sch	478,807	87,713	99,878	26,368	72,590	19,693	0	0	0	785,049	162
Other	0	0	0	0	57,653	0	0	0	0	57,653	12
Total	37,627,753	2,958,564	2,201,942	3,700,592	7,713,741	2,404,470	3,226,522	2,050,468	3,504,668	65,388,719	
PPE	7,742	609	453	761	1,587	495	664	422	721	13,454	

Source: "Fairhope Analysis" Slides 13.

For a system of 2,835 students, these figures translate to a shortage of almost $8.6 million per year compared to remaining within BCBE. See Table 7.

Table 7. 2024 Revenue Comparison per BCBE Estimates

	Fairhope Schools as Part of BCBE	**Fairhope Schools as a New System**	**Difference**
Total Funding for Fairhope Schools	$38,142,090	$36,886,185	$1,255,905
Funding per Student	$13,454	$13,011	$443
Less debt Service	-$0	-$2,588	$2,588
Available Funding	$13,454	$10,424	$3,030
Total Available Funding	**$38,142,090**	**$29,552,040**	**$8,590,674**

Source: PARCA synthesis of "Fairhope Analysis" Slide 14.

Offsetting a difference of $8.6 million would require approximately 13 mills of additional ad valorem tax.

However, the reported per-student spending of $13,454 in BCBE appears problematic.

First, the figure reflects the current Fairhope feeder pattern, including J. Larry Newton, with a total enrollment of 4,860. Suppose the enrollment numbers were adjusted to reflect the projected enrollment of 2,835. In that case, the per-student figure of $13,454 might decline—especially if the percentage of students from low-income families or if the number of students deemed at-risk changed.

Second, the reported figure is what BCBE planned to *spend* in the schools. Funds are received at the system level and allocated to the schools. As noted previously, system officials have no flexibility with federal funds, some flexibility with state funds, and total flexibility with local funds.

Third, the reported $13,454 appears to include direct and pooled, or overhead costs. When BCBE's FY2024 financial documents are examined,[20] direct expenses are much lower. The report's concluding section, "Revenue Projections Compared to Actual Spending," will explore this.

Moreover, BCBE's revenue projections for a new Fairhope system appear misleading. PARCA analyzed projected revenues for a new Fairhope system and reached a different conclusion.

[20] Baldwin County School System. "Proposed FY 2024, Exhibit P-I and P-II." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59219&FileName=FY24%20Budget%20Booklet.pdf.

Revenue: PARCA Estimates

PARCA analyzed publicly available data from ALSDE and BCBE to complete an independent funding projection for a new Fairhope system. As mentioned in the discussion on school funding, not every necessary data point is publicly available. Conservative estimates and assumptions have been made.

Our analysis assumes the BCBE federal estimates are correct. We find a slight variance in state funding and a larger variance in local funding.

Federal and State Funding

BCBE projects federal revenue of $599 per student. The figure cannot be verified without private, student-level data.

BCBE estimates state funding of $5,452 per student. PARCA's calculations found a slightly different figure of $5,509 per student. See the methodology and calculations used in Appendix 4.

Even still, this is a very conservative amount.[21] In FY2024, the average state funding was $7,512 per student, and the median was $7,606. BCBE received $7,015. This report uses the more conservative number to control for any potential estimating errors elsewhere.

Local Funding

BCBE estimated local funding at $6,960 per student. The calculations are provided in Table 2 and Appendix 3, slide 7.

[21] In FY2024, the average state funding was $7,512.59 per student and the median was $7,606. BCBE received $7.015.

As discussed previously, a new Fairhope system will receive 8.32% of the countywide 9-mill ad valorem tax and 8.32% of the two 1% countywide sales taxes. See Table 2 and the accompanying discussion.

However, these figures are underestimated.

BCBE suggests the 9-mill ad valorem generates $59 million in total revenue, with Fairhope's 8.32% share equaling $4.9 million. BCBE estimates each 1% sale tax generates $64.8 million, with Fairhope's share of each equaling $5.4 million. See Figure 3.

Figure 3. BCBE Estimates of Local Tax Revenues

Ad Valorem	Baldwin County	Foundation Program Cost Ratio	Fairhope Share of County Wide Tax	Fairhope City School District Tax
9 mills Countywide Tax	59,005,248.00	8.32%	4,912,072.09	
3 mills District 2 Tax	13,409,033.00	n/a	n/a	2,013,992.91
3 mill Special Tax	1,491,867.00			2,013,992.91
Total 15 Mills	**73,906,148.00**			8,940,057.90
County Wide Sales Tax	**FY 2024 BCBE Budget**			
1% Regular	64,854,475.00	8.32%	5,395,892.32	
1% Penny Sales Tax	64,854,475.00	8.32%	5,395,892.32	
Total Regular Sales Tax	**129,708,950.00**		10,791,784.64	
Total Local Tax Revenue	**203,615,098.00**			**19,731,842.54**

Source: "Fairhope Analysis" Slide 7.

Figure 3 is taken from slide 7 in BCBE's Fairhope Analysis. However, it appears that table is miscopied from its original source, the BCBE FY2024 budget presentation. Compare the table in Figure 3 to that taken from the FY2024 budget presentation, presented in Figure 4 below.

Figure 4. BCBE FY2024 Budget, Local Calculations

Ad Valorem	Countywide	Foundation Program Cost Ratio	Baldwin County	Foundation Program Cost Ratio	Gulf Shores City	Foundation Program Cost Ratio	Orange Beach City
9 mills Countywide Tax	66,406,410.39	89.50%	59,005,248	6.94%	4,608,605	3.56%	2,363,404
3 mills District 2 Tax	22,077,226.93		13,409,033	n/a	3,509,179		5,159,014
Total 12 Mills	**88,483,637.32**		**72,414,281**		**8,117,784**		**7,522,418**
County Wide Sales Tax							
1% Regular	72,463,181.00	89.50%	64,854,475	6.94%	5,028,945	3.56%	2,578,965
1% Penny Sales Tax	72,463,181.00	89.50%	64,854,475	6.94%	5,028,945	3.56%	2,578,965
Total Regular Sales Tax	**144,926,362.00**		**129,708,949.06**		**10,057,890**		**5,157,929**
Total Local Tax Revenue	**233,409,999.32**		**202,123,230.38**		**18,175,674**		**12,680,347**

Source: Baldwin County School System FY2024 Proposed Budget, First Public Hearing, Slide 24.[22]

Figure 3 is provided by BCBE in its Fairhope Analysis.[23] Figure 4 is provided by BCBE in its FY2024 budget presentation. Both figures contain a column labeled "Baldwin County," but Figure 4 includes an additional column labeled "Countywide."

In Figure 3, the column labeled "Baldwin County" reports the 9-mil ad valorem receipts as $59 million. However, Figure 4 reveals that the countywide receipts from the 9-mill ad valorem are $66.4 million—$59 million is BCBE's *share* of collections, not the *total* collections.

In a similar fashion, in Figure 3, the column labeled "Baldwin County" reports each of the two 1% sales taxes generate $64.8 million. Again, Figure 4 reveals countywide collections as $72.4 million each and $64.8 million as BCBE's *share* of the collections, not the *total* collections.

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22 Baldwin County School System. "FY 2024 Proposed Budget August 31, 2024." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59218&FileName=2024%20Budget%20Presentation.pdf.

23 "Fairhope Analysis" Slide 7

In other words, BCBE's Fairhope Analysis under-reports the total collections of the 9-mill ad valorem and both 1% sale taxes. Consequently, the BCBE estimates of Fairhope's share of these revenues is under-reported. See Table 8.

Table 8. Share of Countywide Revenue, BCBE Projection vs. BCBE Budget

Revenue Source	**Total Reported in BCBE's Fairhope Analysis** (Figure 3)	**Total Reported in BCBE FY2024 Budget** (Figure 4)
9-mill countywide ad valorem total	$59,005,248	$66,406,410
1% countywide sales tax total	$64,854,475	$72,463,181
1% penny sales tax total	$64,854,475	$72,463,181
Total Collections	**$188,714,198**	**$211,332,772**

Source: PARCA analysis of BCBE FY2024 Budget.[24]

A new Fairhope system will receive 8.32% of countywide revenue. If these revenues are under-reported, so, too, is Fairhope's share. See Table 9.

Table 9. Fairhope Share of Countywide Tax Collections. Revised

Revenue Source	**Total Reported in BCBE's Fairhope Analysis** (Figure 3)	**Total Reported in BCBE's FY2024 Budget** (Figure 4)	**Difference**
Total Collections	$188,714,198	$211,332,772	$22,618,574
Fairhope Percentage Allocation	8.32%	8.32%	0
Fairhope Dollar Allocation	$15,701021	$17,582,887	$1,881,866
Per-Student Allocation	**$5,538**	**$6,202**	**$664**

Note: Per-student allocation is the total allocation ($1,881,866) divided by enrollment (2,835).

A new Fairhope system should receive $1,881,865 more, or $664 per student more, in countywide tax revenue than BCBE projects.

Local Funding

The final source of school funding is local school funding. These are funds generated at the school level, such as admissions revenue, concession sales,

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[24] Baldwin County School System. "FY 2024 Proposed Budget August 31, 2024." https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=38432&dataid=59218&FileName=2024%20Budget%20Presentation.pdf.

and donations. Local school funding is not included in BCBE's Fairhope projections. Local school revenue is spent at the school in which it is generated. In FY2023, the last year for which data are available, the four schools in Fairhope spent, and therefore generated, $436 per student.[25]

PARCA Revenue Summary

PARCA presumes BCBE estimates of federal funding are correct. We find a slight variance in estimated state funding and a more material variance in local funding, and we add local school revenues. See Table 10.

Table 10. BCBE and PARCA Revenue Estimates Compared

	BCBE Estimate of Funding for a New Fairhope System	PARCA Estimate of Funding for a New Fairhope System	Variance
Federal Funding	$599	$599	$0
State Funding	$5,452	$5,509	$57
Local Funding	$6,960	$7,623	$663
Local School Funding	-	$436	$436
Total	$13,011	$14,167	$1,156
Debt Service	-$ 2,588	-$2,588	$0
Available Funds	**$10,424**	**$11,579**	**+$1,155**

Source: BCBE estimate and debt service provided in "Fairhope Analysis." PARCA analysis based on PARCA calculations.

PARCA projects per-student funding of $14,167, or $11,579 after debt service, which is $1,155 more per student than the BCBE projection.

And as noted previously, the projected state funding of $5,509 is very conservative. Average state funding per student in FY2024 equaled $7,512.

25 PARCA calculations of data in "ALSDE School Level Per-Pupil Expenditures." https://www.alabamaachieves.org/wp-content/uploads/2024/09/RD_FR_20240930_School-Level-Per-Pupil-Expenditures-FY2023_V1.0.pdf.

Revenue Projections Compared to Actual Spending

BCBE compares the projected funding of a new Fairhope system to the $13,454 the schools would receive as part of BCBE in FY2024. The section "A Fairhope System Compared to Remaining in BCBE" summarized some of the questions concerning BCBE's figure of $13,454.

Of course, budgets are plans. Actual expenditures are what matters.

Fortunately, BCBE provides actual expenditure data in its annual accountability reports. Reports from fiscal years 2012 through 2024 are currently available on the BCBE website.[26] These reports provide detailed expenditure data by cost center—a unit, department, or school to which costs can be allocated. Each school is a cost center. System-wide services such as security, technology, and the superintendent's office are also cost centers.

For each cost center, expenses are further broken out by fund—the source of the money used to cover the expense. The principal funds in BCBE are general revenue, special revenue, debt service, capital projects, and fiduciary expendable trusts.

The *ALSDE Accounting Manual* describes the uses for each fund.[27] General revenue accounts for most of a school's regular operating functions. Special revenues are usually expenditures of state or federal grants that fund special projects outside a school's general annual operating budget. Debt service reflects funds earmarked for payment of long-term obligations owed to a third party. Capital projects include funds, usually borrowed, to acquire or finance major facilities projects.

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26 https://www.bcbe.org/Page/490

27 ALSDE Accounting Manual, Revised March 6, 2020. Available at https://www.alabamaachieves.org/wp-content/uploads/2024/03/LEAACC_20240307_Accounting-Manual_V1.0.pdf

Our primary concern is with the general fund, which, as pages 10–12 of the *ALSDE Accounting Manual* explains and BCBE CFO John Wilson echoes, "...accounts for all financial resources of the school system except those required to be accounted for in another fund. The primary operating functions of the school system are performed in the general fund."[28, 29]

The "FY2024 Accountability Report" includes actual direct expenditures for each school in the Baldwin County system and indirect or pooled costs for approximately 51 different areas.[30]

Analyzing the general fund expenditures in the Fairhope schools in FY2024, we can see the direct spending in the four Fairhope schools. See Table 10.

Table 11. FY2024 General Fund Expenses in the Fairhope Feeder Pattern

School	Cost Center	Total Student Spending	Enrollment	Per-Student Spending
Fairhope East	71	$7,171,750	828	$8,662
Fairhope West	73	$8,558,274	939	$9,114
Fairhope Middle	70	$6,558,501	773	$8,484
Fairhope High School	65	$13,138,790	1,614	$8,143
Total		**$35,427,315**	**4,153**	**$8,528**

Note: Per-student spending is the total spending divided by the enrollment. The total per-spending figure of $8,528 is total spending ($35,427,315) divided by total enrollment (4,153).

In the most recent year, BCBE spent $8,528 per student in the four Fairhope schools.

As discussed previously, direct expenses are only part of the cost equation. Systems also have pooled or indirect costs. These expenses serve the entire system and cannot be directly allocated to a single school.

With available per-student revenue (revenue less debt service) of $11,579 and per-student expenses of $8,528, a new Fairhope system would have $3,051 per student to spend on indirect costs, or $8,649,585. See Table 12.

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28 Ibid.

29 Baldwin County School System FY2024 Proposed Budget, First Public Hearing, Slide 5.

30 https://www.bcbe.org/site/handlers/filedownload.ashx?moduleinstanceid=40923&dataid=65666&FileName=A-II-Cost%20Center.pdf

Table 12. Annual Available Revenue for Administration & Indirect Expenses

	Per Student	Total
Revenue	$14,167	$40,163,445
Debt service	-$2,588	-$7,336,980
Available revenue	$11,579	$32,826,465
Direct classroom expenses (FY2024 expenses)	-$8,528	-$24,176,880
Net Available for Administration & Indirect Expenses	**$3,051**	**$8,649,585**

For comparison, the *Accountability Report* indicates BCBE general fund expenditures of $84,123,302 of indirect expenses in 51 categories or $2,710 per student.

A Closer Look at Debt

As previously discussed, a new Fairhope system will assume a share of BCBE's current debt. BCBE reports this figure as approximately $71 million. See Table 5. This figure includes debt for capital projects funded by the 2007 bond and more recent PAYG projects.

The estimated annual debt obligation of $2,588 per student is 18.3% of the projected per-student revenue. See Table 12.

Worth noting is that BCBE reports the 2007 bond obligation variously as $53 million[31] and $52.2 million.[32] Both are overestimated.

The actual amount Fairhope could be obligated to assume (as of fall 2023) is $41.3 million. The extra +/-$10 million is projected interest payments. See the amortization table in Appendix 3, Slide 10. A new Fairhope system may well spend +/-$10 million in debt service, but that is not debt principal.

More substantive questions exist concerning the reported $28–30 million in PAYG debt.

As commonly understood, BCBE's PAYG program allows for the construction of facilities without incurring new long-term debt. Projects are funded with "existing taxes and short-term loans..."[33] resulting in "zero costs to taxpayers."[34]

The BCBE website lists five phases of PAYG projects, with three Fairhope projects listed as "completely paid off."[35] If these projects are paid for, then

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[31] Appendix 3, Slide 9.
[32] Appendix 3, Slide 10.
[33] BCBE Board of Education. "Pay As You Go Program." https://www.bcbe.org/Page/25582
[34] Ibid.
[35] Ibid.

the nature of the reported $28–30 million PAYG debt obligation a new Fairhope system would incur is unclear.

It is possible that the cited amount is not, strictly speaking, a debt obligation but an amount that BCBE seeks to recoup for construction costs funded through the PAYG program.

Final debt obligations and other payments would be negotiated in a separation agreement. Likely, the amount would be lower than projected by BCBE in the fall of 2023. If nothing else, the outstanding principal will be lower by the time any separation agreement is reached.

Changes to the total amount of debt assumed by a new Fairhope system could have a substantial positive effect on available funding in a new Fairhope system.

Summary

BCBE projects a new Fairhope system would see per-student funding of $13,011 compared to the current $13,454. When debt service is subtracted from that amount, available funding drops to $10,424, a shortfall of $3,030 per student or $8.6 million.

However, this analysis reaches a different conclusion. We find that:

- a new Fairhope system would generate revenues higher than projected by BCBE: $14,167 per student compared to $13,011.
- current direct per-student funding in the Fairhope schools is $8,528. See table 11.
- debt service of $2,588 would be lower today, and perhaps substantially lower, upon final negotiations.

Taking those factors together, a new Fairhope system can:

- spend the same amount in the four Fairhope schools as BCBE currently spends in those Fairhope schools: $8,528 per student,
- service debt obligations (even at the high end of the estimate): 2,588 per student,
- and have approximately $8.65 million each year to fund a central office and overhead expenses.

Table 13. Summary

	Per Student	Total
Revenue	$14,167	$40,163,445
Debt service	-$2,588	-$7,336,980
Available revenue	$11,579	$32,826,465
Direct classroom expenses (FY2024 expenses)	-$8,528	-$24,176,880
Net Available for Administration & Indirect Expenses	**$3,051**	**$8,649,585**

Conclusion

Fairhope can establish an independent school system with currently available funds.

Based on the most recent data available, current revenues are sufficient to fund direct student expenses at their current levels and cover debt obligations while leaving more than $8.6 million annually for administrative expenses.

These numbers are projections, based on the best available data.

Should the community move forward with a new system, final numbers will vary. Federal revenue will be determined by the funding programs in place at that time. State revenue will be determined by the state funding program in place at that time and the total number of students enrolled. Local revenue will be determined by recent sales tax collections and the value of a mill at that time. Long-term debt obligations will be determined by a separation agreement. Operating expenses will be determined by a Fairhope school board.

Education is among the most complex and emotionally charged public endeavors, and cost is only part of the equation. Fairhope residents face a rare and consequential question: Do they wish to embrace both the promise and the responsibility of supporting their own local school system?

Appendix 1: Alabama's City School Systems, 2025

- Alabaster City Schools
- Albertville City Schools
- Alexander City Schools
- Andalusia City Schools
- Anniston City Schools
- Arab City Schools
- Athens City Schools
- Attalla City Schools
- Auburn City Schools
- Bessemer City Schools
- Birmingham City Schools
- Boaz City Schools
- Brewton City Schools
- Chickasaw City Schools
- Cullman City Schools
- Daleville City Schools
- Decatur City Schools
- Demopolis City Schools
- Dothan City Schools
- Elba City Schools
- Enterprise City Schools
- Eufaula City Schools
- Fairfield City Schools
- Florence City Schools
- Fort Payne City Schools
- Gadsden City Schools
- Geneva City Schools
- Gulf Shores City Schools
- Guntersville City Schools
- Haleyville City Schools
- Hartselle City Schools
- Homewood City Schools
- Hoover City Schools
- Huntsville City Schools
- Jacksonville City Schools
- Jasper City Schools
- Lanett City Schools
- Leeds City Schools
- Linden City Schools
- Madison City Schools
- Midfield City Schools
- Mountain Brook City Schools
- Muscle Shoals City Schools
- Oneonta City Schools
- Opelika City Schools
- Orange Beach City Schools
- Oxford City Schools
- Ozark City Schools
- Pelham City Schools
- Pell City Schools
- Phenix City Schools
- Piedmont City Schools
- Roanoke City Schools
- Russellville City Schools
- Saraland City Schools
- Satsuma City Schools
- Scottsboro City Schools
- Selma City Schools
- Sheffield City Schools
- Sylacauga City Schools
- Talladega City Schools
- Tallassee City Schools
- Tarrant City Schools
- Thomasville City Schools
- Troy City Schools
- Trussville City Schools
- Tuscaloosa City Schools
- Tuscumbia City Schools
- Vestavia Hills City Schools
- Winfield City Schools

Source: *Directory of Alabama Public Schools, 2025*
https://www.alabamaachieves.org/wp-content/uploads/2025/01/COMM_20250106_DAPS-2025_V1.0.pdf

Appendix 2: BCBE FY2024 Foundation Report

State Department of Education FY2024 Foundation Program FY2024 – Enacted

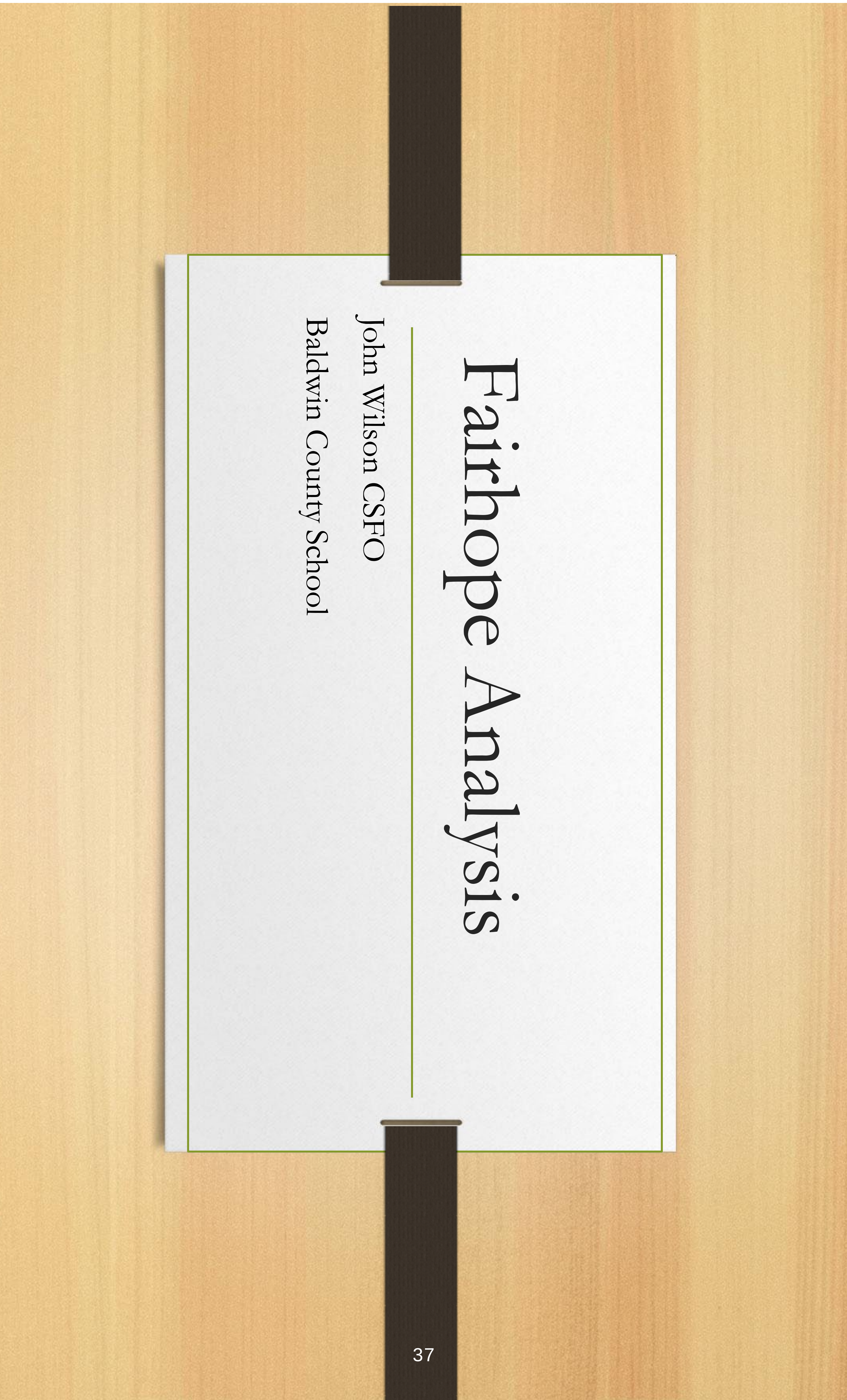
https://www.alabamaachieves.org/wp-content/uploads/2023/06/RD_2023620_FY-2024-Allocation-By-District_V1.0.pdf

Grade Divisors		***Instructional Support***	
Gr K	14.25	Teacher Materials	$569.15
Gr 1	14.25	Technology	$500.00
Gr 2	14.25	Library Enhancements	
Gr 3	14.25	Professional Development	$100.00
Gr 4	20.06	Textbooks	$75.00
Gr 5	20.06	Common Purchase	$0.00
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	
Gr 10	17.95	Trans Adjustment2	-$14,153,297
Gr 11	17.95	Trans Adjustment3	$20,000,000
Gr 12	17.95	***Local Match***	
Fringe Benefits		Foundation Program	10.00
Peehip	$800	PSF	$215,000,000
TRS Tier 1	12.59%	PSF Adjustment	$0
TRS Tier 2	11.57%		
FICA	6.20%	***Extension Increase***	
Medicare	1.45%	Elementary Principal	.31
Unemployment Comp	0.1250%	Middle Principal	.35
Sick Days	5	Secondary Principal	.45
Personal Days	2	Unit Principal	.45
Amended Leave Rate		Elementary Asst Principal	.10
Certified Leave Rate	$120	Middle Asst Principal	.10
OCE		Secondary Asst Principal	.10
OCE TRS Rate	12.19%	Unit Asst Principal	0.1
Oce Adjustment1		Elementary Counselor	.10
Oce Adjustment2	$15,000,036	Middle Counselor	.00
Other		Secondary Counselor	.03
Contract Days FP	187	Unit Counselor	.03
Contract Days Support	182	Career Tech Counselor	.03
Contract Days Transportation	182	Career Tech Director	.45
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		

Baldwin County Board of Education FY2024 Foundation Report

002 Baldwin County	FY 2024		FY 2023	Change
System ADM	30,479.60		29,671.80	807.80
Foundation Program Units				
Teachers	1,766.10		1,710.98	55.12
Principals	42.00		41.00	1.00
Assistant Principals	38.00		36.50	1.50
Counselors	59.00		58.00	1.00
Librarians	46.00		45.50	0.50
Career Tech Directors	5.00		5.00	0.00
Career Tech Counselors	2.00		2.00	0.00
Total Units	**1,958.10**		**1,898.98**	**59.12**
Foundation Program (State and Local Funds)				
Salaries	117,234,034		111,359,166	5,874,868
Fringe Benefits	43,784,621		41,998,193	1,786,428
Other Current Expense ($23,068/unit)	45,169,729	($21,175/unit)	40,189,733	4,979,996
Classroom Instructional Support				
Student Materials ($569.15/unit)	1,114,452	($900/unit)	1,709,082	-594,630
Technology ($500/unit)	979,050	($500/unit)	949,490	29,560
Library Enhancement ($157.72/unit)	308,831	($157.72/unit)	299,469	9,362
Professional Development ($100/unit)	195,810	($100/unit)	189,898	5,912
Textbooks ($75/adm)	2,285,975	($75/adm)	2,225,385	60,590
Student Growth	5,545,547		5,109,178	436,369
Total Foundation Program	**216,618,049**		**204,029,594**	**12,588,455**
State Funds				
Foundation Program ETF	183,832,139		164,205,887	19,626,252
School Nurses Program	2,371,202		1,653,150	718,052
Salaries - 1% per Act 97-238	0		0	0
Technology Coordinator	68,327		66,839	1,488
Transportation				
Transportation Operations	15,182,114		13,764,524	1,417,590
Fleet Renewal ($7,581/bus)	2,297,043	($7,581 /bus)	2,304,624	-7,581
Current Units	0		0	0
Capital Purchase	8,948,609		7,668,795	1,279,814
At Risk	859,497		734,212	125,285
Career Tech O and M	266,826		277,868	-11,042
Total State Funds	**213,825,757**		**190,675,899**	**23,149,858**
Local Funds				
Foundation Program (10 Mills)	32,785,910	(10 Mills)	34,714,529	-1,928,619
Capital Purchase (0.501013 Mills)	1,649,232	(0.525333 Mills)	1,823,669	-174,437
Total Local Funds	**34,435,142**		**36,538,198**	**-2,103,056**
Monthly Allocation = (Foundation Program - EFT, School Nurse, High Hopes, 1% Salaries, Tech Coor, Transpiration, At-Risk, and Preschool)				
11 months	17,050,860		15,227,436	1,823,424
12th month	17,050,862		15,227,440	1,823,422

Appendix 3: Fairhope Analysis



School Finance 101

- Three main sources of funds for a school district:
  - State Funding
    - Based on Student Count (Average Daily Membership_ADM)
  - Federal Funding
    - Title I (poverty levels).
    - Special Education (covers only around 15-20% of SPED cost)
    - CNP (USDA reimbursements
  - Local Funds
    - Ad Valorem (property taxes)
    - Sales Taxes

Average Daily Membership

- ADM is used for funding based on the previous year's enrollment average for the 20 days after Labor Day.

	2022-2023 ADM	Enrollment in City Limits	% in City Limits
Fairhope High	1605	958	60%
Fairhope Middle	772	423	55%
Fairhope East	737	547	74%
Fairhope West	961	754	78%
JLN	785	153	19%
	4,860	2,835	58%

2,025 students enrolled in Fairhope Schools live outside the City Limits.

State Funding

	Estimated State Foundation Funding
Fairhope High	6,494,217
Fairhope Middle	2,678,386
Fairhope East	4,018,232
Fairhope West	5,405,340
JLN	1,078,468
Gross Total	**19,674,643**
10 mill match	(6,713,309)
Supplement State Appropriations	2,495,469
Total Estimated State Funding	**15,456,803**

$5,452 per student in State funding

10 mill match calculation

City of Fairhope	
Class I, II, and III Taxes	11,054,527.50
Homestead Expemptions, etc.	(1,888,462.96)
Net Ad Valorem Taxes Due	9,166,064.54
Number of Mills	15
Yield per Mill	611,070.97
Class IV	903,900.00
Number of Mills	15
Class IV value per mill	60,260.00
Class I thu IV yield per mill	671,330.97
10 mill match	6,713,309.69

Per mill calculation inside the city limits of Fairhope: $671,330

Local Funding

- Countywide Taxes are divided by the % of county students. (Follows the student).

Countywide Enrollment		
BCBE	27,644	81.17%
GSCS	2,364	6.94%
OBCS	1,212	3.56%
FHCS	2,835	8.32%
Total	34,055	

It's a common misconception that all the taxes in a City System go towards that system.

Baldwin County would still receive 81% of the countywide taxes raised in a Fairhope City School System.

Local Revenue Summary

Ad Valorem	Baldwin County	Foundation Program Cost Ratio	Fairhope Share of County Wide Tax	Fairhope City School District Tax
9 mills Countywide Tax	59,005,248.00	8.32%	4,912,072.09	
3 mills District 2 Tax	13,409,033.00	n/a	n/a	2,013,992.91
3 mill Special Tax	1,491,867.00			2,013,992.91
Total 15 Mills	**73,906,148.00**			8,940,057.90
County Wide Sales Tax	**FY 2024 BCBE Budget**			
1% Regular	64,854,475.00	8.32%	5,395,892.32	
1% Penny Sales Tax	64,854,475.00	8.32%	5,395,892.32	
Total Regular Sales Tax	**129,708,950.00**		10,791,784.64	
Total Local Tax Revenue	**203,615,098.00**			**19,731,842.54**

Current 3 mill revenue
$3.5 million.

3 mill after breakaway
$2.0 million.

Estimated Revenue for a Fairhope City System

		Per Student
State Funding	15,456,803	5,452.14
Federal Funding	1,698,606	599.16
Local Funding	19,731,843	6,960.09
	36,887,252	**13,011.38**

Separation Cost (Debt Service and School Buildings)

- 35.4% of the 2007 $150 million bond was directly related to Fairhope Schools (Fairhope Middle, Fairhope Elementary, Fairhope Intermediate revocations, etc.).
- Roughly $53 million in capital construction cost tied to the 2007 Bond.

Debt Service

	Capital Outlay School Warrants, Series 2007			Fairhope Share of debt		
	Principal	Interest	Total			
September 30				**Principal**	**Interest**	**Total**
2024	8,145,000.00	5,177,827.50	13,322,827.50	2,883,931	1,833,333	4,717,263
2025	8,465,000.00	4,220,347.50	12,685,347.50	2,997,234	1,494,314	4,491,548
2026	8,795,000.00	3,249,050.00	12,044,050.00	3,114,078	1,150,403	4,264,482
2027	9,145,000.00	2,913,914.50	12,058,914.50	3,238,004	1,031,741	4,269,745
2028	9,490,000.00	2,837,211.50	12,327,211.50	3,360,160	1,004,582	4,364,742
2029	9,860,000.00	2,197,941.00	12,057,941.00	3,491,167	778,233	4,269,400
2030	6,770,000.00	1,991,867.00	8,761,867.00	2,397,079	705,268	3,102,347
2031	6,910,000.00	1,850,374.00	8,760,374.00	2,446,650	655,169	3,101,818
2032	7,075,000.00	1,705,955.00	8,780,955.00	2,505,072	604,034	3,109,106
2033	7,370,000.00	1,558,087.50	8,928,087.50	2,609,523	551,678	3,161,201
2034	8,190,000.00	1,194,687.50	9,384,687.50	2,899,864	423,007	3,322,871
2035	8,480,000.00	892,000.00	9,372,000.00	3,002,545	315,834	3,318,379
2036	8,840,000.00	545,600.00	9,385,600.00	3,130,012	193,183	3,323,194
2037	9,220,000.00	368,800.00	9,588,800.00	3,264,560	130,582	3,395,142
	116,755,000.00	30,703,663.00	147,458,663.00	41,339,879	10,871,361	**52,211,239**

Average cost of $3.7 million per year until 2037

PAYG Expenses

- Fairhope High 16 room addition, Fairhope High 9^{th} grade academy, Fairhope Intermediate/East addition and gym, and additional capital building enhancements on all campuses.
- Included are current plans in design at Fairhope High: New gym, Muti-purpose athletic facility, and significant paving projects to accommodate the additions.
- Total Estimated Cost $28-$30 million*

* Final cost estimates will be based on public bid

Available Funding Estimates

		Per Student
State Funding	15,456,803.02	5,452.14
Federal Funding	1,698,606.00	599.16
Local Funding	19,731,842.54	6,960.09
	36,525,690.02	13,011.38
Avg Annual Debt Cost	(3,700,000.00)	(1,305.11)
Finance for 20 yr repaymnt	(3,635,822)	(1,282.48)
Availabe Funding	**29,189,868.02**	**10,423.78**
(not including overhead)		

Finance 20-year repayment estimated based on $30 million loan at 4% interest.

FY 24 Per Pupil Expenditures

Fairhope Feeder Pattern										Enrollment	4,860
Per-Pupil Expenditures FY24 Budget											
	1000-1999	2100-2199	2200-2299	2300-2399	3000-3999	4100-4199	4200-4299	9140	6000-6999		
Fund Source	**Instructional Services**	**Student Support Services**	**Instructional Staff Support**	**School Admin Services**	**Operations and Maintenance**	**Transportation Services**	**Food Service**	**PreSchool**	**General Admin Services**	**Total**	**PPE**
Federal	1,909,896	57,021	400,539	0	61,538	63,479	3,226,522	335,501	805,730	6,860,225	1,412
State	27,351,639	1,589,692	1,369,498	2,836,714	1,858,189	2,115,439	0	714,596	486,403	38,322,170	7,885
Local	7,887,411	1,224,138	332,027	837,510	5,663,772	205,858	0	1,000,371	2,212,536	19,363,623	3,984
Local Sch	478,807	87,713	99,878	26,368	72,590	19,693	0	0	0	785,049	162
Other	0	0	0	0	57,653	0	0	0	0	57,653	12
Total	37,627,753	2,958,564	2,201,942	3,700,592	7,713,741	2,404,470	3,226,522	2,050,468	3,504,668	65,388,719	
PPE	7,742	609	453	761	1,587	495	664	422	721	13,454	

Additional Revenue needed to match or exceed BCBE

Summary PPE Impact	
Fairhope City Available PPE funding	10,424
BCBE FY 24 PPE funding	13,454
Less Per Student	(3,030)
x	
City Student Enrollment (3,030 x 2,835)	(8,590,674)
Per Mill Value in City Limits	671,330
Mills increase needed to match BCBE PPE	**13**

Appendix 4: PARCA’s State Revenue Calculations

Total state funding is conservatively projected at $15,619,367 or $5,509.48: $15,619,367/2,835. This figure is the sum of PARCA’s Foundation Program calculations for a new Fairhope system and BCBE’s estimated state supplemental appropriation for a new Fairhope system.

Foundation Revenue

PARCA calculated potential state funding for a new Fairhope system using the ADM provided by BCBE and the FY2024 Foundation calculations provided by ALSDE[36] to calculate a projected state revenue.

ADM			2835.216656	1
Units			178.54	2
Salaries			$11,171,426	3
Fringe			$4,097,679	4
Other Current Expenses	$23,068.00	per unit	$4,118,561	
Student Materials	$569.15	per unit	$101,616	
Technology	$500.00	per unit	$89,270	
Library	$157.72	per unit	$28,159	
Professional Development	$100.00	per unit	$17,854	
Textbooks	$75.00	per ADM	$212,641	
Student Growth			$-	5
Foundation Amount			$19,837,207	6
Foundation Funding			$13,123,898	7
Supplemental State Appropriations			$2,495,469	8
Total State Funding			**$15,619,367**	

[36] https://www.alabamaachieves.org/wp-content/uploads/2023/06/RD_2023616_FY-2024-State-Allocation_V1.0.pdf

State Revenue Calculation Notes

1. ADM, referred to as enrollment in the body of the report, provided by BCBE

2. Units (can be thought of as staff members) calculated by PARCA using the methodology outlined by ALSDE[37] and assuming the current distribution of students across the grades will be the same distribution in a new Fairhope system. For example, if 15% of students at Fairhope East are in 1st grade now, then 15% of Fairhope students will be in first grade after a separation.

3. The average salary in Gulf Shores City Schools, per that system's Foundation Report, multiplied by the number of units in the new Fairhope system.

4. Calculated salary multiplied by 36.68%, the fringe rate in Gulf Shores City Schools.

5. Student growth dollars are extra funds allocated to systems experiencing rapid growth. It is presumed, but not certain, that Fairhope would not qualify for such funds in its first year but could in subsequent years.

6. The sum of the above figures.

7. The total Foundation amount less $6,713,309, the value of 10 mills property tax in Fairhope, as estimated by BCBE.

8. Supplemental state appropriations are technically separate from the Foundation calculations but still reported in Foundation Reports. These funds are usually allocated at the system level—a fixed amount for each system or based on other factors not directly tied to the enrollment or number of units. These numbers cannot be accurately estimated without private data or decisions yet to be made. Thus, PARCA used the BCBE estimates of $2,495,469 or $880.30 per student.[38]

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[37] ALSDE. *A Guide to State Allocation Calculations* at https://www.alabamaachieves.org/wp-content/uploads/2023/10/LEAFIS_2023103_State-Guide-to-Allocations-2023-24_V1.0.pdf

[38] Source: "Fairhope Analysis" prepared by John Wilson, CSFO, Baldwin County Board of Education; Appendix 3, Slide 4.

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