



Student Weighted Formula: What could a new Alabama funding formula look like?

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Introducing Ourselves



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About Our State School Finance Initiative

Education finance **sets the foundation** for what is possible in every school in the country. Aligning education finance with student needs is essential to leveling the playing field for students and communities with varying educational and resource needs.

Bellwether's work in state education finance aims to improve the status quo, state by state, through:

- **Analyses** that shape the public conversation on education finance and help advocates and policymakers understand and improve finance policies in their states.
- **Trainings** that equip state advocates with policy knowledge and data modeling skills to unlock the potential for policy reforms.
- **Capacity-building** support, policy advising, and technical modeling assistance in states on the precipice of enacting change.

Objective for today:

Understand how a student-weighted formula could be designed for Alabama.

Top Four Takeaways:

- Alabama's Foundation Program is less generous compared to peer states, hasn't kept pace with inflation, and does not sufficiently address student needs.
- Higher investment in education translates to better student outcomes.
- Student-weighted funding formulas address adequacy, student needs, accountability, and transparency more effectively than other formula types.
- Examples from other southern states can inform the design of a student weighted formula for Alabama

In our work, we assess school funding formulas according to four principles:

ADEQUACY

- Is there enough funding in the system to enable schools to meet the state's educational mandate?
- Does the policy fulfill and protect the state's constitutional responsibilities to oversee an education system that can serve every child?

STUDENT NEED

- Does the policy allocate greater resources toward students with greater educational needs?
- Does it factor in local funding capacity in ways that enable the efficient use of limited state dollars to target the greatest needs?

RESPONSIBILITY

- Does the policy make clear the locus of decision-making for funding and budgeting, and split local and state responsibilities appropriately?

TRANSPARENCY

- Are policies clear and understandable on how funding is calculated and distributed? Are formulas only as complex as they need to be?
- Does reporting of revenue and expenditures create a feedback loop between student needs and state funding?

State school funding formulas determine how funds are allocated from states to districts and charters

Across the country, state school funding formulas fall primarily into three broad categories. Most states use a predominantly student-weighted model, and recent reform efforts continue to move in this direction.

Category	Definition
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Student-weighted	School districts receive funding based on the number of students, usually with weights or supplements based on anticipated student learning needs.
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Most states use a student-weighted formula

Resource-based	School districts receive funding based on the anticipated cost of resources and inputs, such as staff salaries and instructional materials.
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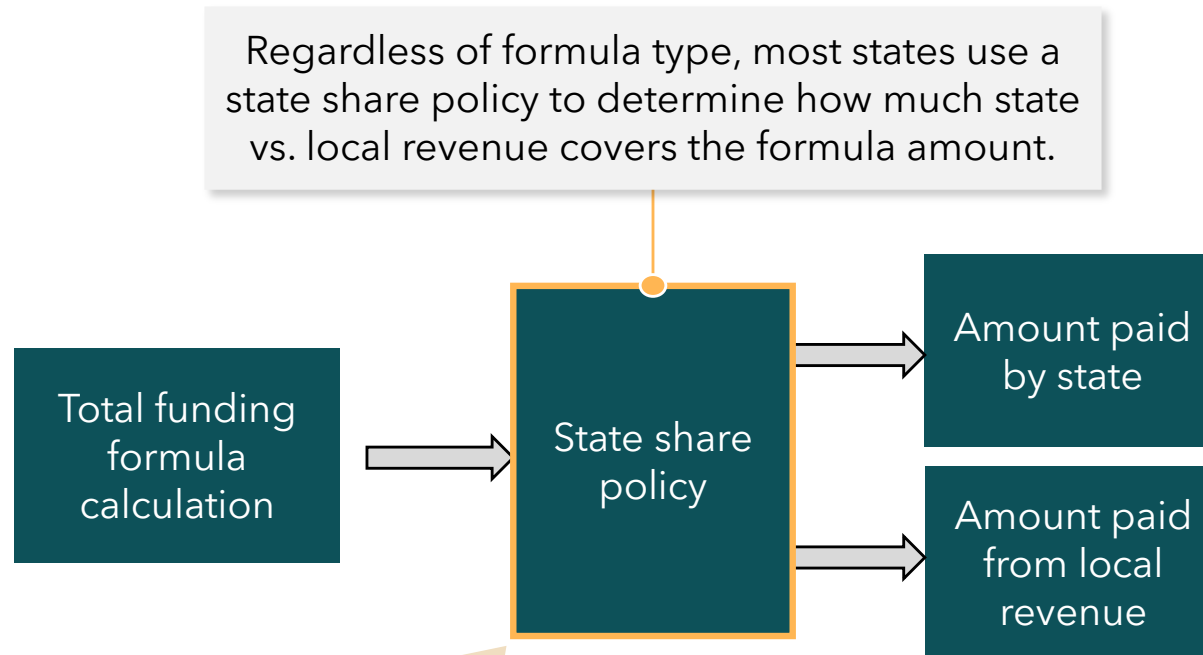
AL currently has a resource-based formula

Program-based	This system allocates dollars to school districts based on the cost of educational programs within those districts.
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Every funding formula type has tradeoffs, but student-based formulas are best-aligned with all four principles

Principle	Student-weighted	Resource-based	Program-based
Adequacy	Straightforward mechanisms to adjust funding to match student needs	High potential to ensure funding matches costs Depends on costs mapping to needs	Lower potential to ensure funding matches costs or needs Programs have to map both to costs to deliver and to needs
Student Need	Highest potential to target funding to students in need of additional resources/supports	Lower potential to target funding to students in need of additional resources/supports	Lowest potential to target funding to need at the student level
Responsibility	Most opportunity for flexibility in spending decisions Clearest throughline for accountability	Flexibility can be hampered by cost assumptions or spending limitations	Least flexible for local decision-making
Transparency	Requires clear reporting structures/requirements Clearest connection to student needs	Often intuitive from a financial planning POV, but can be disconnected from student needs	Often simplest to understand Revenues and expenditures likely to track, but potentially not with need or outcomes

In addition to how much funding districts receive, state formulas often determine who pays what



Alabama's current state share policy subtracts the equivalent of 10 mills* of a district's tax revenue from their total formula calculation to determine the amount paid by the state.

Districts are required to contribute at least 10 mills worth of revenue to their schools; most contribute more

* Property tax rates are commonly referred to in terms of "mills." The value of 1 mill is the value of taxing \$1 for every \$1,000 in assessed property value.

How well is Alabama's
current school funding
system performing?

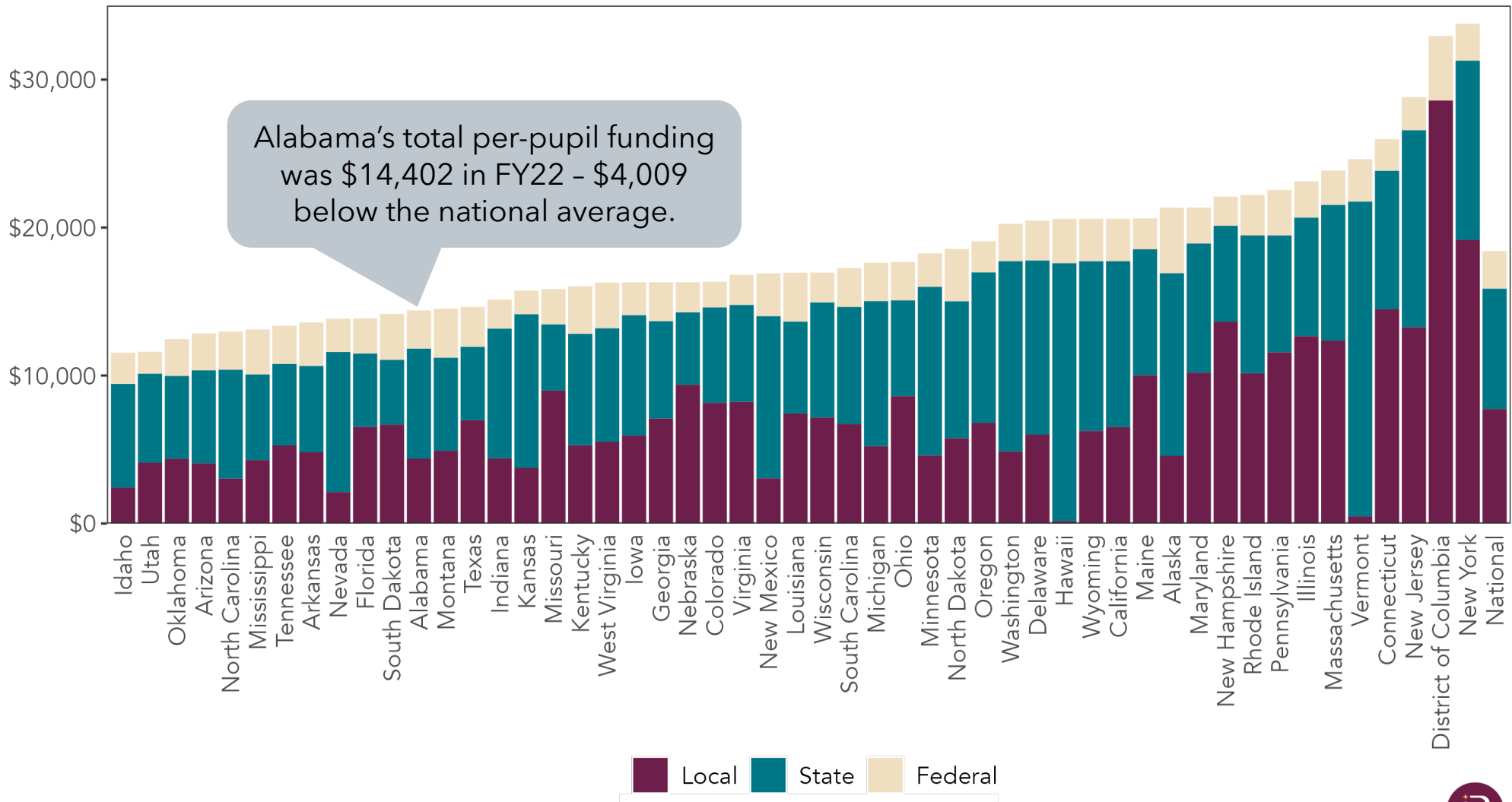


Alabama faces challenges in each of the four principles we consider when assessing state school finance policy

Principle	Evaluating Alabama's current system across each principle
Adequacy	<ul style="list-style-type: none">• Inflation adjusted per-pupil revenues have decreased over time, leaving schools with less buying power for resources and labor• Alabama ranks 39th in the country for per-pupil funding
Student Need	<ul style="list-style-type: none">• Minimal additional funding for students with disabilities• No correlation between rates of student poverty and additional state aid• English Learner funding isn't tied to individual student need
Responsibility	<ul style="list-style-type: none">• The current school finance system is complex and requires significant legislative tinkering to adjust with few clear levers for policymakers to address changing needs• Only a small fraction of local revenue is accounted for in state policy
Transparency	<ul style="list-style-type: none">• Foundation Reports includes revenues, but how those revenues (e.g. at-risk) are calculated is not clear to local districts and the public• No clear mechanisms of accountability for state policymakers to address funding inequities

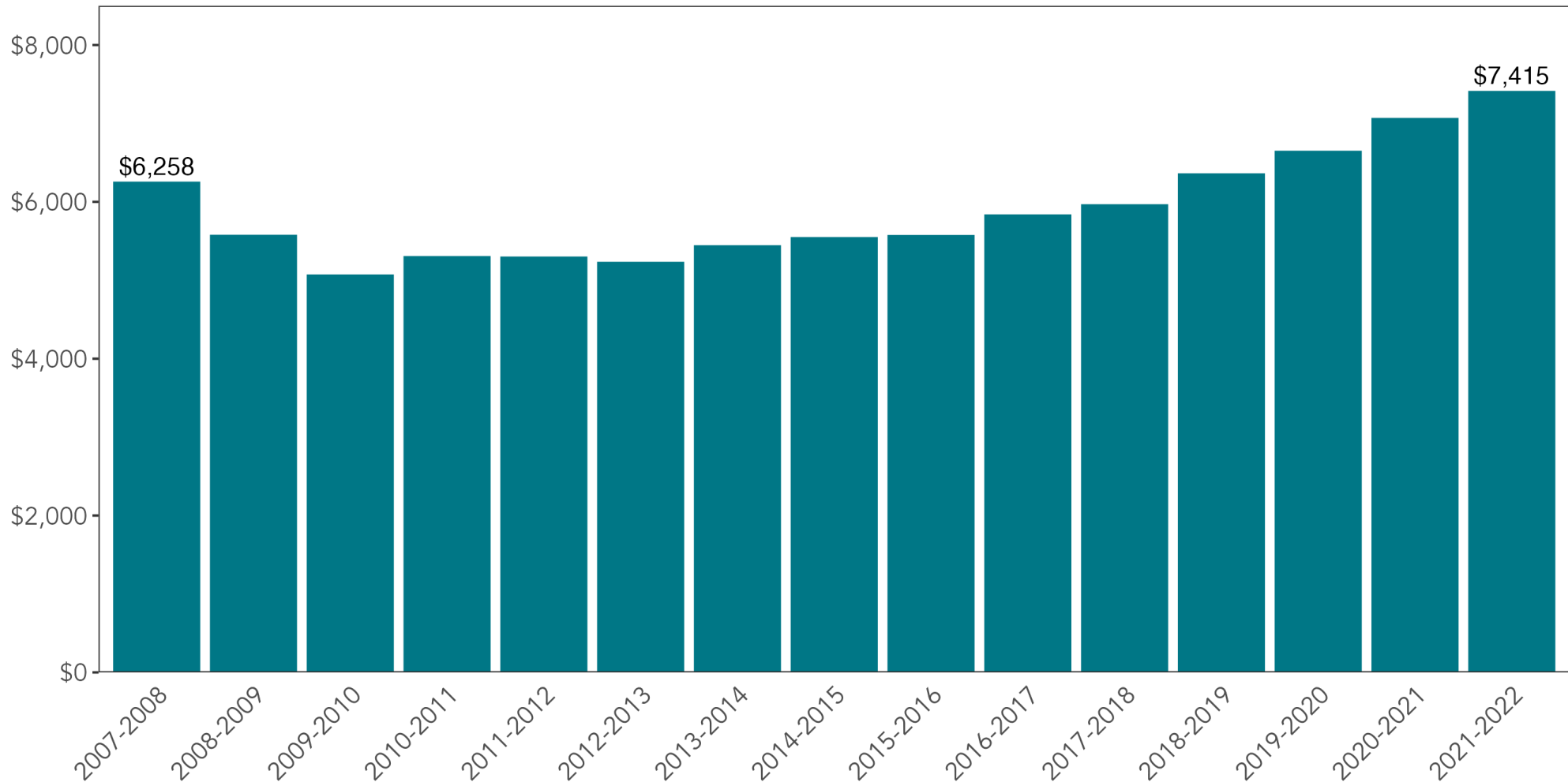
Alabama ranks 41st nationally in total (state, local, and federal) funding & is below national per-pupil funding

Total Per-Pupil Funding by State, FY 2022



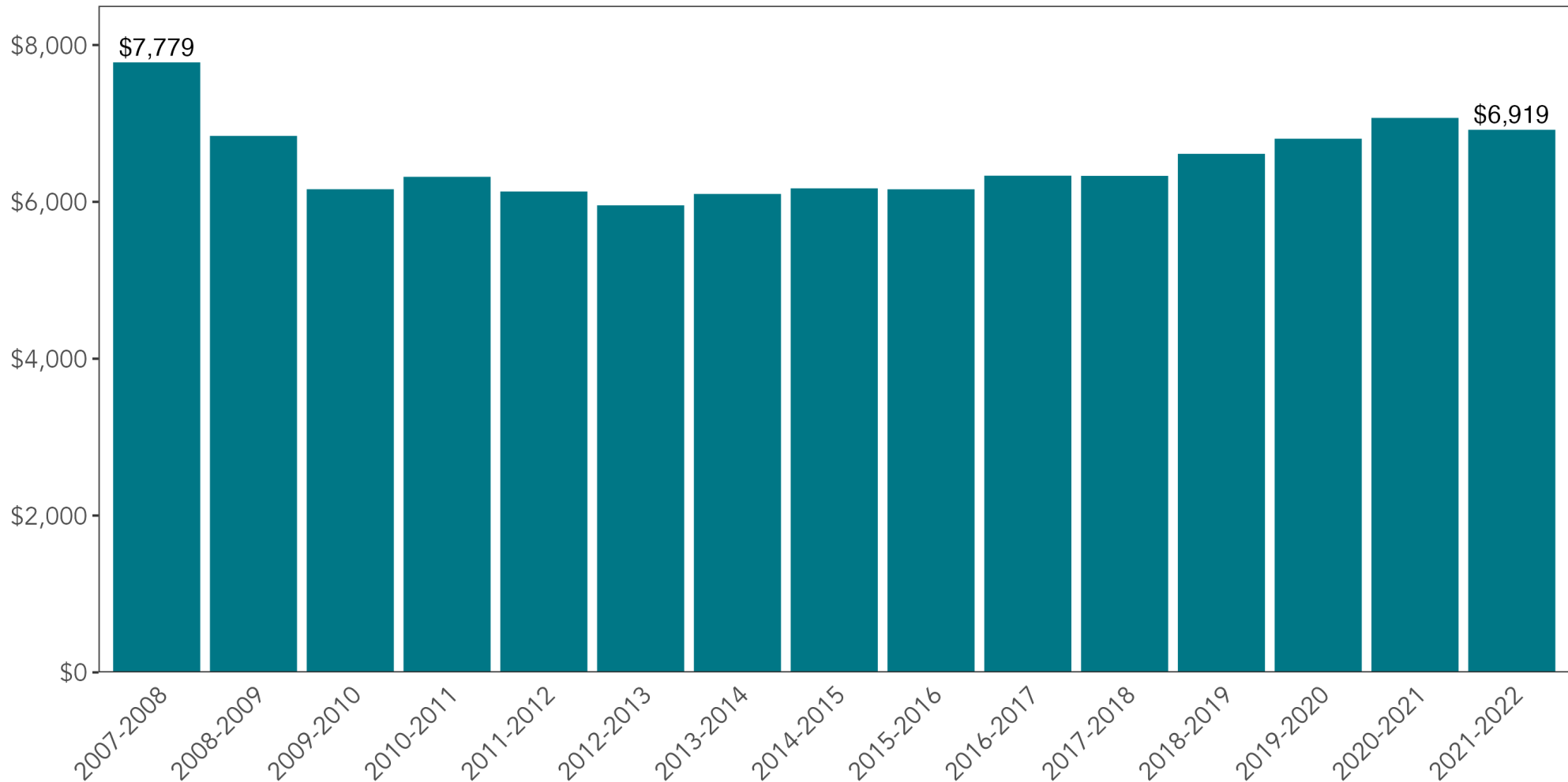
In raw dollars, state funding in Alabama increased by more than \$1,100 per pupil from 2007-08 to 2020-22...

Alabama State Per-Pupil Funding, 2007-08 to 2021-22



...But after adjusting for inflation, Alabama's state per-pupil funding decreased by \$860 from 2007-08 to 2020-22

Alabama State Per-Pupil Funding in 2021 dollars, 2007-08 to 2021-22



Alabama's current formula only provides a very small adjustment (2.5%) for student learning needs

The funding streams highlighted in tan represent **\$7,283 per-pupil**. The additional funding streams for student learning needs highlighted in purple are equivalent to approximately 2.5% of that amount – just **\$183 per-pupil**.

Funding Source	2023-24 Amount	Combined funding
Foundation Program (State and Local)	\$5,203 million	\$5.3 billion
School Nurses Program	\$65.6 million	
Technology Coordinator	\$20.9 million	
At Risk	\$22.5 million	\$133.2 million (2.5% of funding in tan rows)
English Language Learners Program	\$16.2 million	
High Needs Special Education Grant Program	\$17.4 million	
Gifted and Talented	\$10.4 million	
Career Tech	\$36.1 million	
Dual Enrollment	\$30.6 million	

Alabama's current funding formula does not create a clear feedback loop between funding and outcomes

- **Resource-based formulas like Alabama's center funding conversations on a one-size-fits-all approach that prioritizes inputs**
 - Resource-based funding systems outline a specific mix of personnel and salaries that districts use as a template to construct their budgets
 - This approach carries an implicit assumption that there is one approach to for personnel and other resources that works in every district
- **This approach limits flexibility for local district leaders to respond to the specific needs of their students and school communities**
 - Resource-based formulas encourage, and sometimes require, districts to align local budgets with the state formula, inhibiting local leaders from matching strategic investments to learning needs
 - SWF's focus on learning needs centers spending decisions at the local level - closest to the students
- **Student needs and student outcomes are disconnected from spending decisions in resource-based systems,**
 - The input-focus and complexity of resource-based formulas makes it difficult for district leaders or policymakers to connect funding to student outcomes

Money matters! Targeting funding to students with higher needs results in better academic outcomes

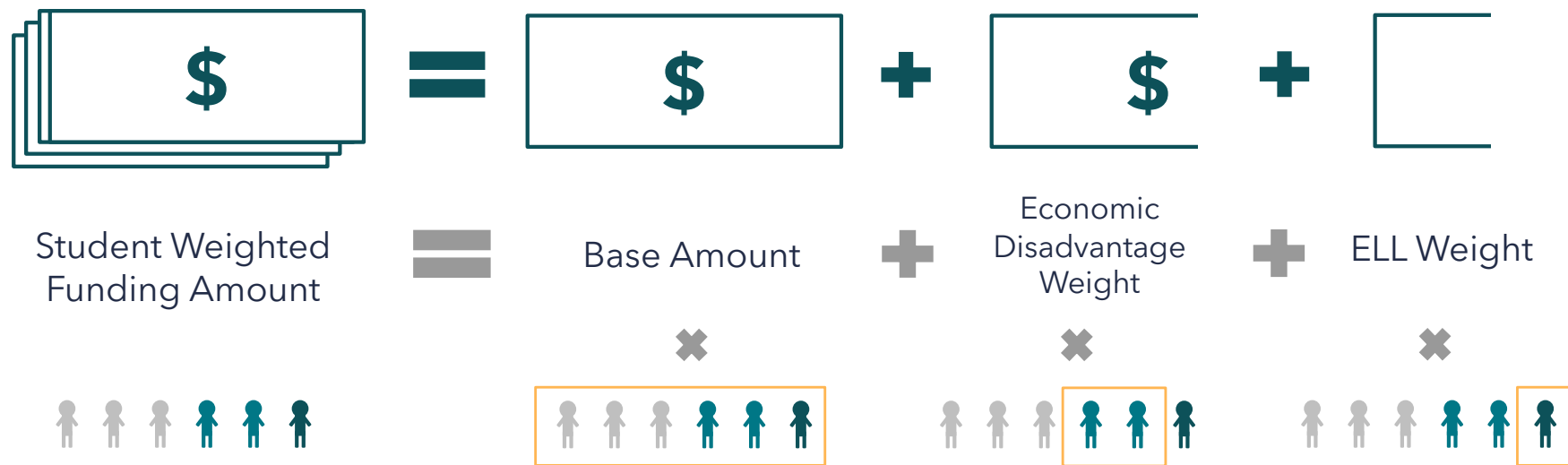
Recent research suggests that increasing district resources is associated with improved student outcomes, including **significantly improved test scores, graduation rates, and college-going rates** – particularly for economically disadvantaged students.

- Increasing school spending by \$1,000 per student increased graduation rates by 1.9 percentage points and college-going rates by 2.7 percentage points.
- Raising state funding for low-income districts translates to higher rates of educational attainment in high school and beyond, especially for Black students, and higher earnings in adulthood.
- Effects of school finance reforms on student achievement in lower-income districts accumulates for at least a decade after the reform and can help close achievement gaps between lower-income and middle-income districts

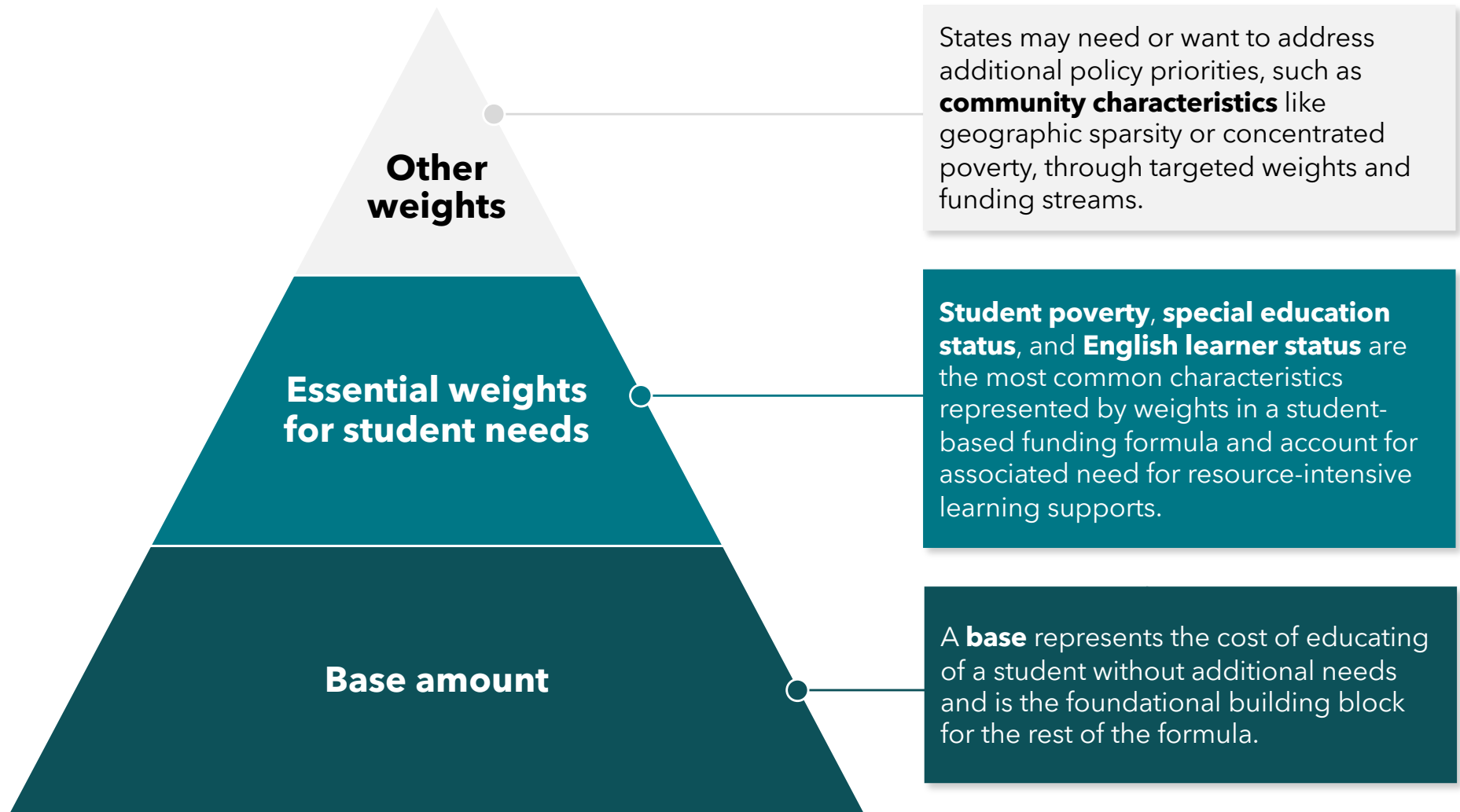
How do student
weighted formulas work?
What do they look like in
other states?



Student weighted funding formulas allocate additional funding for students with greater needs



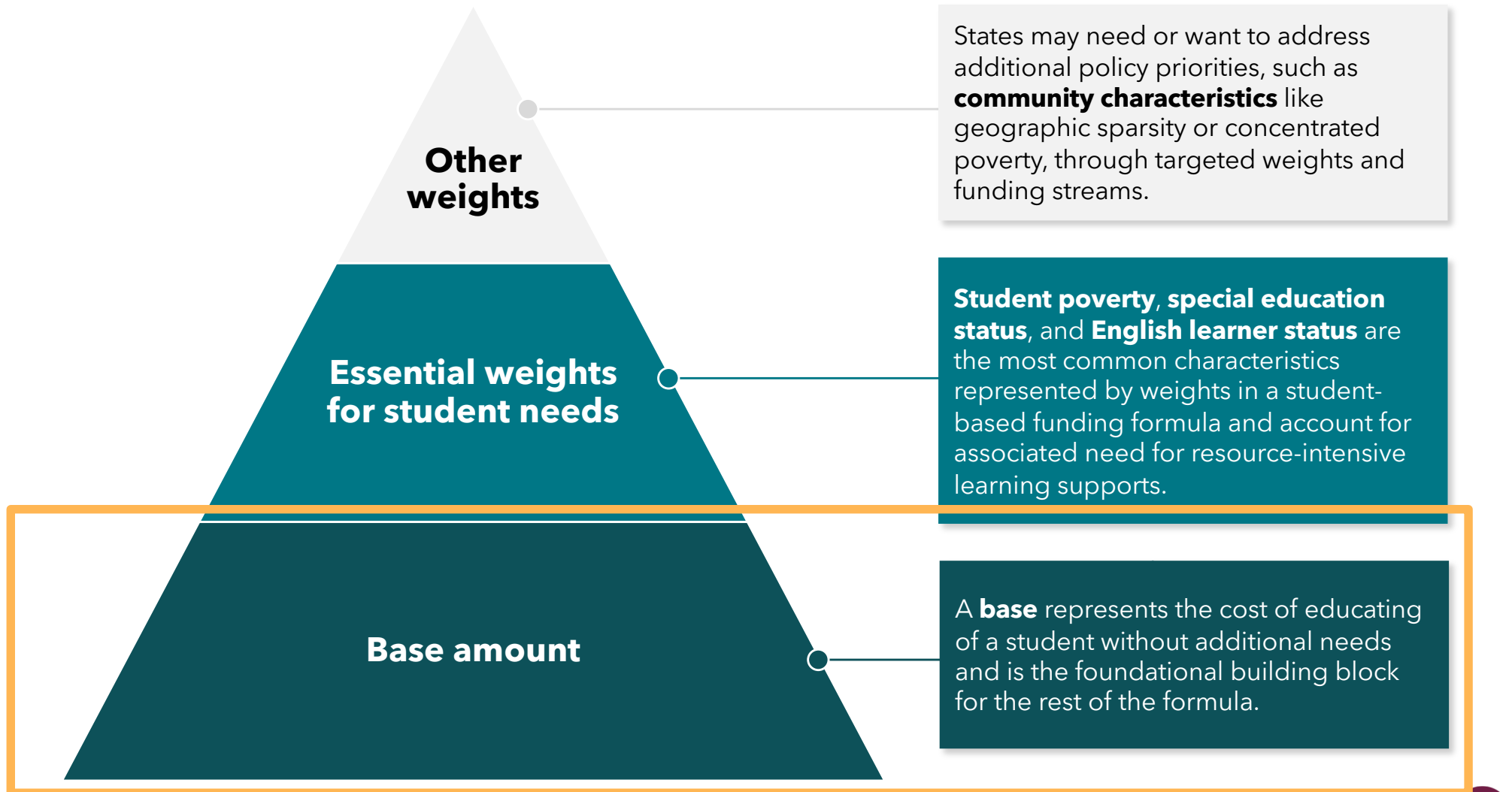
Building a student weighted funding formula requires making several key decisions...



Formula design: Setting a base for a new student weighted funding formula



Building a student weighted formula should start with a base amount that balances adequacy and practicality



There are different ways to arrive at a base amount for a student weighted funding formula

Approach

How the base amount is calculated

Simple uniform base

A single dollar amount that is the same for every district/ charter is set in statute or in the budget at legislative discretion

The most transparent and easier for policymakers to update over time

Calculated consistent base

A single dollar amount that is the same for every district/ charter is calculated based on a series of pre-determined inputs and/or a detailed study

The most similar to AL's Foundation Program

Variable base

This approach embeds a formula within a larger student weighted formula, creating different base amounts for districts/ charters depending on a series of inputs

Current funding streams could provide a starting point for determining a base in a new funding formula

Funding Source	2023-24 Amount	Combined funding
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The funding streams above represent **\$7,283 per-pupil**.



Conversations about setting a base amount in a new funding formula could use **\$7,283 per-pupil** as a starting point.

Peer State Base Amounts

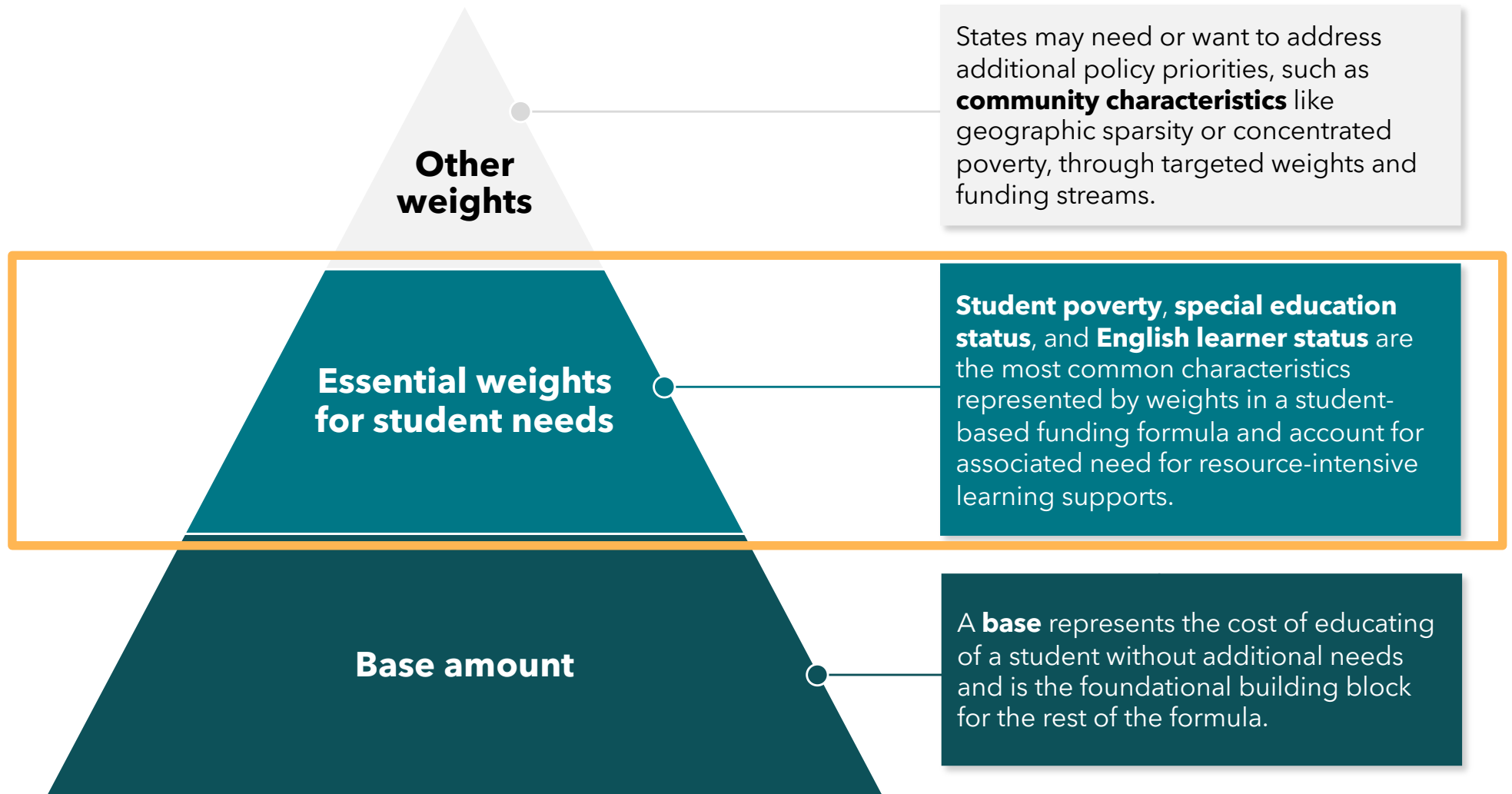
MS Base Amount: \$6,695

TN Base Amount: \$7,075 (FY25 proposed)

Formula design: adding weights to address student needs



After determining a starting point for the base amount, weights for student needs should be considered



Current funding streams highlight the need for more substantial weights in a new funding formula

The funding streams highlighted in tan represent **\$7,283 per-pupil**. The additional funding streams for student learning needs highlighted in purple are equivalent to approximately 2.5% of that amount – just **\$183 per-pupil**.

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Commonly-seen weights or funding categories in a student-based state funding formula

- **Student characteristics**

- Student poverty
- Special education
- Dual/English language learners
- Grade level
- Gifted

These are the most essential weights to include in a student-based funding formula.

- **District or school characteristics**

- Rurality adjustment
- Cost of living
- Concentrated poverty
- Charter schools

Concentrated poverty should be considered when designing a student-based poverty weight.

- **Programmatic or other costs**

- CTE
- Transportation
- Facilities

Note: It is common for states with predominantly student-based formulas to have some community-based or programmatic funding streams, which are may still be based on enrollment.

How might the state create a weight to address the learning needs associated with higher poverty rates?

A weight for student poverty is a key feature of most student weighted formulas

- **Direct student weight for student poverty**

- Many states use a weight – typically a percentage of the base amount defined in statute – to drive additional funding to support the needs of students from lower-income backgrounds
- Free and Reduced Price Lunch (FRPL) is the most common mechanism used to identify LEA poverty rates; direct certification programs (SNAP, TANF, etc.) and Census poverty estimates are used by some states to supplement or replace the use of FRPL

In states with pockets of deep poverty, an additional weight for concentrated poverty is appropriate

- **Weighting for concentrated poverty**

- Research shows that students living in areas with highly-concentrated poverty have higher levels of educational need than students in other communities
- Accordingly, some states provide an additional weight for students in LEAs with the highest levels of poverty

Alabama has the 6th highest child poverty rate in the country, according to the U.S. Census.

Poverty weights: Examples from Other States

State	Student Poverty Multiplier	Poverty Metric and Weighting Method
AL	At-Risk funding, but no weight	Appropriated funding (\$22.5m in FY24) divided among FRPL students, students falling below grade level on assessments, and students at-risk for dropping out
AR	7.6% - 23%	Based on FRPL, with tiered weights varying by concentrated FRPL.
KY	15%	Based on Free (not reduced) lunch
LA	22%	FRPL and Direct Cert
MS	30% - 40%	Based on direct certification, with escalating weight for districts above 35% low income threshold
TN	25%	FRPL and Direct Cert
TX	22.5% - 27.5%	Based on FRPL and homeless students, with tiered weights varying by census block poverty where the student resides.

Special education needs vary across districts; funding to support those needs should reflect that variation

States can not rely on federal funds to meet special education mandates

Special education services have specific legal requirements that are not fully supported by federal funding

- Students eligible for special education require additional services to provide them with a legally-mandated free and appropriate public education in the least restrictive environment.
- Achieving this goal with quality is not fully funded by federal special education funds (IDEA).

A tiered system of weights can better align state dollars with the unique needs of special education students

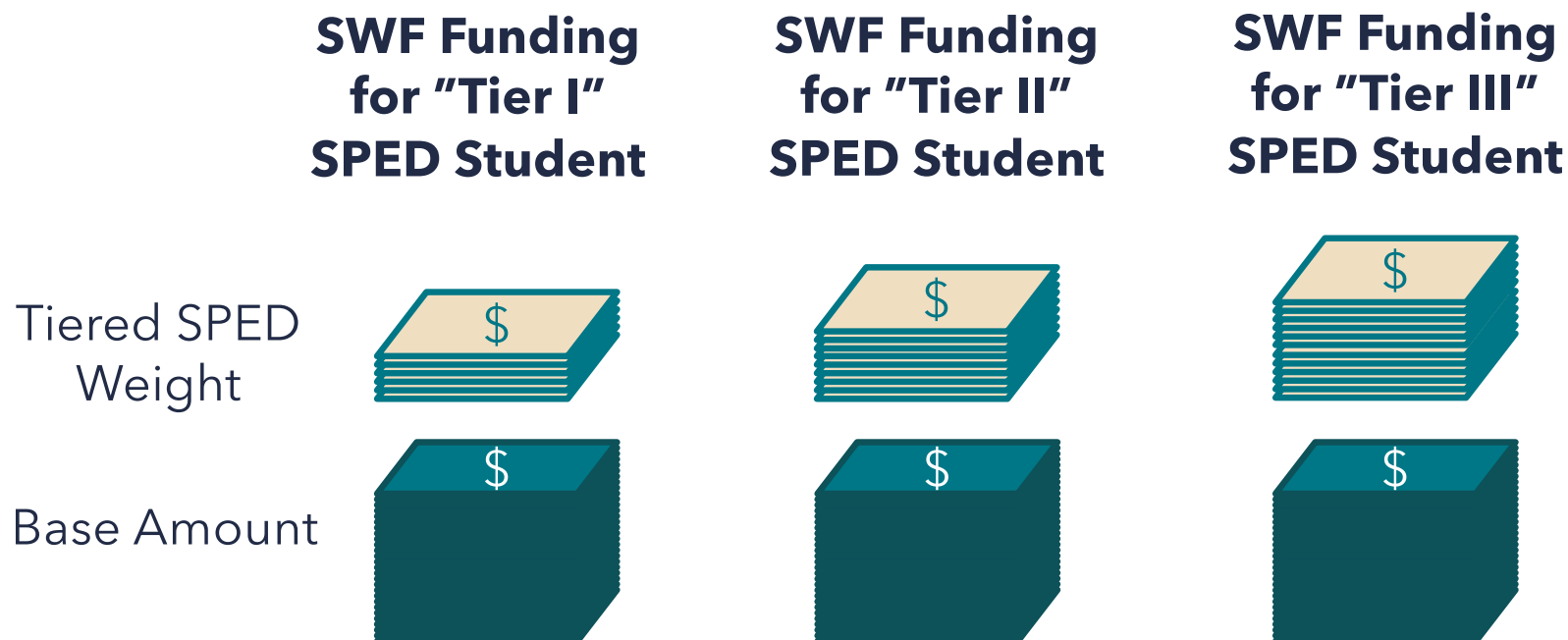
State funding plays a key role in supporting high-quality special education services

- SWF systems often use tiers of weights based on diagnosis or level of service provision to provide special education funding to LEAs.
- A state high-cost fund to support districts serving students with low-incidence, high-cost disabilities can be an important layer of protection for smaller LEAs.

Alabama districts currently average 18% students identified for special education, significantly higher than the 5% assumed in the Foundation Program.

Differentiated weights for special education student needs can provide more targeted support to LEAs

In the example below, a SWF would generate the same amount of base funding for each special education student and provide a different level of weighted funding depending on the "tier" of need they have. For example, "Tier I" could include students with dyslexia, while "Tier III" would include students with higher levels of need, such as homebound or hospitalized services.



Special Education: Examples from Other States

States vary in whether they fund special education based on services provided, disability type, or a "census" assumption of disability prevalence

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 the services in a student's IEP.

Detail: Tennessee Unique Learning Needs Tiers

Note: The ten tiers of "Unique Learning Needs" also incorporate English Learner Services.

1. Special education consultation services - 15%
2. Minimal special education direct services, characteristics of dyslexia, English learner tier I services - 20%
3. Limited special education direct services - 40%
4. English learner tier II services - 60%
5. English learner tier III services - 70%
6. Moderate special education direct services - 75%
7. High-support special education direct services - 80%
8. Ancillary special education direct services - 100%
9. Most intensive special education support direct services - 125%
10. Homebound, hospitalized, or residential services - 150%

English learners have unique needs that require additional funding beyond the base amount

States can not rely on federal funds to meet the needs of English learners

English learners (ELs) require additional services and support while they are gaining English proficiency

- There is a broad research consensus that the cost of educating ELs requires costs beyond those associated with native English speakers.
- Federal funding for ELs is insufficient to meet those costs and growth in federal funds has not kept pace with the rapid growth of the EL population.

A tiered system of weights can better align state dollars with the unique needs of English learner students

State funding should play a key role in supporting high-quality English learner services

- SWF systems often use tiers of weights based on EL students' needs, including English proficiency level, grade, how recently the student has arrived in the country, and if they have experienced interrupted schooling.

The number of EL students enrolled in AL schools almost doubled in 10 years through 2021.

Differentiated weights for English learner students needs can provide more targeted support to LEAs

In the example below, a SWF would generate the same amount of base funding for each English learner student and provide a different level of weighted funding depending on their status, with a first-year EL student receiving a higher weight than students in their second year (or more) receiving EL services.

SWF Funding for EL Student in Year 1 of EL Services

Tiered SPED Weight



Base Amount



SWF Funding for EL Student in Year 2+ of EL Services



English Learners: Examples from Other States

State	ELL Multiplier/Amount
AL	No: Categorical grant (\$16.2 million in FY24)
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.

Detail: Texas English Learner weights

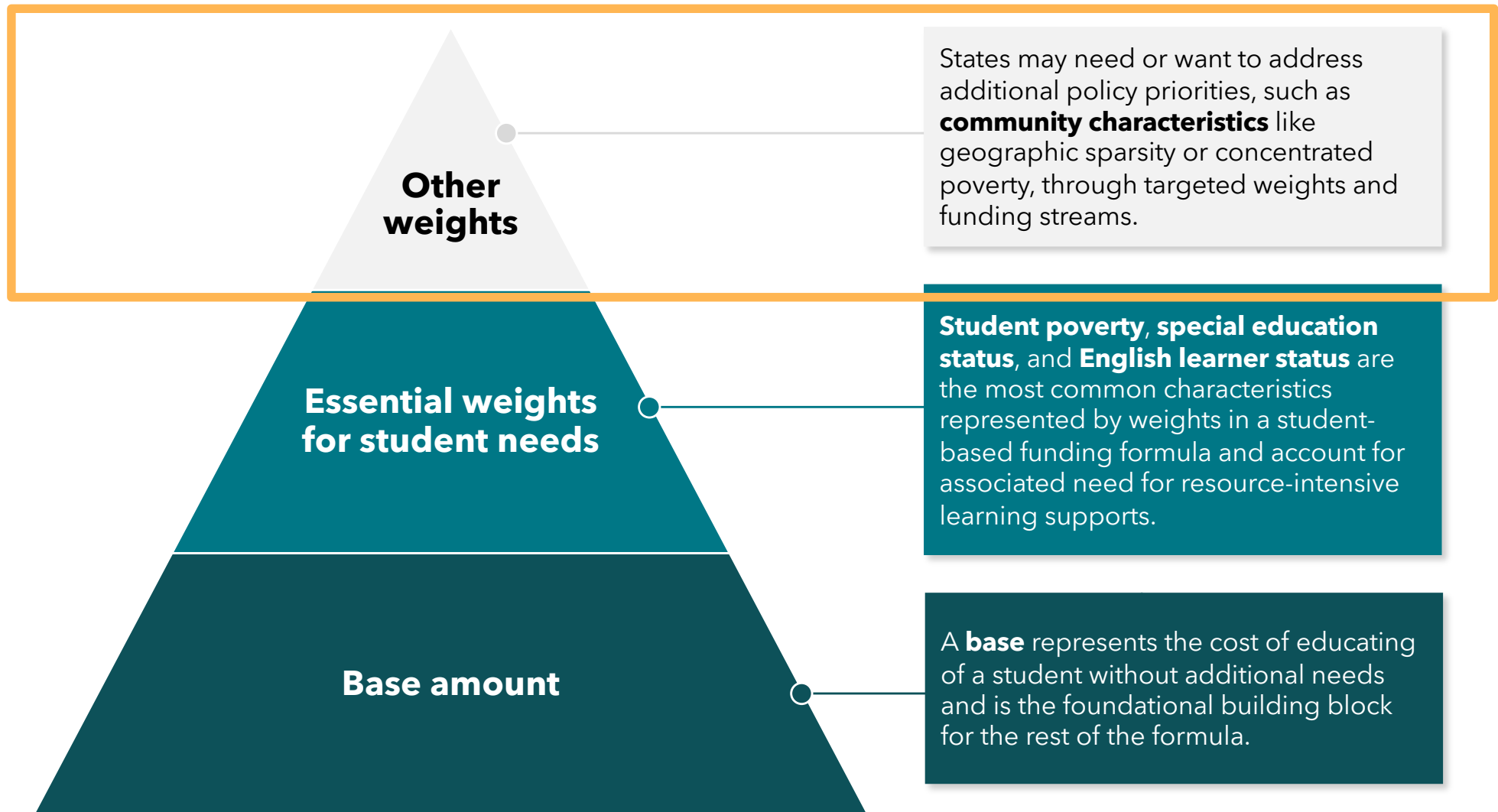
1. English learners enrolled in bilingual education program using a dual-language immersion model - 15%
2. English learners not in a dual-language program - 10%
3. Students in dual-language programs who are not English learners - 5%

At least 55% of the funding provided through these allocations must be used to support bilingual education or other special language programs.

Formula design: Adding weights to address community needs



Weights that target differences across communities can supplement weights for student needs



Rural/Local Capacity: Considerations for a weighted funding system

Sparsely-populated, remote districts face unique challenges

Districts that are sparsely populated and/or geographically remote face diseconomies of scale that more densely populated districts do not and often lack local revenue capacity to address those costs

State policy can support for districts with local capacity challenges through rural or "sparsity" weights. Policy design can consider:

Sliding-scale weights to address local capacity may be more appropriate than flat or "tiered" weights

- **Flat weight**, which provides a consistent percentage increase per student for districts with fewer than X students per square mile, but may create funding volatility or "cliffs" for those near the cut point
- **Sliding-scale weight**, which provides more funding for more rural districts and increases in value as the number of students per square mile decreases
- **Charter schools**, which often lack any local revenue capacity can be included in a weight intended to address local funding gaps

Peer states: Rural/Local Capacity

State	Rural/Local Capacity Multiplier/Amount
AL	No
AR	Based on ADM, the number of schools designated as isolated, and density ratios, a district may qualify for one or more additional per pupil weights ranging from 5% to 20% applied to the ADM.
KY	No
LA	Economy scale weight ranges from an additional 0 - 20% for student populations equal to 7,500 or less.
MS	1- 8% for districts with < 8 students per square mile, with higher weights going to more sparse districts
TN	5% additional weight for districts with < 25 students per square mile 4% additional weight for students attending charter schools
TX	<ul style="list-style-type: none"> For small districts (fewer than 1,600 students), the calculation is: $((1,600 - \text{average daily attendance}) \times .0004) \times \text{the base amount}$. For school districts with fewer than 300 students, the calculation is: $((1,600 - \text{average daily attendance}) \times .00047) \times \text{the base amount}$ For mid-sized districts (those with fewer than 5,000 students), the greater of the following formulas is used to determine the annual allotment: A.) $((1,600 - \text{average daily attendance}) \times .0004) \times \text{the base amount}$, if the school qualifies for the formula; or B.) $((5,000 - \text{average daily attendance}) \times .000025) \times \text{the base amount}$. Charter schools are eligible for the statewide average small-mid sized district allotment.

Some student and community needs may be better supported outside of a student weighted formula

Some needs may be best served through funding *outside* of a SWF weight

CTE and transportation are common examples of programs funded through categorical grants

- **Specialized programs may be appropriately funded through separate, categorical line items**
 - Programs with cost structures that include specialized equipment and/or regional considerations may not be ideal for funding through SWF weights.
- **Career & Technical Education (CTE) and transportation are examples of programs that may be best served outside of a SWF**
 - CTE programs often have discrete costs that can vary significantly by program type. Rather than add a complex set of weights for a small segment of the overall student population, most states opt to fund CTE through categorical grants.
 - Transportation costs are driven by more than student counts, including the number of vehicle miles required to cover routes, fuel costs, and bus fleet maintenance.

Alabama currently funds transportation in a separate line item outside of the Foundation Program.

Pulling it all together



Two recently-passed state examples illustrate elements and design options within student-based formulas

State	TN (TISA)		MS (MSFF)	
	Parameters	Notes	Parameters	Notes
Base	\$7,075	Proposed FY25	\$6,695	Adjusted for inflation, and triennial recalculation
Low Income	25%		30%	
Special Education	15-150%	10 tiers by intensity of service needed	60-130%	3 tiers based on diagnosis
English Learners	20%-70%	Tiered by proficiency, time in EL status	15%	
Gifted	N/A		5%	Assumption of 5% across all districts
CTE	N/A	Funded separately by the state	10%	
Concentrated Poverty	5%	Applies to Title I eligible schools	10%	Applies to districts with >35% low-income students
Sparsity/Size	5%	<1,000 students or <25 students/sq mile	1-8%	Applies to districts with <8 student/sq mile
Other	Additional state investments in charter school facilities, college and career, early literacy, and CTE		Separate state allocations for transportation, facilities	

A new funding formula should be supported with strong implementation and accountability policies

District leaders need support to leverage flexible dollars to meet student needs

Flexibility should be paired with accountability mechanisms to ensure responsible use of state dollars

- **Student weighted funding formulas provide districts with more flexible state dollars than resource-based systems**
 - Unlike resource-based funding systems that provide a “template” for how districts allocate dollars, SWF systems enable more flexible and strategic spending at the district level.
 - During the transition to a SWF, technical assistance for superintendents, budget officers, and school boards can help them rethink how they can strategically deploy state dollars to support student success.
- **Accountability mechanisms can provide safeguards for fiscal responsibility and maintain focus on student outcomes**
 - The way dollars flow through a SWF to address particular student needs can establish a baseline of accountability through transparency.
 - Additional mechanisms of accountability can be established through state policy, including hearings for under-performing districts that can lead to audits or other corrective action.

Questions?



Thank You



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