

CHARTING SUCCESS TOGETHER

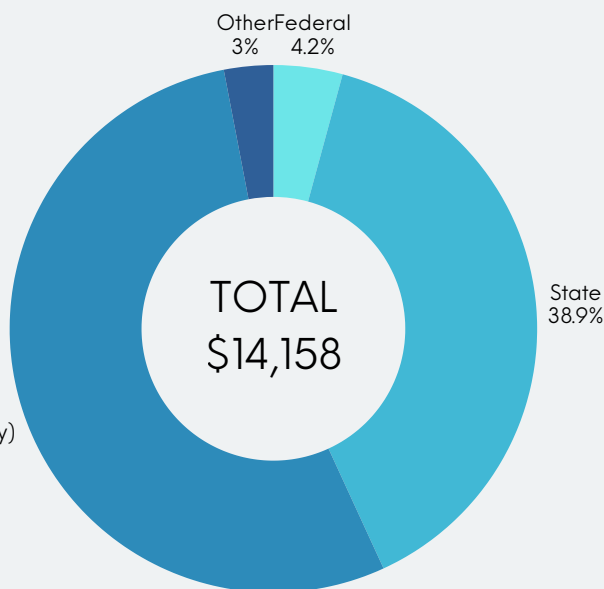
Revenue Projection of a Proposed Fairhope City School System

Initial Enrollment

A New Fairhope City School (FCS) system can expect to **enroll 2,835 students¹** and **receive \$40.137 Million or \$14,158 per student** (before debt service) in federal, state, and local funds in its first year. These estimates are based on publicly available data analyzed by the Public Affairs Research Council of Alabama (PARCA).

A new Fairhope City School System is projected to have \$11,571 per student to spend after debt service and \$8,621,235 to fund other expenses annually

Per Student Revenue



Revenue Source	Amount	Source of Estimate
Federal	\$599	BCBE Projection ²
State	\$5,509	PARCA Calculation ³
Local (County & City)	\$7,623	PARCA Calculation ⁴
Other	\$427	BCBE Budget ⁵

Available Funding

Available funding of \$11,571 is greater than what BCBE is currently providing Fairhope Schools.

Per Student Total	\$ 14,158
Less Per Student Debt Service	-\$ 2,587
Per-Student Available Dollars (PARCA Projection)	\$ 11,571
Direct Expenses in the 4 Fairhope Schools (ALSDE)	\$ 8,530 ⁷
PARCA Projection of Additional PPE Per Student	\$ 3,041

Annual debt service reduces available funds by \$2,587.00 per student.



Comparison to Other City Systems

System	FY23 Per Student Spending ⁶
Orange Beach	\$14,553
Gulf Shores	\$ 12,995
Baldwin County	\$12,866
Saraland	\$ 12,139
Auburn	\$ 12,020
Fairhope (projected)	\$11,571
Madison	\$ 11,056
Pike Road	\$10,737

Common Education Funding Terms

ADM	Average Daily Membership—the average enrollment in the first 20 days after Labor Day.
Chargeback	An informal term relating to the required value of 10 mills local ad valorem tax deducted from the amount owed a system through the state's Foundation Program.
Direct costs	Costs directly connected to a school, such as teacher salaries, supplies, facility operations, etc.
District	A geographic area within a school system that assesses different taxes than other parts of the system. Fairhope and other Baldwin County cities are in District 2, which assess a 3 mill ad valorem in addition to the county-wide 9 mill ad valorem.
Enrollment	Students formally enrolled in a system.
Foundation Program	Name of the program that provides most state funding to schools.
Local revenue	City and county-assessed taxes for schools.
Local school funds	Funds generated at the local school level (sales, fundraisers, etc.).
Mill	A tax equal to \$1 per \$1,000 of assessed, taxable value.
Pooled costs	System-wide costs that cannot be directly connected to a school are 'pooled' together and allocated to every school in the system. The allocation formula is not currently known.
PPE	Per Pupil Expenditure—the equivalent of spending per student.
School system	The legal entity that provides public school services in a geographic area.
Tax overlay	A special taxing zone covering the City of Fairhope and beyond in which residents are assessed an additional 3 mill ad valorem tax to support schools.
Unit	A technical term used to calculate school funding. Systems 'earn' units by dividing their ADM by various values prescribed in the Foundation Program. The total number of units is then multiplied by various funding amounts, also prescribed in the Foundation Program, to populate line items in the system's total amount of state funding.

Background

PARCA was contracted to assess the financial feasibility of a proposed Fairhope City School system. PARCA based its analysis on publicly available data from the Alabama State Department (ALSDE) and the Baldwin County Board of Education (BCBE). PARCA does not offer recommendations or suggest courses of action. Thus, PARCA does not have, nor does it offer, an opinion on the decision the City of Fairhope should make.

Per Student Funding Caveat:

Education leaders think about school funding in per-student dollars—the total amount of funding a system has to spend divided by its ADM. However, in Alabama, funding does not directly follow the student. We can establish an initial per-student number of \$14,158 for FCS, but this does not mean the system will gain or lose \$14,158 with each student gained or lost.

Notes

- Enrollment of 2,835 based on projections provided by BCBE in the fall of 2023: Fairhope High—958, Fairhope Middle—423, Fairhope East—547, Fairhope West—754, and J. Larry Newton—153, with Newton students to be allocated evenly between Fairhope East and West.
- Federal funds are formula-driven and based primarily on the number of students from low-income homes. BCBE estimates federal revenue at \$599 per student. These projections are based on confidential student-level data. PARCA presumes they are accurate.
- State funds are a combination of dollars awarded through the state's Foundation program and direct appropriations. Most funding calculations are based on a system's ADM or total units. Other funds are fixed amounts awarded to each system. PARCA's estimate is a conservative projection and does not include student growth funds. Transportation figures equal those of Arab City Schools, a city with approximately the same square mileage and students per square mile as Fairhope. Data are PARCA's calculations of the FY 2024 Foundation Program and State Funds calculations for an FCS system with an ADM of 2,835. The ADM is distributed across the 13 grades in the same distribution at the four Fairhope schools and J. Larry Newton in 2022-23. The Foundation Program and State Funds calculations are provided in the "FY2024 Foundation Report Allocation by District." ADM data are provided in "ADM By System and School, 2022-23." Both data sets are available at <https://www.alabamaachievers.org/reports-data/financial-reports>.
- A new Fairhope City system would be entitled to 8.32% of the 9 mill county-wide ad valorem tax, equaling \$59,005,248, and the 1% countywide sales tax and 1% penny sales tax, each equaling \$6,028,937. The system would also receive 100% of the revenue generated within city limits by the 3 mill District 2 tax, equaling \$2,013,993. The system would also receive 100% of the revenue generated within city limits by the 3 mill overlay ad valorem, also equaling \$2,013,993. Currently, the overlay is assessed on property inside and outside the city limits. A Fairhope system would only be entitled to the revenue generated within the city. Therefore, the District 2 tax and overlay tax, both equaling 3 mills, will be assessed on the same property and generate equal amounts of revenue. Total city and county revenue is projected at \$21,610,872 or \$7,663 per student. Data are PARCA analyses of ADM and local revenue projections in the "BCBE FY24 Budget Presentation" available at <https://www.bcbe.org/Page/26194>.
- Revenue generated at the local school, such as ticket sales, revenue described as 'Other' by BCBE. Data are PARCA analysis of the "BCBE FY 24 Proposed FY204 Budget" labeled as FY24 Budget Information at <https://www.bcbe.org/Page/26194>.
- Data are FY23 per-student spending, excluding debt and pre-school expenditures, as reported in "School Level Per Pupil Expenditures FY2023," available at <https://www.alabamaachievers.org/reports-data/financial-reports>.
- Direct spending in the four city schools between 2018 and 2023, as reported in "School Level Per Pupil Expenditure Reports" provided by ALSDE and available at <https://www.alabamaachievers.org/reports-data/financial-report>, adjusted for inflation using BLS' January 2024 inflation factor from https://www.bls.gov/data/inflation_calculator.htm, and averaged together.

