



Joint Legislative Study Commission on Modernizing K-12 School Education Funding Report

Alabama Legislature
February 13, 2025

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Executive Summary

The Joint Legislative Study Commission on Modernizing K-12 School Education Funding was established by the Alabama Legislature in 2024 to evaluate and recommend reforms to the state's current K-12 school funding formula. Recognizing the limitations of the existing Foundation Program — a resource-based model implemented in 1995 — the commission explored the development of a student-weighted funding (SWF) formula to better address the needs of Alabama's students.

Key Challenges Identified

1. **Under-Resourced System:** Alabama's funding has not kept pace with inflation or the increasing costs of education, resulting in insufficient resources for many students.
2. **Inefficiency:** The Foundation Program does not effectively target funding to address student needs. Additional funding is needed to better serve the needs of economically disadvantaged students, English learners, students with disabilities, and others.
3. **Inflexibility:** The current system is "one size fits all" and restricts local districts' ability to allocate funds based on student or community needs.

Commission Recommendations

We propose pursuing one of the pathways below:

- **Option 1: Do nothing for student needs and keep our current formula.**
- **Option 2: Establish a student-weighted formula to replace the Foundation Program.** A new formula would replace the Foundation Program and include a base amount and weights for student needs.
- **Option 3: If more time and study is needed, adopt a hybrid approach in the interim.** A hybrid formula could be developed by adding weights for student needs on top of the existing Foundation Program. A hybrid system would expand on the previous investments allocated by the Alabama Legislature for student needs through categorical funding, like the At-Risk grant program and English language grant program.
- **If Option 2 or 3, implement weights for student needs.** Weights for student needs should be targeted to address student poverty, special education, English learners, gifted students, and charter schools.
 - **Poverty:** Allocate additional funding based on Direct Certification metrics to take into account the additional educational needs associated with poverty.
 - **Special Education:** Introduce tiered weights to reflect varying service levels required by students with disabilities.
 - **English Learners (ELs):** Provide differentiated weights based on proficiency levels and support needs, with further adjustments for districts experiencing concentrations of English learners.
 - **Gifted Students:** Include weights to support advanced learning opportunities.
 - **Charter School:** Include weights for charter schools to make up for part of the gap in local funding.
- **With additional funding, accountability and transparency measures should be developed and connected to student growth.** The commission expects to observe improvement in student outcomes as a result of additional funds for student groups with greater needs. Additional levers to provide more accountability and transparency may include public reports and dashboards, audits, public hearings, and/or corrective action plans.

Conclusion

The commission concludes that adopting either a student-weighted funding formula or a hybrid funding formula will modernize Alabama's approach to education funding. These changes are critically needed to improve Alabama's education outcomes and better prepare Alabama's students for a successful future.

Commission Overview

Charge of the Commission

In the 2024 Regular Session, the Alabama Legislature enacted House Joint Resolution 215 (HJR215) and Senate Joint Resolution 61 (SJR61) establishing a joint legislative commission to evaluate and recommend potential next steps to implement a modernized approach to K-12 school funding.¹ The impetus for this commission was recognition of the limitations of Alabama's current Foundation Program, a resource-based funding model dating back to 1995.² The Foundation Program allocates funding based on anticipated costs for resources like salaries and classroom expenses but provides only minimal adjustments for individual student needs, such as disabilities, poverty, or English learner support.³

The commission's charge is to conduct a comprehensive study of a student-based funding model for Alabama, which would allocate funds based on the number of students and their specific needs.⁴ The goal of this policy change would be to more effectively and efficiently target funding based on the needs of Alabama students and to provide local school districts with the flexibility required to deploy resources in the best possible way to meet the specific and unique educational needs of the young people they serve. The commission's findings are to be presented to state leaders by February 1, 2025.⁵

Membership and Structure of the Commission

The Joint Legislative Study Commission on Modernizing K-12 School Education Funding includes members from the House Ways and Means Education Committee and the Senate Finance and Taxation Education Committee. The chairs of these committees serve as co-chairs of the commission. Administrative and logistical support for the commission's activities is provided by the Fiscal Division of the Legislative Services Agency (LSA), the Clerk of the House, and the Secretary of the Senate.

Staff from the A+ Education Partnership, Bellwether, Alabama Association of School Business Officials (AASBO), and Alabama State Department of Education (ALSDE) provided policy and data support for the work of the commission.

Overview of the Commission's Approach

To guide its work, the commission considered a series of critical questions that address not only the feasibility of transitioning to a new funding system but also the practical and policy considerations necessary to ensure its success. These questions reflect the commission's commitment to developing a modernized school funding formula that is transparent, fair, and responsive to local needs while maintaining fiscal responsibility and accountability.

The commission operated with a set of commitments that were reflective of its goals for any recommended policy change and that established baseline criteria for assessing policy options.

The commission explored several critical questions:

1. What challenges exist with Alabama's current funding formula?
2. How could a student-weighted formula help address these challenges?
3. Is it financially feasible for Alabama to switch to a new funding formula that meets our policy goals and commitments?
4. How could a new student-weighted funding formula for Alabama be structured?
5. What policy features can ensure transparency and accountability in a new funding formula?

The commission's commitments are that Alabama's approach to funding education must:

1. Ensure that per-pupil funding benefits every student.
2. Focus on meeting the specific needs of students.
3. Grant districts greater flexibility in fund allocation to address unique local priorities.
4. Protect local control of funds, ensuring that dollars raised by local districts remain within those districts.
5. Avoid imposing any new taxes to fund the transition or the new formula.

Commission Activities and Process

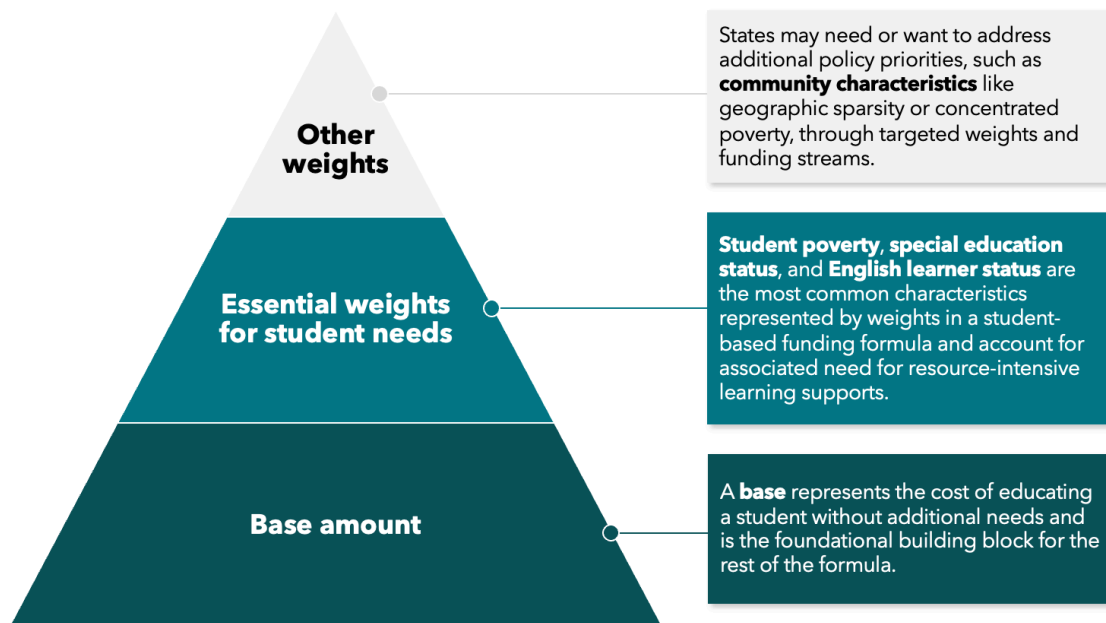
The Joint Legislative Study Commission on Modernizing K-12 School Education Funding has met regularly to review current funding structures, assess models used by other states, and hear presentations from education finance experts. The focus of these meetings has been understanding the benefits and challenges of a student-based funding approach, evaluating potential cost implications, and identifying necessary legislative changes to support the transition.

- May 21, 2024: Overview of the Foundation Program
- August 15, 2024: Assessment of how well Alabama's current school funding system is performing and what student-weighted funding (SWF) formulas are, how they work in other states, and how to approach designing a SWF for Alabama
- November 12, 2024: Revisiting the challenges under the current funding system and policy goals for a new system; ETF projections; initial modeling of SWF options for Alabama; and exploring accountability policies in other states
- December 9, 2024: Why Alabama needs a new school funding formula; basics of a SWF; whether Alabama can afford a new funding formula; and revised SWF modeling options for Alabama, including district-level comparisons
- January 23, 2025: Final meeting and adoption of recommendations to the Legislature

Working groups have been formed to dive into specific aspects of the funding model, including the base, special education, economically disadvantaged students, and the allocation of local funds.

educating a student without additional learning needs. They add weights to address individual student learning that requires more intensive support associated with select student characteristics, such as poverty, disability, or English learner status. Additionally, many states choose to include other weights that address specific policy priorities or community characteristics, such as rurality, cost of living, concentrated poverty, and support for charter schools.

Figure 2: Funding Formula Components



SWF formulas have several advantages over resource-based formulas that make them a top choice for many states:

1. **Responsiveness to student needs:** SWF formulas adjust naturally to changes in student demographics and needs, ensuring funding remains aligned with policy goals over time. This reduces the need for frequent legislative updates and keeps resources targeted where they are most needed. In contrast, resource-based formulas have less potential to direct funding toward students in need of additional supports.
2. **Efficient and fair resource distribution:** By prioritizing students with the greatest needs, SWF ensures funding is targeted where it can have the most impact. Resource-based formulas have fewer levers to target funding compared to SWF.
3. **Flexibility at the local level:** Compared to other models, SWF provides greater flexibility at the local level, allowing districts to make spending decisions that address their specific needs. This flexibility is less present in resource-based and program-based models, which are often constrained by assumptions about costs or program structures. Resource-based formulas often constrain local flexibility through highly prescriptive staffing and cost assumptions.
4. **Clear accountability:** SWF models make it relatively easy to track how funds are allocated to support specific student groups and policy priorities, ensuring a clear connection between funding decisions, student outcomes, and state priorities. Accountability is less straightforward in resource-based systems because they often have weaker connections between student needs and the allocation of funds.

Flexibility, Support in Transition, and Accountability

Student-weighted funding formulas typically provide districts with more budgetary flexibility than resource-based systems. Unlike resource-based funding systems that provide a “template” for local district budgets, SWF systems deliver state funds as a lump sum, enabling local leaders to make strategic spending decisions at the district level that can be tailored to local priorities. This flexibility empowers districts to innovate and respond to the specific needs of the students and families they serve but also necessitates robust support and accountability mechanisms to ensure funds are used effectively and lead to improved outcomes in alignment with state goals.

During the transition to a more flexible funding model, state leadership can play a critical role in building district capacity to optimize new flexibility and maximize effective use of state dollars. Providing technical assistance for superintendents, budget officers, and school boards can help districts rethink spending priorities and adopt new approaches to budgeting. This support might include guidance on adopting and implementing evidence-based practices, developing strategic spending plans to meet specific student needs, and using data analytics to evaluate the impact of funding decisions and inform decision-making at the local level. States can also support districts through professional development programs, workshops on innovative budgeting, and targeted coaching to address specific local challenges.

Publicly available online platforms built by states can complement these efforts by facilitating shared learning and showcasing best practices. These platforms can help schools identify peers achieving better results with similar or fewer resources and learn from their strategies. By highlighting effective spending approaches and evidence-based practices, such platforms encourage collaboration and provide districts with actionable insights to improve outcomes.

Accountability mechanisms are needed to ensure that new fiscal flexibility for local leaders translates into improved student outcomes. Greater transparency in how districts allocate funding to meet specific student needs establishes a baseline of accountability and fosters trust in the system. States that prioritize accountability in their funding systems often implement robust reporting mechanisms to show how funds are used for the benefit of students. Building on this foundation, states can implement incentive policies that link funding to meaningful outcomes — such as improved academic achievement, successful completion of rigorous career and college preparatory coursework, postsecondary enrollment and success, military enlistment, or job attainment. These policies encourage schools to prioritize student achievement and focus on long-term success while also creating a framework to assess the effectiveness of funding decisions.

Schools that succeed in improving outcomes for higher-need students — such as those from low-income backgrounds or those with disabilities — could earn additional rewards, motivating districts to close gaps and invest in resources that benefit students with the greatest needs. Such districts can also serve as resources for peer districts to share best practice through communities of practice or other peer learning structures. For schools with persistently poor performance, targeted interventions, already often a feature of state accountability systems — such as audits, public hearings, or corrective action plans — can help redirect resources toward more effective strategies that better serve students. Accountability policies could also include direct connections between fiscal accountability and states’ federally required accountability systems. Substantive changes to existing state accountability policies may require federal approval.

Understanding the Challenges: Alabama's Current Funding Landscape

Overview of the Foundation Program

History and Background

The original version of Alabama's school funding system was passed in 1935, then known as the Alabama Minimum Foundation Program. This formula provided state aid to schools to fund teacher units. State aid was determined by calculating the number of teacher units based on the number of enrolled students and subtracting a local funding amount, which was based on the local property tax revenue districts could generate at a minimum property tax rate.¹⁰ The current version of the Foundation Program was passed in 1995 in response to litigation,¹¹ creating the current system of personnel unit calculations, supplemental funding for additional education needs, and the 10 mill local property tax requirement.¹²

Summary of Key Elements

Alabama's Foundation Program provides funding to districts and charter schools by calculating funding in five categories:

- Teacher Units
- Instructional Support Units
- Other Current Expenses
- Classroom Instructional Support
- Student Growth

Each of these funding streams uses average daily membership (ADM), calculated using the average enrollment from the first 20 school days after Labor Day of the preceding school year, to calculate funding totals. ADM counts determine the number of funded teacher and instructional support units for each district and charter school through a system of divisors. Principals are the lone exception — the Foundation Program funds one principal unit per school building, regardless of ADM. No direct measures of student learning needs factor into these calculations, but unit totals are augmented to include a 5% special education adjustment weighted at 2.5 for all grades, as well as adjustments for career/technical education (CTE) in grades 7 through 12.¹³ However, there is no requirement that these additional units be used to support either special education or CTE services.

Once the total units are calculated, the Foundation Program funds each unit's salary according to the statewide salary matrix. Multipliers apply to the matrix-determined salary for some units, such as principals, assistant principals, and counselors. After salaries are calculated, the cost of benefits for each unit is calculated, including retirement, healthcare, and other fringe benefits.¹⁴

The remaining funding streams in the Foundation Program are calculated differently. The Other Current Expenses (OCE) category is based on the number of units calculated for a school system. Classroom instructional support items, such as textbooks, technology, and student materials, are calculated as per-unit or per-ADM costs. The Student Growth category is calculated by comparing the ADM from the last two years. Systems with year-over-year growth in ADM receive a Student Growth payment based on ADM growth multiplied by the state average Foundation Program total per pupil.¹⁵

Once a district's Foundation Program total has been calculated, their state funding is determined by subtracting their 10 mill local funding requirement from the calculated total. In FY25, on a statewide basis, this amounted to:

- Foundation Program Total Funding: \$5,437,570,501
- 10 Mill Local Funding: \$796,806,740
- Foundation Program State Funding: \$4,640,763,761

Outside of the Foundation Program, other FY25 categorical funding streams support specific services, including:¹⁶

- At-Risk: \$21,217,734
- School Nurses: \$89,556,877
- Technology Coordinators: \$22,724,474
- English Learners: \$18,500,000
- Gifted: \$12,350,000
- High-Needs Special Education Fund: \$17,400,000
- Transportation: \$385,850,573

Key Challenges in the Funding System

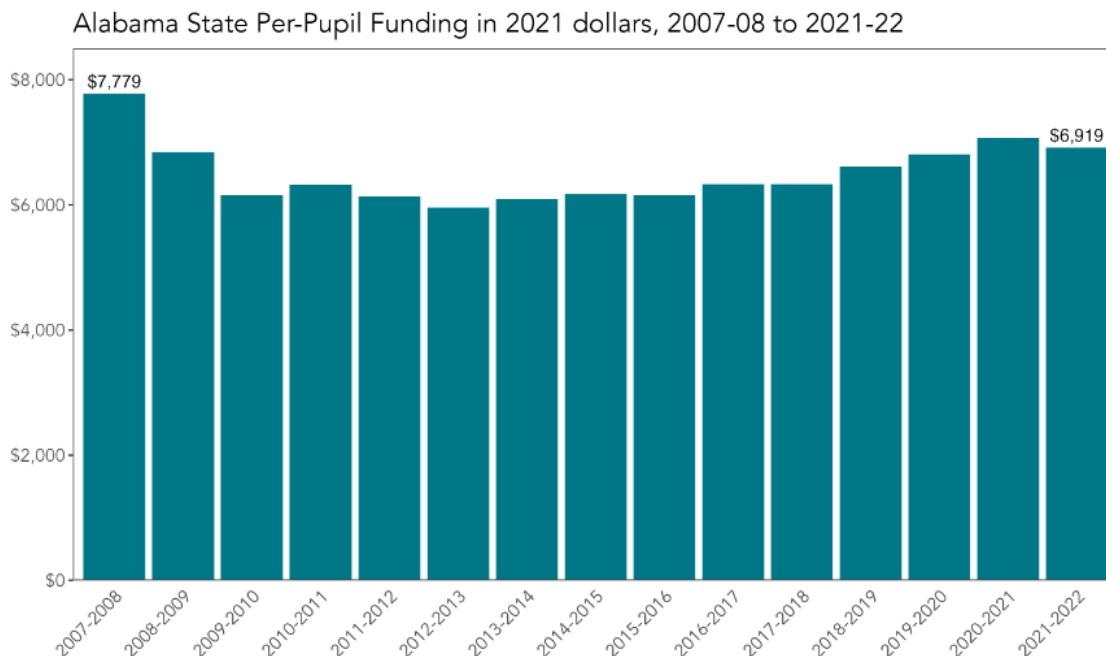
In reviewing Alabama's current K-12 funding system, the Foundation Program, the commission identified three key areas of challenge to address in any future reforms. These include:

1. **Under-Resourced:** Alabama's current approach to school funding lags behind most states; peer states have acted to address similar shortcomings.
2. **Inefficient:** Alabama's current funding system does not effectively target funding to meet student needs.
3. **Inflexible:** The current system is "one size fits all" and restricts local districts' ability to allocate funds based on student or community needs.

Under-Resourced

Alabama's K-12 funding has fluctuated over time. Although the Foundation Program was established to provide a stable base of funding for schools, funding has not consistently kept pace with rising costs. Data shows that Alabama's per-pupil funding in FY22 was **\$860 less** than FY08 after adjusting for inflation, reflecting a decline in the spending power of districts and charter schools despite nominal increases in funding.

Figure 3



All calculations have been adjusted for inflation using the Consumer Price Index and converted into constant 2021 U.S. dollars.

Even with the Legislature's commitment to K-12 education and the passage of record-breaking Education Trust Fund budgets over the past several years, school districts still need additional funding to keep pace with the rate of inflation. Ensuring that schools have the resources they need to serve their students is critical, and recent research shows that additional funding positively impacts student outcomes.

Recent research highlights the impact of additional funding for K-12 schools on student outcomes. A study by LaFortune et al. (2016) found that **after 10 years of funding increases, NAEP scores in low-income districts improved by 0.1 standard deviations — the equivalent of 72 additional days of learning.**¹⁷ The authors also found that **spending \$1,000 more per student in low-income districts closed roughly one-third to one-half of the test score gap between low-income and high-income districts.**¹⁸ Other research shows directionally similar results, illustrating the impact of additional funding on student test scores, graduation rates, and postsecondary and workforce outcomes.¹⁹

Inefficient

Due to its “one-size-fits-all” nature, Alabama’s current resource-based funding model does not provide sufficient or efficient funding to address student learning needs. **Only about 2% of the total per-pupil funding in the current funding system is specifically directed toward addressing unique student needs such as at-risk (low-income) students, English learners, and gifted students.** This minimal adjustment fails to address the substantial resource requirements for these groups. In a student-based funding model, weights for each category would ensure that funding aligns more directly with individual student needs.

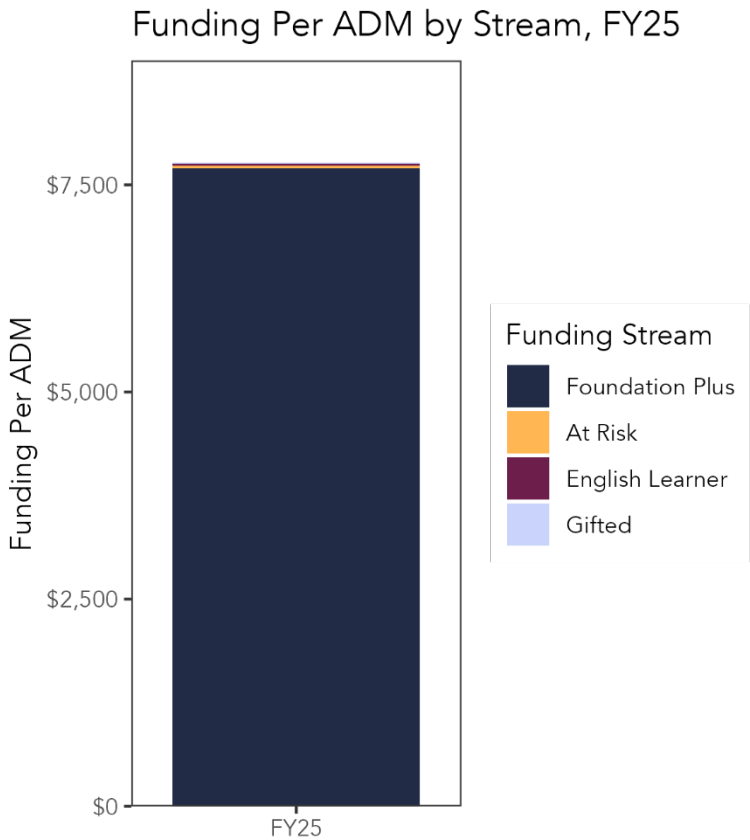
Economic Disadvantage

Alabama’s formula currently provides limited support for at-risk students, including those from economically disadvantaged backgrounds. Data from SY24 indicates that 62.6% of Alabama students qualify for Direct Certification programs. Research consistently shows that students from low-income families or those facing other risk factors require additional resources, such as academic interventions, after-school programs, counseling, and family support services, to overcome barriers to learning.²⁰ Alabama’s minimal per-pupil adjustment through At-Risk funding does not account for these needs, placing a greater burden on districts with high concentrations of student poverty. As a result, these districts often struggle to provide adequate support, leading to significant educational disparities compared to wealthier districts.

English Learners (ELs)

Approximately 6.2% of Alabama’s students are ELs, with some districts serving a student population with upward of 30%. ELs are a population that often requires specialized instructional services to thrive in school. The current categorical funding for EL services is insufficient given the growing proportion of ELs across Alabama districts. Effective EL programs require more substantial funding to cover costs like specialized training for teachers, individualized support services, and program offerings such as dual-language instruction.²¹ With minimal funding specifically for

Figure 2: Funding Formula Components



Foundation Plus funding includes the Foundation Program, School Nurses, and Technology Coordinator line items.

ELs, districts with large EL populations may be unable to provide the necessary language support, limiting these students' ability to achieve English language and overall academic proficiency.

Special Education

Alabama's Foundation Program includes an assumption that 5% of the student population requires special education services, with a weight of 2.5 applied to calculate additional, general units for schools. However, the actual percentage of students requiring special education services is closer to 14%, with some districts upward of 22%, and the range of services needed varies significantly. Special education students often require specialized instructional support, assistive technology, and specialized educational plans, all of which are resource intensive. The current 5% assumption and the lack of requirement for dedicated units to support special education can leave districts struggling to meet the legal requirements for individualized education programs (IEPs) and students with disabilities without the support they need to succeed academically.

There are some districts that serve special education students with more intense needs, like emotional disabilities or medical impairments, that require significantly more resources. Without the necessary funding, it has been challenging for districts serving these higher-need students to retain staff like special education teachers, nurses, and aides.

In addition to the units generated by the 5% special education assumption, Alabama has several line items that address the provision of special education services by local educational agencies (LEAs) that would otherwise "create a catastrophic fiscal impact on the LEA":²²

- Special Education Licensed Interpreters and Teachers of the Deaf/Hard of Hearing Fund
- Board-Certified Behavior Analyst Fund
- Special Education Catastrophic Fund
- High-Needs Special Education Fund
- Cameras in the Classroom Grant Program

Charter School Students

Some public schools in Alabama are operating as charter schools. Charter schools are public schools. Charter schools in Alabama receive significantly fewer dollars per pupil than their district peers, despite serving a higher proportion of economically disadvantaged students (72%) compared to district schools (56%). Like district schools, charter schools receive state and federal funding. Unlike district schools, charter schools receive no local funding, creating a disparity that leaves charters with, in some cases, over \$4,500 less per student. Due to this funding gap, charter schools struggle to secure affordable and adequate facilities without access to a tax base or low-cost borrowing options. Charter schools must rely on limited state funds or donor contributions for building costs, often facing higher borrowing costs due to not having access to a local tax base.

Gifted and Talented Students

Alabama provides a small allocation for gifted and talented programs, but this funding is minimal compared to the resources needed to develop these students' unique skills and abilities. Advanced students benefit from enrichment programs, accelerated coursework, and specialized instruction, which require additional funding to implement effectively.²³ With limited support for gifted education, many districts are unable to offer comprehensive programs, leading to missed opportunities for students with high potential.²⁴

Inflexible

The Foundation Program's structure restricts flexibility in local spending by tying funds to specific resource categories, such as staffing ratios and basic operational costs. This "one size fits all" approach makes it challenging for districts to adjust funding allocations based on local priorities or emerging needs, as funding must be used within pre-determined categories. For example, if a district has a growing population of English learners, it may be difficult to reallocate funds to expand language support programs. Similarly, districts may face constraints when trying to implement new initiatives tailored to local needs. This lack of flexibility limits the ability of districts to respond to changing demographics, new educational demands, or innovative program ideas.

Assessing the Opportunity: Financial Feasibility

Legislative Service Agency (LSA) long-term projections indicate that the state will be well-positioned to invest in a potential new formula for Alabama public schools. Allowed base appropriations are projected to grow by between \$381 million and \$458 million each year from fiscal years 2026 through 2030. Using a normal growth pattern for ETF revenues, overall available funds, and expenditures, the ETF ending fund balance is projected to still be \$452 million by fiscal year 2030.

Allowed ETF Base Appropriations, FY25 Through FY30

Fiscal Year	Allowed Spending Growth	Allowed Base Appropriations	Growth Over Prior Year (\$)	K-12 Portion Based on FY 2025 Splits*	Additional K-12 (\$)
2025	6.25%	\$9,348,506,169	\$549,912,128	\$6,362,647,327	\$373,435,340
2026	6.00%	\$9,909,416,539	\$560,910,370	\$6,744,348,896	\$381,701,569
2027	5.75%	\$10,479,207,990	\$569,791,451	\$7,132,148,958	\$387,800,062
2028	5.75%	\$11,081,762,449	\$602,554,459	\$7,542,247,523	\$410,098,565
2029	5.75%	\$11,718,963,790	\$637,201,341	\$7,975,926,755	\$433,679,233
2030	5.75%	\$12,392,804,208	\$673,840,418	\$8,434,542,544	\$458,615,788

*Represents 68.06% of total base appropriations.

Total Projected ETF Receipts and Expenditures, FY24 Through FY30

Fiscal Year	Projected Total Available ETF Funds*	Projected Total ETF Expenditures	Projected Ending ETF Balance
2024	\$13,179,546,054	\$11,316,853,158	\$1,862,692,896
2025	\$13,245,600,699	\$11,660,553,224	\$1,585,047,474
2026*	\$13,079,272,008	\$11,794,464,013	\$1,284,807,995
2027	\$13,170,830,387	\$12,064,015,985	\$1,106,814,403
2028	\$13,398,347,579	\$12,488,576,852	\$909,770,727
2029	\$13,621,007,564	\$12,928,734,517	\$692,273,047
2030	\$13,837,903,174	\$13,385,077,255	\$452,825,919

*Assumes resumption of normal growth pattern with beginning balances included. Also assumes 1% reduction in sales tax on food in FY 2026.

Exploring a Potential Student-Weighted Funding Formula

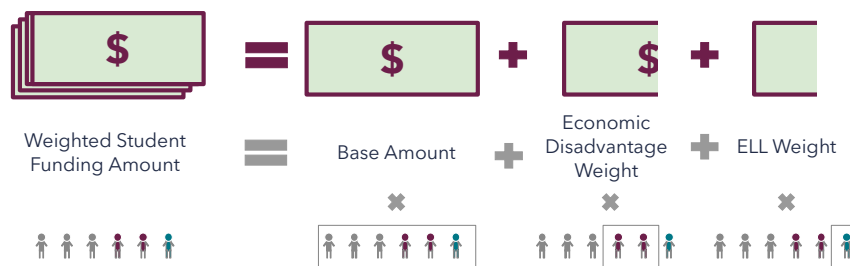
The commission has identified student-weighted funding (SWF) as a potential solution to better address student and community needs in Alabama. SWF models provide a more responsive and fair approach by allocating funding based on both the total number of students and the specific needs of individual students and districts.

SWF models typically share three core elements:

1. **Base amount:** The foundational level of funding guaranteed for every student to cover the cost of providing a basic education.
2. **Student-based weights:** Additional funding for students with specific needs, such as those from low-income families, English language learners (ELLs), and students with disabilities.
3. **Community-based weights:** Adjustments that account for district-level factors like sparsity, rurality, or concentrated poverty, which may increase the cost of education.

The amount of funding for a district in this system depends on 1) how many students are served overall and 2) the number of students served who qualify for additional weighted funding based on their individual needs.

Figure 5: How District Funding Is Calculated in an SWF Funding Model



Developing a Base Amount

The cornerstone of a student-weighted funding formula is the per-student base amount, which is the guaranteed minimum funding for every student. It typically represents the cost of adequately educating a student without additional educational needs.²⁵ States vary in their approach to setting a base amount:

- **Simple Uniform Base:** States assign a fixed per-student base funding amount, and every LEA receives the same starting amount per student. This is the most common approach. This approach is simple to update, easy to understand, and provides predictability, but it may not capture the nuance of needs and different cost pressures on districts.
- **Calculated Consistent Base:** States assign a single dollar amount that is the same for every LEA and is calculated based on a series of predetermined inputs and/or a detailed study. This is a more nuanced approach than a simple base, but it relies on accurate data and assumptions. There are additional administrative costs involved in updating the underlying data and assumptions — failure to do so could reduce funding effectiveness.
- **Variable Base:** States embed a formula within a larger student-weighted formula, creating different base amounts for individual LEAs depending on a series of inputs (e.g., grade level distribution, school/district size, cost of living). This approach allows more nuance by tailoring base amounts to different district needs but also introduces more complexity into the funding formula, potentially reducing transparency for local leaders and policymakers.

How States Set and Revise Their Base Amounts

States take different approaches when setting a base for the first time, transitioning from one funding system to another, or making substantial revisions to their funding system. Often, states derive a base, at least in part, from past spending; this can prioritize funding stability but does not ensure adequacy unless prior funding levels are already sufficient. Some states look to peer states for comparison, and others may commission cost studies to inform their choice of a base amount. In nearly all cases, the process of setting a base must also take into account budgetary constraints and conditions. To better understand how peer states determine their base, the commission reviewed case studies from several peer states. For more information, please refer to the Appendix.

Once states have a base, they may revise it in similar ways, with the legislature typically having the final say over budgetary allocations. To provide some guardrails against underfunding, some states mandate automatic adjustments to the base, such as cost of living or inflationary increases, or require periodic studies to inform the budgetary process every three to five years. For example, in Mississippi, recent legislation includes a provision to adjust their formula’s base amount based on changes in inflation, as well as a process to adjust the base every four years based on changes in instructional and operational costs.²⁶

Alabama’s Current Spending as a Starting Point

As Alabama considers whether transitioning to a student-weighted funding (SWF) system is in the best interest of the state, the commission looked at how existing funding streams could serve as a practical foundation for establishing a base amount.

Funding Source	2024-25 Amount	Combined Funding
Foundation Program (State and Local)	\$5,438 million	\$5.5 billion
School Nurses Program	\$90 million	
Technology Coordinator	\$23 million	

The funding streams above represent \$7,699 per pupil, which could be a starting point for a new formula. This would place Alabama competitively among its peer states, aligning closely with Tennessee and Mississippi while surpassing states like Georgia and Florida. Leveraging current funding levels can ensure continuity, minimize disruption, and provide a sustainable baseline while allowing Alabama to address student needs through weights.

Developing Weights

Student-weighted funding formulas allocate additional resources to students based on specific needs. The funding provided by SWF weights is dynamic — as the learning needs of students in the district change, so will the weighted funding they receive. For example, if a district’s ADM remains stable year-to-year but their English learner population is growing, the district would receive more weighted funding in response to those evolving needs.

The commission considered weights for the following student and district characteristics:

Student need

- Economic disadvantage
- Special education
- English language learners
- Gifted

District/community need

- Concentrated poverty
- Rural
- Charter

Weights for Student Needs

Weighting for Low-Income Students

Low-income students in Alabama, as in other states, face numerous barriers to academic success, resulting in persistent gaps in achievement and opportunity. While overall outcomes for low-income students have improved in recent years, these gaps have remained steady for at least two decades. Research shows that additional funding can play a crucial role in addressing these disparities, helping to close achievement gaps and support long-term success.²⁷

The additional funding needed in high-poverty districts is driven by costs such as retaining highly qualified educators; hiring specialized professionals like coaches, social workers, and tutors; updating instructional materials and curricula; and providing professional development aligned with evidence-based practices.²⁸ These interventions are most effective when combined and sustained throughout a student’s education, as no single solution can address the diverse needs of every low-income child or school community.

As of 2023, 44 states and the District of Columbia include weights or allocations for low-income students in their funding formulas, including most of Alabama’s peers in the Southeast.²⁹ As Alabama considers how it might support low-income students under a new funding formula, determining clear eligibility criteria will be a critical first step. The commission reviewed information about three common methods for determining eligibility, summarized below.

- **Free and Reduced-Price Lunch (FRPL):** Students qualify for funding if they are FRPL-eligible, with family income at or below 185% of the federal poverty level. In some states, students are only eligible with family income at or below 130% of the federal poverty level. This is the most widely used method.
- **Direct Certification:**³⁰ Students qualify for funding if their families participate in means-tested programs such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Medicaid. Students may also qualify if they are experiencing homelessness or are in foster care.
- **Self-Certified:**³¹ Students qualify for funding by self-certifying as low-income, by completing either a survey or questionnaire.

Each method may result in a different count of low-income students and lead to differences in weighted funding calculations.³² Alabama policymakers will need to carefully weigh the trade-offs of each method to identify the approach that best balances accuracy, administrative practicality, and transparency in determining eligibility for low-income funding.

Once poverty weight eligibility criteria are established, structuring the weight is the next critical step. States use various approaches to determine the additional funding allocated for low-income students:

- **Flat Weight:** Every district receives the same amount per economically disadvantaged student, calculated as a percentage of the base funding, regardless of the level of poverty in the district.
- **Tiered Weight:** A stepwise or linear increase in weights is assigned to economically disadvantaged students based on the level of concentrated poverty in a district. Districts are categorized into multiple tiers, such as lower- and higher-poverty, with each tier assigning a different weight to economically disadvantaged students.
- **Escalating Weight:** Each economically disadvantaged student generates a base amount that progressively increases as the level of district poverty rises beyond a certain threshold. (For more information, refer to the section on Weighting for Concentrated Poverty.)

Finally, determining the funding amount tied to these weights will ensure that resources are sufficient to meet the needs of low-income students and enable their success in school. There is no single “best practice” level of funding that would be correct for every low-income student in every Alabama community, and there is a great deal of variance nationally.³³

State	Low-Income Multiplier	Poverty Metric and Weighting Method
AL	No	FRPL and performance assessments
AR	7.6%-23.0%	Based on FRPL, with tiered weights varying by concentrated FRL
KY	15%	Based on free (not reduced-price) lunch
LA	22%	FRPL and Direct Certification
MS	30%-40%	Based on Direct Certification, with escalating weight for districts above 35% low-income threshold
TN	25%	FRPL and Direct Certification
TX	22.5%-27.5%	Based on FRPL and homeless students, with tiered weights varying by census block poverty where the student resides

Weighting for Special Education

Under both federal and state law, school districts must provide each student with a disability with a Free Appropriate Public Education (FAPE).³⁴ This mandate ensures that students with disabilities receive the tailored services they need to succeed, but the costs of these services — ranging from periodic speech therapy to intensive, one-on-one support — can vary widely. With federal IDEA funding covering only a fraction of these expenses, state funding decisions play a critical role in meeting these needs.³⁵

States employ a range of funding models to allocate resources for special education. These include single weights, tiered weights, census-based allocations, and high-cost grant programs. Each model offers distinct trade-offs in terms of administrative simplicity, precision, and the ability to meet the diverse needs of students with disabilities.

- **Single Student Weight:** Provides the same incremental funding for each student with a disability, regardless of type or severity. This approach offers predictability but does not account for differences in the costs of services.
- **Multiple (Tiered) Student Weights:** Allocates different funding levels based on disability type or services required. While this approach better reflects varying needs, it increases complexity for both policymakers and districts.
- **Resource-Based:** Allocates funding based on the cost of required resources, such as staff or materials. This model is tied to average costs for supporting students with disabilities but does not differentiate needs and may not capture all cost drivers.
- **Cost Reimbursement:** Reimburses districts for reported special education expenses, ensuring funding reflects actual costs. However, it requires districts to cover expenses up front and involves significant administrative effort.
- **Block Grant:** Provides special education allocations that are based on a fixed amount or, often, the previous year's allocation. This provides more flexibility to the district in how they can allocate funds but is not necessarily aligned with student needs.
- **Census-Based:** Bases funding on total district enrollment and an assumed percentage of students requiring services. This offers predictability but fails to account for variations in the actual number or needs of students with disabilities.

As Alabama evaluates its funding model, several factors may help inform its approach:

- **Aligning funding with student needs:** Tiered weighting systems, which assign progressively higher weights based on service intensity, could provide a more precise method for allocating resources. For example, Mississippi and Tennessee both use multiple tiers tied to the diagnoses and services in a student's Individualized Education Program (IEP).
- **Balancing simplicity and fairness:** While tiered weights offer greater alignment with costs, they also introduce complexity. Simplified approaches, such as a single weight, may be easier to administer but risk underfunding high-need students.
- **Addressing extraordinary costs:** In addition to formula weights, Alabama could maintain its High-Needs Special Education Fund grant program to support districts serving students whose needs exceed the funding provided by the highest weight. This program — similar to programs in other states across the country — provides a safety net, ensuring that students with the most intensive needs are adequately supported without overburdening district

budgets. Louisiana, for example, sets aside \$12 million annually for high-cost cases, while Mississippi uses its grant program to ensure districts can meet extraordinary costs without disproportionately burdening their budgets.

Alabama can also look to peer states to understand how they are approaching special education funding; tiered weights are a popular choice among the state’s peers and nationally.

State	Special Education Funding
AL	Hybrid: Census-based and high-cost services funding
AR	Per-pupil allocation for students in specialized classrooms
KY	3 tiers of weights based on disability category: low incidence, moderate incidence, and high incidence
LA	1 weight, with an additional “high cost” fund available
MS	3 tiers based on diagnosis
TN	10 tiers based on services in a student’s IEP
TX	13 tiers based on services in a student’s IEP

A well-designed funding system that considers these factors will help Alabama ensure all students with disabilities have the resources they need to succeed while providing districts with the financial stability to meet growing demands.

Weighting for English Language Learners

The commission identified English learners (ELs) as a critical student group to address in any future funding formula. ELs represent one of the fastest growing and most diverse populations in the state and face unique educational challenges. Additionally, districts across Alabama with higher concentrations of English learners need additional resources to serve these students effectively. These students must simultaneously acquire English proficiency and master grade-level academic content, which requires targeted instructional models, specialized teacher training, and linguistically responsive classroom resources. Research demonstrates that bilingualism and biliteracy are assets in life and in school; however, ELs are at high risk of academic struggles if they do not receive timely additional supports in order to attain English proficiency and fully participate in other academic subjects.²⁰

To determine which students are classified as ELs, making their district eligible for additional funding, states may use one or more of the following approaches:³⁶

- **Home language surveys** are widely used and typically completed by families during the enrollment process to identify the student’s primary language and the language spoken at home. This tool is often the first step in determining whether further assessment is necessary.
- **English Language Proficiency (ELP) assessments** measure students’ skills in listening, speaking, reading, and writing in English. These assessments, used in many states, help identify students who require additional language support.
- Some states also incorporate other methods, such as teacher observations, academic performance reviews, or home interviews, to develop a more comprehensive understanding of a student’s language needs.

Currently, in Alabama, ELs are identified through home language surveys and follow-up English Language Proficiency (ELP) assessments. These tools provide a foundation for determining eligibility but are not without challenges; under-identification remains a concern, often resulting from stigma, administrative inconsistencies, or insufficient outreach to families. Developing standardized and transparent criteria can help ensure that EL students are not overlooked.

Peer state examples offer valuable insights into how Alabama could structure a potential EL weight.

State	ELL Multiplier/Amount
AL	No: Categorical grant (\$16.5 million in FY25)
AR	Flat funding amount of \$359 per ELL student

KY	Single student weight: 9.6%
LA	Single student weight: 22%
MS	Single student weight: 15%
TN	3 tiers of weights depending on the level of EL service needed
TX	3 tiers of weights based on the student's English proficiency and if they are enrolled in a dual language immersion program

Determining the size and structure of an EL weight for Alabama requires balancing simplicity with precision. The needs of EL students — and the resources required to support them — vary significantly. For instance, newly arrived students with limited English skills or interrupted education may require intensive services such as small-group instruction and specialized support, compared to students nearing proficiency. Many states with SWF formulas, such as Kentucky, Louisiana, and Mississippi, use flat weights, which provide a uniform funding amount for each EL student and offer simplicity in administration. In contrast, states like Texas and Tennessee employ tiered weights to account for varying levels of need. Tiers are often based on factors such as level of English proficiency, time in the country, and age (older students having less time and more urgency to achieve proficiency). While tiered weights offer greater precision in reflecting the actual cost of services and supports, they introduce additional complexity to formula implementation. Additionally, Alabama could add a concentrated EL weight to provide additional resources to the districts with higher concentrations of ELs. Alabama will need to carefully consider these trade-offs to design a weight that supports EL students effectively while aligning with the state's policy priorities and administrative capacity.

In addition to determining the weight itself, Alabama may want to consider transitional funding for students who have recently exited EL status but still require some level of support. Tennessee offers a useful example in this regard. Under the Tennessee Investment in Student Achievement (TISA) formula, students who have recently exited EL status continue to generate 50% of the original EL weight for up to four years after they achieve English proficiency. This transitional funding ensures that districts can provide ongoing resources such as academic monitoring or additional tutoring to help students fully transition into general education settings. By gradually phasing out funding, Tennessee's model avoids the "funding cliff" that occurs when resources are abruptly withdrawn and ensures districts have the capacity to maintain their programs and continue to support students through the transition.

Weighting for Gifted Students

The commission examined how Alabama might support gifted and talented students in a future funding formula. Gifted education programs often require additional resources, such as specialized instructional materials, highly trained teachers, and enrichment opportunities, to meet the unique needs of these students. However, without thoughtful design, funding for gifted programs risks exacerbating disparities by disproportionately benefiting wealthier districts with more established programs and resources.

About half of states currently provide dedicated funding for gifted education, many through formula weights. Among six of Alabama's peer states, three include weights for students participating in gifted education programs, while others maintain categorical grant programs or assume these programs will be supported through base funding.

State	Gifted Weight
AL	Categorical grant; state appropriated \$12.35 million in FY25
AR	Categorical grant; state appropriated \$1.6 million in FY23-24
KY	Categorical grant; state appropriated \$9.9 million in FY23-24
LA	Single weight of 60%
MS	5% weight, assuming that approximately 5% of students in each district are gifted
TN	No
TX	Single weight of 7%

A key challenge in implementing gifted weights is disproportionate identification practices. Better-resourced schools often have more capacity to identify and serve gifted students, leading to disparities in participation. Data shows that students in wealthier schools are more likely to participate in gifted and talented programs compared to students in high-poverty schools.³⁷ Black and Hispanic students are also less likely to be represented in gifted and talented programs.³⁸ Addressing these disparities will require intentional policies, such as universal screening and the use of consistent criteria, to ensure that all students with advanced potential are recognized and supported.

Mississippi provides one example of how states can structure funding for gifted education to promote fair access to gifted funding. In 2024 with the passage of their new SWF formula, Mississippi adopted a 5% weight for gifted and talented programs, assuming that approximately 5% of students in each district are gifted. This approach acknowledges that giftedness is likely evenly distributed across all communities, regardless of district resources, and ensures that all districts receive some funding to support gifted programs. By taking a uniform approach to funding, Mississippi avoids over-relying on local identification practices that can create challenges.

Weights for District/Community Need

Weighting for Concentrated Poverty

High concentrations of poverty in a community compound the challenges faced by economically disadvantaged students. Research suggests that students in areas with concentrated poverty often experience lower overall achievement unless schools provide additional systemic supports.³⁹ Schools serving these communities may need to provide higher-intensity schoolwide and community-facing supports to address barriers such as access to high-quality staff, wraparound services, mental health programs, and professional development — all of which require additional funding.²⁹

Concentrated poverty is also linked to other challenges, such as poorer air and water quality and limited access to adequate facilities, which can negatively impact educational outcomes.⁴⁰ Addressing these challenges requires resources that go beyond a standard poverty weight.

Recognizing these needs, the Alabama commission explored how a weight for concentrated poverty could provide targeted funding to districts where poverty exceeds a defined threshold. Districts below the threshold would not receive this additional funding but would continue to benefit from low-income student weights. Districts above the threshold would receive extra resources for each eligible student, allowing for schoolwide interventions to mitigate the effects of poverty. In designing a potential new formula, Alabama could include a weight for concentrated poverty to direct resources to districts serving particularly high-need populations and contending with barriers to success.

Weighting for Rural Students

In Alabama, 69 out of 130 school districts are classified as rural, serving more than 40% of the state's students.⁴¹ Recognizing the unique challenges these districts face, the Commission expressed strong interest in incorporating a rural weight into a future funding formula. Rural schools often struggle to provide equitable opportunities due to systemic barriers that limit access to advanced coursework, extracurricular activities, and high-quality educators.

One of the key challenges facing rural districts is the difficulty of achieving economies of scale. Research shows that districts with fewer than 100 students may be twice as expensive to operate as districts with over 2,000 students and may be 50% more expensive than districts with 100 to 300 students.⁴² This is largely because fixed costs like administration and facilities are spread across fewer students. Transportation costs also pose a significant burden, with rural schools needing to serve sparsely populated areas over large geographic regions. Additionally, rural districts often face difficulties in recruiting and retaining teachers, particularly in high-demand subjects like STEM and special education, due to limited housing options, fewer amenities, and lower salary competitiveness. These barriers make it more difficult for students in rural districts to access a high-quality education.

Alabama could adopt a rural weight by combining factors like district enrollment, population density, and geographic isolation to define rural districts. This multifactor definition would allow the state to account for the unique needs of its communities and ensure that additional funding is distributed based on need.

Weighting for Students Attending Charter Schools

Some public schools in Alabama are operating as charter schools. Charter schools in Alabama have a very different revenue capacity than traditional districts and face significant challenges in growth and funding despite serving a higher proportion of economically disadvantaged students (72%) compared to district schools (56%). Under the current Foundation Program, charter schools receive their fully calculated amount from the state since they are not able to access or levy local revenue for the program's 10 mill match requirement. However, many charter schools in Alabama operate in communities that can — and do — raise more than the 10 mill minimum for their local school districts. Unlike district schools, charter schools receive no local funding, creating a disparity that leaves charters with, in some cases, over \$4,500 less per student. Due to this funding gap, charter schools face significant challenges in securing adequate facilities without access to a tax base or low-cost borrowing options. Charter schools must rely on limited state funds or donor contributions for building costs, often facing higher borrowing costs due to not having access to a local tax base.

An additional weight for charter school students would help provide a more level funding landscape, ensuring that the choice of a family to enroll their child in a public charter school does not lead to a significant drop in the amount of funding that supports their child's education.

Transparency and Accountability

Strong transparency and accountability policies are crucial for ensuring that an SWF model leads to meaningful improvements for students. These policies require districts to clearly demonstrate how resources are being used to benefit students and ensure that spending aligns with state and local priorities. Transparency provides the foundation for accountability by allowing stakeholders to connect funding intended to support specific student groups, such as students with disabilities and English learners, with outcomes for those students and assess whether these resources are effectively supporting the stated goals. Accountability policies leverage that transparency by linking resource use to measurable outcomes and holding districts responsible for improving student achievement. Together, they ensure that the flexibility of an SWF model is paired with a clear focus on achieving results.

States use a variety of accountability mechanisms to ensure districts are using funds effectively to improve student outcomes. The following chart outlines several mechanisms that range from less formal accountability structures, like transparency, to more formal, such as linkage with the state's accountability system, required under the federal Every Student Succeeds Act (ESSA, 2015). Each of these options can complement funding reform in distinct ways, but they also introduce challenges and considerations that Alabama will need to weigh.

Accountability Mechanism	How This Mechanism Could Complement Funding Reform	Key Considerations
Transparency	<ul style="list-style-type: none">Clarify what funding is intended to support specific student needsRequire districts to report how they are using weighted funding to support particular needs in alignment with district and state strategic priorities	<ul style="list-style-type: none">Requires engagement to apply pressure and drive change
Outcomes-based flexibility	<ul style="list-style-type: none">As districts demonstrate student growth, they can earn additional flexibility; stagnant or declining performance could lead to greater state oversight/intervention	<ul style="list-style-type: none">Criteria for earned flexibility need to be clearly established and communicated before implementation

Audits and hearings	<ul style="list-style-type: none"> • Empower policymakers to examine whether new funds are being spent in alignment with goals and provide public transparency into how local spending and outcomes align 	<ul style="list-style-type: none"> • State Departments of Education should provide technical assistance, resources, and training to LEAs to support strategic budgeting of new funding • New reporting requirements and systems may be needed
State ESSA accountability system	<ul style="list-style-type: none"> • Funding reform could be formally linked to mechanisms used in the state’s accountability system 	<ul style="list-style-type: none"> • Revising state ESSA plans can be technically and politically complex • Likely requires federal approval

To understand how these mechanisms can play out in practice, the commission reviewed examples of some states taking unique approaches to transparency and accountability:

- **Colorado** provides one example of transparency with its public [K-12 Financial Transparency website](#). This site publishes detailed revenue and expenditure information for each school and district throughout the state, allowing stakeholders to track how funds are being allocated and spent.
- **Tennessee** pairs its significant new investments in education funding with transparency via their state school report card website⁴³ along with a system of financial accountability hearings. Beginning in the 2025-26 school year, the State Board of Education will hold hearings with districts operating low-performing schools. These hearings will be supported by data from existing improvement plans and other resources, focusing on how districts are using funds in key areas linked to improved student outcomes such as staffing, instructional programming, and community engagement. By directly tying funding to performance and requiring evidence of progress, Tennessee’s approach helps ensure that funding aligns with goals for student outcomes and encourages districts to make data-driven decisions to improve academic results.
- **Maryland’s** new Blueprint funding system combines increased state funding with other policy changes and new, independent support and accountability structures. The Accountability and Implementation Board (AIB) is responsible for developing the 10-year implementation plan for the Blueprint and holding state and local education agencies accountable. Expert review teams regularly review district and school performance, recommend strategies for improvement, and report their findings to the AIB. Starting in 2025, the AIB can withhold up to 25% of new state funds from districts with continued underperformance, ensuring that funding is tied to measurable progress.

In designing transparency and accountability policies for a potential new funding formula, Alabama could draw on these examples to create a system that balances rigor with practicality and establishes a clear link between funding and outcomes. If a SWF model is implemented, it will be essential for Alabama to allocate resources strategically, hold districts accountable for outcomes, and foster public trust; this could be achieved through a thoughtful combination of transparency policies, performance-based incentives, and oversight — tailored to the Alabama context.

Recommendations of the Commission

- Alabama’s students and schools deserve a funding system that can provide more resources to meet their needs more efficiently than the current Foundation Program. Higher and better-targeted funding for school systems should also bring more flexibility to do what’s right for students, paired with transparency and accountability to ensure funding is invested wisely. As the Legislature considers next steps, this commission proposes pursuing one of the following pathways below:
 - **Option 1: Do nothing for student needs and keep our current formula.**
 - **Option 2: Establishing a student-weighted formula to replace the current Foundation Program.**
 - A new formula must ensure that every district and charter school receives more per-pupil funding than they are currently receiving.
 - No changes should be made that would affect how districts use their locally generated funding.
 - A new formula should set a base amount of at least \$7,770 — the equivalent of the per-pupil funding in FY25 for the Foundation Program, Technology Coordinator, and School Nurses line items. Legislation should establish a process that can be used to assess key metrics to adjust the base for salaries, inflation, and other key economic indicators.
 - During the phase-in, teacher raises should be supported by raising the base amount.
 - **Option 3: If more time and study are needed, develop a hybrid formula in the interim.**

Recognizing the complexity of establishing a completely new student-weighted formula, more time and study may be needed. In the interim, a hybrid approach would serve Alabama’s students well.

 - A hybrid formula could add weights for student needs on top of the existing Foundation Program, expanding on the investments previously allocated for student needs through categorical funding, like At-Risk and the English learner grant program.
 - This additional funding is based on research that confirms that students with greater needs are more likely to succeed academically if they have additional resources to meet their needs.
 - Building a hybrid-weight program on top of the Foundation Program would accomplish the immediate goal of greater investment in student needs while reducing the complexity of moving to a whole new formula.
 - The weights could be established in a similar manner to a student-weighted formula, using a per-pupil state average of the Foundation Program as the base.
 - **If Option 2 and 3, implement weights for student needs.** Weights for student needs should be targeted to address student poverty, special education, English learners, gifted students, and charter schools.
 - The weight for poverty should be based on Direct Certification (or a similarly reliable metric) to take into account the additional educational needs associated with poverty.
 - Weights for special education should take a tiered approach to ensure that disability designations that require greater levels of educational services receive greater weighted funding.
 - Weights for English learners should be differentiated based on proficiency levels and support needs, with further adjustments for districts experiencing concentrations of English learners.
 - Weighting for charter school students should be based the number of students enrolled to make up for part of the gap in local funding.

- Weighting for gifted students should be included with the assumption that a specified percentage of students in each district are gifted.
- **The phase-in for a new formula (full or hybrid) should be as short as state finances allow — ideally 5 years or less.**
 - During a phase-in, technical assistance should be provided to district leaders and financial officers to support an effective transition.
- **With the additional funding, accountability and transparency measures should be developed and connected to student growth.** The commission expects to observe improvement in student outcomes as a result of additional funds for student groups with greater needs. Additional levers to provide more accountability and transparency may include public reports and dashboards, audits, public hearings, and/or corrective action plans.

Appendix

Peer States' Approaches to Setting a Base Amount

State	Approach
Tennessee	Tennessee established its base amount as part of the transition to the Tennessee Investment in Student Achievement (TISA) formula in 2022 using a two-step process. First, state leaders conducted peer comparisons with southeastern states and similarly sized states to ensure the base remained competitive. Second, Tennessee analyzed its prior funding system, the Basic Education Program (BEP), to incorporate existing funding streams and address challenges in the old model. Key programs, such as coordinated school health and school safety, were folded into the base amount, while funding for unique learning needs and specific programs was shifted into weights or direct allocations. This resulted in a starting base amount of \$6,860 per student, which was funded through a \$1 billion budget surplus driven by strong economic growth and revenue collections. To maintain responsiveness, Tennessee also implemented annual adjustments to the base amount.
Mississippi	Mississippi adopted its Mississippi Student Funding Formula (MSFF) in 2024, replacing its outdated resource-based formula. The initial base amount of \$6,695.34 was set based on operational cost factors, including statewide averages for teacher salaries, administrative costs, ancillary personnel, and maintenance expenses. Thus, Mississippi requires recalculations every four years to reflect updated operational costs, ensuring the base amount remains accurate. Additionally, the formula includes annual inflationary adjustments, calculated using the 20-year Consumer Price Index (CPI) average, and guarantees that the base amount will never decrease year-over-year. This approach provides both stability and responsiveness, ensuring districts can rely on consistent funding.
Florida	Florida has had a SWF system in its Florida Education Finance Program (FEFP) since 1973. The state determines its base amount annually through the legislative process. For FY24-25, the base was set at \$5,330.98, a modest increase from the prior year. Unlike Tennessee and Mississippi, Florida does not use a formal calculation or cost analysis to update the base amount. Instead, the base is typically determined after other funding priorities and program allocations are made, meaning it is often influenced by available state resources rather than actual costs. While this approach provides flexibility to adjust the base as needed to ensure fiscal responsibility, it lacks transparency and predictability, which can create challenges for long-term planning and adequacy of funding.

- ¹ Legislature to Study Modernizing K-12 Education School Funding, Act #2024-128, SJR61, Sen. (A.L. 2024), <https://arc-sos.state.al.us/ucp/L1534374.A11.pdf>; Legislature to Study Modernizing K-12 Education School Funding, HJR215, H.R. (A.L. 2024), <https://legiscan.com/AL/text/HJR215/2024>.
- ² Kirk Fulford, “K-12 Education Funding Overview,” Alabama Legislature, updated May 21, 2024, <https://alison.legislature.state.al.us/files/pdf/lisa/Fiscal/Presentations/K-12-Education-Funding.pdf>; “Alabama School Funding 101,” A+ Education Partnership, updated 2022, <https://policy.aplusala.org/wp-content/uploads/2022/01/School-Funding-1-pager.pdf>.
- ³ Fulford, “K-12 Education Funding Overview.”
- ⁴ Fulford, “K-12 Education Funding Overview”; Ralph Chapoco, “Lawmakers Consider New Alabama School Funding Model,” *Alabama Reflector*, May 22, 2024, <https://alabamareflector.com/2024/05/22/lawmakers-consider-new-alabama-school-funding-model/>.
- ⁵ Fulford, “K-12 Education Funding Overview.”
- ⁶ Note: For simplicity and brevity, we use the term “states” throughout this document to refer to all U.S. states and territories, including the District of Columbia and Puerto Rico, unless otherwise stated.
- ⁷ Note: When referring to “districts” throughout this document, we typically mean all local education agencies (LEAs), including charter school LEAs where applicable, unless otherwise stated. States vary in their funding rules for charter schools and whether charter LEAs receive state aid via the same formula as traditional school districts.
- ⁸ Indira Dammu et al., “How Are State Education Funding Formulas Structured?” Bellwether, updated October 2023, https://bellwether.org/wp-content/uploads/2023/10/SplittingtheBill_3_Bellwether_October2023.pdf.
- ⁹ For more on transportation funding, see Sophie Zamarripa et al., “How Do States Fund School Transportation?” Bellwether, updated March 2024, https://bellwether.org/wp-content/uploads/2024/03/SplittingtheBill_14_Bellwether_March2024.pdf.
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- ¹¹ Fulford, “K-12 Education Funding Overview.”
- ¹² Harvey, *School Finance*.
- ¹³ Alabama State Department of Education, *A Guide to State Allocation Calculations 2023-2024* (Alabama State Department of Education, 2023), https://www.alabamaachievers.org/wp-content/uploads/2023/10/LEAFIS_2023103_State-Guide-to-Allocations-2023-24_V1.0.pdf.
- ¹⁴ Alabama State Department of Education, *A Guide to State Allocation Calculations*.
- ¹⁵ Alabama State Department of Education, *A Guide to State Allocation Calculations*.
- ¹⁶ “FY2025 State Totals,” Alabama State Department of Education, updated June 2024, https://www.alabamaachievers.org/wp-content/uploads/2024/06/RD_FR_20240611_FY-2025-State-Allocation_V1.0.pdf; “ETF Budget - ALSDE Request Worksheet - FY 2026 Pending Enactment,” Alabama State Department of Education, updated September 2024, <https://aplusala.org/wp-content/uploads/2024/09/2026-FY26-Budget-Request-Dept-and-LEA.pdf>.
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³² Note: When referring to “districts” throughout this document, we typically mean all LEAs, including charter school LEAs where applicable, unless otherwise stated. States vary in their funding rules for charter schools and whether charter LEAs receive state aid via the same formula as traditional school districts.

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