

# advocate for SCHOOLS



**SPECIAL  
EDITION  
FY27 ETF BUDGET  
PACKAGE**

## FY27 ETF Budget Package: What's Really in it for K-12?



**The Alabama Legislature is moving forward with a FY27 Education Trust Fund (ETF) budget package marked by a historic milestone: Total ETF appropriations will surpass \$10 billion for the first time.** While that number is significant, it's essential for school board members and administrators to look beyond the surface. Under-

standing what is - and is not - captured in that total is critical to knowing how this record-setting budget truly affects local school systems. At the same time, lawmakers are advancing a FY26 ETF supplemental appropriation that directs only **about 35% of one-time funding** to K-12 schools, well below K-12's share (68%) of the ETF budget. This widening gap underscores an important point: **a historic \$10 billion ETF budget does not mean school boards are flush with cash.**

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**A \$10 billion ETF budget does not mean all \$10 billion is allocated for public K-12 education:**

- K-12 - \$7.1 billion (67.93%)**
- Higher Ed - \$2.7 billion (25.82%)**
- Other - \$655 million (6.25%)**

### Unpacking the 'Record Breaking Budget'

The largest cost drivers of the increase over the current FY26 budget are a proposed **2% pay raise for education employees** and the growing cost of the **Public Education Employees' Health Insurance Plan (PEEHIP)**. AASB strongly supports competitive compensation and robust benefits for education employees; however, local school boards should recognize these increases stem from factors largely beyond their control. PEEHIP costs continue to grow due to healthcare inflation, rising pharmaceutical costs and higher hospital claims — pressures that neither the Legislature, the State Department of Education (SDE), nor local school boards can manage directly. While both investments (pay raise and PEEHIP) are important and necessary,

[View House-passed ETF Spreadsheet](#)

### Let's Take a Closer Look

➤ **(H.238) FY27 ETF Budget - \$10.4 billion**  
K-12 and education-related state agencies are allocated a \$380 million increase over last year.



• K-12 Foundation Program: \$197 million (the majority of which is for PEEHIP and pay raise)

• Higher Education: \$148 million

➤ **(H.235) ETF Supplemental - \$419 million**

**Of which, only 35% is directly allocated to local school boards and SDE programs.**

• K-12 and local school boards: \$146 million

• Vendors and pass-throughs in K-12: \$31 million

• Higher education: \$147 million

• State agencies: \$93 million (including \$37.5 million for the new State House)

➤ **(H.236) Education Advancement & Technology (EAT) Fund Supplemental - \$1 billion**

**All school board appropriations were reduced 8.8% from the governor's recommended EAT to shift funding to legislative special projects and CTE grants.**

- Local school boards: \$570 million
- Career and Technical Education (CTE): \$150 million
- Legislative special projects: \$4.9 million
- Higher education: \$275 million
- **(H.237) Educational Opportunities Reserve Fund (EORF) - \$500 million**

**This transfer would put student-weighted funding under the RAISE Act at \$666 million for future years.**

- K-12 RAISE Act Fund: \$399 million
- Higher Education CHEER Act Fund: \$100 million

**Basic K-12 Functions Remain Underfunded**

While the Legislature is eyeing more than \$458 million in tax credits and exemptions this session, the foundational needs of public K-12 education still have never been fully funded. As a result, school systems routinely depend on local revenue - when available - to cover shortfalls in essential areas such as transportation, textbooks, staffing, school safety and technology. This leaves little flexibility for innovation when limited resources dictate most decisions.

**Consider transportation:** it is essential to public education and required for county school systems, yet state funding for school buses remains stuck at 1994 levels. Today, the state allocation covers only about 54% of the cost of a new bus. School Resource Officers (SROs), a critical component of school safety, receive no recurring ETF funding at all. Textbooks remain level-funded at \$100/per unit, which is far from the actual cost of many high school textbooks approaching \$400. With a new push by lawmakers to reduce classroom technology and screen-based instruction, systems will be forced to purchase additional instructional materials, which are already chronically underfunded by the state. The combination of new programs compounded by unfunded mandates is widening the gap between what the state funds and what it expects K-12 public schools to deliver.

**Dwindling Supplemental Revenues**

The FY26 ETF supplemental **(H.235 Garrett)** relies on one-time funding from surplus ETF revenues totaling \$419 million compared to last year’s \$524 million supplemental. Although supplemental budgets are a key opportunity to address long-standing needs in local schools such as infrastructure, deferred maintenance and technology upgrades, the majority of this year’s supplemental is allocated outside of K–12 education.

Of the total \$419 million in one-time funds, only 35% is directed to K–12, and that does not include allocations for vendors or pass-through line items for entities outside of public education. Of **\$146 million** designated for K–12, **\$25 million** goes directly to local school boards for fleet renewal, while **\$112 million** is appropriated to the SDE. Another **\$31 million** is designated for 24 vendors and pass-through entities.

**The amount appropriated to vendors in the ETF supplemental is more than the one-time \$25 million allocation for school safety and security.**

While local school systems continue to grapple with deferred maintenance, technology needs and other operational challenges, the EAT Supplemental **(H.236 Garrett)** represents the only state funding local school boards can use to address these unmet needs.

**Allowable uses for EAT funds include:**

- Repairs or deferred maintenance of facilities;
- Classroom instructional support;
- Insuring facilities;
- Transportation;
- Purchase of education technology and equipment;
- School security;
- Debt service, and
- Capital outlay.

**Looking Ahead at Projected Fund Balances**

Excess revenues are projected to continue declining. Next year’s EAT is estimated at \$611 million, down significantly from \$1 billion this year. The EORF balance is expected to be about \$736 million which lawmakers will use to continue funding the RAISE Act, CHEER Act and CHOOSE Act private school vouchers. Next year’s ETF supplemental will have about \$295 million in available one-time revenues, down from \$524 million this year. House and Senate ETF budget chairmen **briefed their committees on the fiscal outlook for next year**, detailing projected revenues and how excess funds are expected to be allocated. The chart below outlines anticipated reserve fund balances after transfers and proposed expenditures, illustrating how much would remain available for appropriation from the EAT, the EORF and the ETF supplemental.

Fiscal Year	EAT Supplemental	EORF	ETF Supplemental
2025	\$1.2 billion	\$1.2 billion	\$524 million
2026	\$1.1 billion	\$1 billion	\$419 million
2027	\$617 million	\$736 million	\$295 million

**YOUR OPINION MATTERS TO AASB!**

**What are your school system’s greatest unfunded or underfunded needs?**



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