

ALABAMA

Overall Market Rating: **Barriers Blocking Growth**

Alabama remains unsuitable for school or network growth at this time, due to limited funding for scholarships and limited student eligibility; however, a 2022 legislative change may increase available scholarship dollars. Participation in programs has declined steadily in the last few years, likely due to scholarship granting organizations' (SGOs) fundraising challenges—which forced them to stop accepting new scholarship applications for the 2020-21 school year. Until it becomes clear that fundraising challenges have been resolved and the cap increase on contributions improves available funding, growth will remain challenging.

Market Overview:

Alabama's Education Scholarship Program was created in 2013. The program, a tax-credit scholarship, allows taxpayers who donate to nonprofit SGOs to receive tax credits for their contributions. Alabama also provides a refundable tax credit to parents who transfer their children enrolled in or assigned to a "failing" public school to a "non-failing" public or private school.

The policy conditions that govern eligibility in Alabama are not ideal. Eligibility in both programs is tied to public school performance, which can be a barrier to predictable school planning. The structure for SGO funding of schools is also problematic, as SGOs are able to determine which schools they fund. There are multiple SGOs with different processes and timelines for allocating scholarships, which can undermine the predictability of enrollment and availability of funds, especially for schools without strong relationships.

Additionally, while there is no explicit accreditation requirement, schools must be approved by the Department of Revenue to accept public funds. This process is fairly straightforward but requires schools to employ state-certified teachers and comply with other requirements similar to public schools.

Near the end of the 2022 legislative session, the legislature passed and Governor Ivey signed an increase in the cap on individual and corporate tax credits from 50% to 100% of tax liability. This may increase giving and therefore the availability of scholarships.

Demographic Analysis:

ENROLLMENT FIGURES BY SECTOR

Alabama (2019-20)	
Total Public School Enrollment (Including Charter Schools)	734,559
K-12 Private School Enrollment	64,810
Charter School Enrollment	1,223

ELIGIBILITY BY PROGRAM (NUMBERS MAY BE DUPLICATIVE)

Program	% Eligible Students	Enrollment (2020-21)	Eligibility Requirements
Education Scholarship Program	35% percent of families with children are income-eligible statewide	2,980 scholarships awarded 126 schools participating	<ul style="list-style-type: none"> Families must qualify for the federal free and reduced-price lunch (FRL) program (\$51,338 for a family of four in 2022–23). Once a student receives a scholarship, the family’s income may not exceed 275% of the federal poverty level (\$76,313 for a family of four in 2022–23). Public and private school students assigned to failing schools receive first priority for scholarships. If SGO funds are unaccounted for on July 31, scholarships are available to eligible students in a public school, regardless of whether or not their assigned public school is considered failing. <p>**No more than 25% of first-time recipients may be enrolled in a private school the prior school year.</p>

Program	% Eligible Students	Enrollment (2020-21)	Eligibility Requirements
Parent-Refundable Tax Credit	5% of students are eligible statewide	53 participating students	<ul style="list-style-type: none"> Parents who transfer their children from failing public schools to non-failing public or accredited private schools. Parents with children who are starting school for the first time in Alabama and zoned to attend failing public schools.

Currently, the bottom 6% of schools in the state appear annually on the failing schools list, which equals roughly 75 public K–12 schools each year. SGOs are required to give at least 75% of scholarships to first-time recipients of scholarships who were not continuously enrolled in a private school during the previous year.

Funding:

Assessment: Maximum funding is workable, but average funding levels remain low.

EDUCATION SCHOLARSHIP PROGRAM

Maximum	Average	Program Cap	Disbursement
Scholarship amounts are determined by SGOs. Scholarships are capped at the lesser of the private school tuition and fees or: K-5: \$6,000 6-8: \$8,000 9-12: \$10,000	Average scholarship value: \$4,721 (2020-21)	\$30 million	Payments are made jointly payable to the student’s parents or guardians and the school upon receipt of an application for funds from the school to the SGO.

Trend: There is a \$30 million overall cap that is mandated by law and does not increase annually (the cap has not been reached in the past three years). Credits are awarded on a first-come, first-served basis.

Tax credits are worth a one-for-one match up to 100% of the donor’s state tax liability, up to \$100,000.

PARENT TAX CREDIT

Maximum	Average	Program Cap
The lesser of 80% of the average annual state cost of attendance for a K–12 public school student during the applicable tax year or the child’s actual cost of attending school	\$2,940 (2020-21)	None

Trend: The value of the credit is dependent upon state spending for K-12 students, and while it increases as state spending increases (or decreases), it is worth only a fraction of that overall spending.

Policy & Regulatory Environment:

Assessment: Regulatory environment is adequately flexible.

EDUCATION SCHOLARSHIP

Schools must be approved by the Alabama Department of Revenue. This process is fairly straightforward and does not include an accreditation requirement, but it does require schools to employ fully certified teachers and comply with other requirements similar to those for public schools.

PARENT-REFUNDABLE TAX CREDIT

There are no regulatory limits on schools related to the tax credit. However, student eligibility is limited to students who attended or were zoned to attend a failing school, and the credit can only be redeemed if the parent paid for tuition or fees at a non-failing school.

Human Capital:

Assessment: Underdeveloped and may limit growth.

There are no policy or regulatory limits on private school employment or personnel management. Private school teachers and administrators do not need to be licensed, and schools have full flexibility to manage their faculty and staff.

The biggest limitation in Alabama is likely the pipeline and the ability to recruit new staff. The state’s charter sector is tiny, and while there is a Teach for America presence in the state, it is not as well developed as in neighboring states like Louisiana and Florida. As a result, Alabama has not developed a talent pool of young educators looking for opportunities in schools of choice.

Local Champions & Climate:

Assessment: Local partner climate is underdeveloped.

Local advocates and the SGOs provide a backbone for schools operating in Alabama. They have proven effective at fending off some challenging legislation and regulation but have yet to expand the programs or make them more suitable to growth. There is not an organized or coordinated philanthropic effort to support new private school development, and, currently, city-based philanthropy in the major population centers is occupied with expanding the state's charter sector.

Facilities:

Assessment: Facilities strategy is underdeveloped.

There are no public provisions or resources for private school facilities in Alabama, and with minimal infrastructure to support school growth in either the charter or the private sector, there is little attention being paid to school facilities. Charter schools have the right of first refusal for surplus school buildings, but no such provision exists for private schools.