



# Why Funding Matters

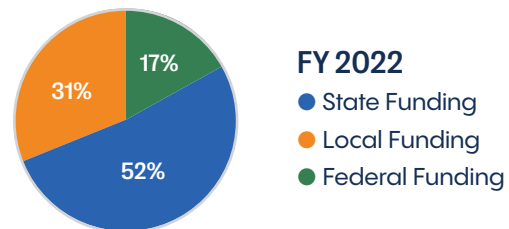
## Overview of Alabama School Funding

Alabama's school funding formula is outdated and does not meet the needs of students. It's time to modernize Alabama's student funding formula to ensure that every child has the resources they need to reach their full potential

### How does school funding work in Alabama?

Every state uses a school funding formula to decide how much money each school district receives directly from the state's education budget. Schools also receive additional funds from a variety of local sources, including property tax. Additionally, some schools may receive federal funding, including Title I.

Alabama Public School Revenue by Source



### What formula does Alabama currently use to distribute state funding?

- Alabama's Foundation Program was created by the Legislature in 1995. This outdated resource-based funding formula is not meeting the needs of students or schools today. In fact, Alabama is one of only 6 states in the nation that still uses this type of formula.
- The Foundation Program is a resource-based formula driven by numbers, not need. Funding is allocated to districts based on the number of students they have (i.e. if you have this many students, you get this many teachers, textbooks, etc.). It does not provide additional funding for students who

may have different needs, such as students with disabilities. Districts are also required to spend Foundation Program funds in the way that the state directs them to. This leaves districts without enough funding to educate every child and with little flexibility to make funding decisions based on the needs of the actual students in their building.

- On top of the Foundation Program, Alabama provides additional funding to districts for specific programs based on the state's priorities (e.g., mental health service coordinators). These additional funding streams attempt to solve specific problems that schools and students face, but provide very small amounts of money compared to the number of students and needs intended to be served. These investments can vary from year to year, based on how the Legislature decides to allocate money within the education budget.

## Why does Alabama need a new funding formula?

- **Every child is different, and some children need more help than others.** If we want every child to reach their full potential, we need to fund schools based on their unique needs.
- **Alabama ranks 41st in the nation** in the amount of money spent per pupil, at an average of \$13,180 in Fiscal Year 2021, which was \$4,251 below the national average.
- **The Foundation Program**, Alabama's funding formula, is almost 30 years old and is not providing the funding students need to reach their full potential.
- **Alabama's funding formula is complex** and not well understood by the public or state policymakers, making it difficult for stakeholders to know where funding comes from or how it is spent.
- **Student academic achievement is low** for all student groups, but especially for students of color and those from low-income families, who are more likely to attend schools with less funding and fewer resources.
- While the 2023 graduation rate in Alabama was 88%, the college and career readiness rate was only 79%. **A strong economy depends on a well-equipped workforce**, and Alabama has a **significant gap** in the number of students earning a diploma and those who are prepared for life after high school.
- Only 2% of state education funding is dedicated to supporting students in poverty, students with special education needs, and English learners, which **is only \$140 per student** per year. (For reference, **this report** found that average per pupil spending for special education students was \$6,000 more than spending for students without special education needs.)
- **Every child deserves a great school.** Right now, many schools and students are not getting the funding they need to be successful and part of thriving communities. When we give our public schools the funding and resources they need, it strengthens communities, making them better places to live, work, and raise a family.

## What makes a good school funding formula?

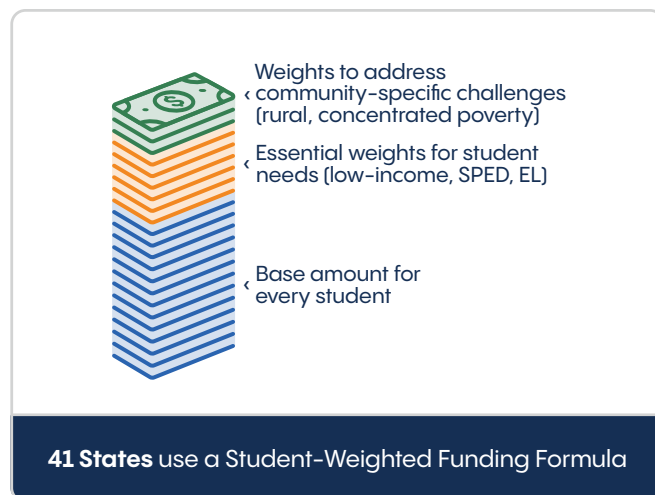
1. A **base amount** that covers the full cost of educating an individual student with no additional needs.
2. **Weights** (percentages of the base amount) for each student group that cover the additional costs of educating specific students.
3. Structures to hold district leaders **accountable** for how they are spending money meant to educate their students.
4. **Transparency** in the way money is allocated and spent by school districts and the state.



## What do we want to see in a new funding formula for Alabama?

- **A simpler, student-weighted funding formula guided by the needs of individual students.** Alabama's funding formula should have the goal of eliminating achievement and opportunity gaps. The state should provide clear dollar allocations by assigning weights on top of a base amount for students that have different needs: students from low-income families, English learners, students receiving special education services, and rural students.
  - Provide more funding for students from low-income families.
  - Provide more funding for English learners.
  - Provide more funding for students receiving special education services.
  - Target additional funding to districts serving rural communities.
  - Target additional funding to districts serving high concentrations of students from low-income families (where 35% or more of students are receiving free or reduced lunch).

- **An increased level of funding** that is allocated through the state formula, both overall and to student groups most in need, to support a world-class education for all students.
- **Fairness in allocations** by addressing local districts' ability to contribute and providing appropriate funding to districts with low property wealth. This will help make up the difference between what a district needs and what it can reasonably contribute based on its ability to raise local revenue.
- **Robust state and local data systems** to ensure that dollars are used well while providing enough flexibility to allow districts to respond to their local needs and context.
- **A transparent and simple design** to ensure ease in monitoring funding going to districts. The state should provide information on how the funding system is designed to work in clear, accessible language. Transparency allows stakeholders to engage in conversations about how well the state's funding meets student needs.
- An **embedded system of accountability** to hold state and local leaders responsible for how dollars are spent and regularly monitors that investments are having positive impacts on students.
- A **plan for preparing local leaders to budget differently** so that funding is spent in a way that best aligns with local students' needs. Because the current funding formula requires less decision making from local leaders due to the way the money is allocated, a student-weighted formula will require more planning. **However, a new funding formula will provide more autonomy for local boards and superintendents to make choices based on what is best for their students and schools in their own communities.**



\*Base amount is the same for every student