Setting a Benchmark

An Analysis of Arkansas' K-12 Education Finance System

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Bellwether

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Introduction

In spring 2025, Arkansas Secretary of Education Jacob Oliva appointed Dr. Josh McGee from the University of Arkansas to chair an Education Funding Task Force (task force), with state Rep. Bruce Cozart serving as vice chair. The task force plans to produce a report and set of recommendations by the end of 2025 to review and evaluate the state's Comprehensive Investment in Student Achievement funding model, evaluate enrollment measures used for K-12 education funding, examine student group weights and their structure, and propose other improvements to enhance the transparency and effectiveness of the funding system.

In partnership with the task force, Bellwether developed a public report benchmarking Arkansas' school funding system to regional peers and research-based best practices. This research aims to inform the task force's discussions and recommendations while fostering a broader understanding among Arkansas stakeholders of opportunities to improve the public school funding system. The information and analysis in this report are credited to Bellwether authors and do not represent the task force's recommendations or the opinions of any individual task force members.

Bellwether's report examines two research questions:

- How do elements of Arkansas' school finance system compare to other states in the region and national research-based best practices in school funding to support student outcomes? Focus areas include funding for economically disadvantaged students and students with disabilities, per-pupil base amounts, and enrollment counts.

- What does an analysis of Arkansas' school finance data suggest about specific areas for improvement to consider?

Arkansas State Funding for K-12 Public Education

During the 2024-25 school year (SY), Arkansas allocated more than $2.7 billion in state funding to 234 districts and 25 charter schools that serve more than 470,000 K-12 students.[1] Arkansas' approach to public school finance centers on a foundation program called State Foundation Aid, which aims to ensure that every district has the resources necessary to deliver quality education. In fiscal year (FY) 2025, State Foundation Aid made up 78% of the total state funding for K-12 public education (Table 1). At the core of State Foundation Aid is the Matrix, a model that estimates operational and staffing costs needed for a prototypical school of 500 students.[2] While not prescriptive, it provides a rough calculation of expected costs. The Arkansas state legislature uses this estimate to determine a per-pupil funding amount, which was $7,771 per student in FY25.[3] This model was established by the state legislature in 2003 following a long-running lawsuit beginning in 1992 (*Lake View School District No. 25 v. Huckabee*) to improve the adequacy of state funding.

TABLE 1: ARKANSAS CURRENT K-12 STATE EDUCATION FUNDING STREAMS, FISCAL YEAR 2025

Funding Stream	State Allocations	Percent of Total State Funding
State Foundation Aid (Includes the Education Excellence Trust Fund and 98% Guarantee)	$2.10 billion	78%
Enhanced Student Achievement (ESA)	$234.0 million	9%
Teacher Minimum Salaries	$181.5 million	7%
Teacher Equalization Funding	$54.7 million	2%
Student Growth	$31.3 million	1%
Alternative Learning Environment (ALE)	$27.6 million	1%
Declining Enrollment	$24.7 million	<1%
Professional Development Funding	$17.7 million	<1%
English Language Learners	$15.8 million	<1%
Isolated and Special Needs Isolated Funding	$10.9 million	<1%
Enhanced Transportation Funding	$8.0 million	<1%
ESA Match Grant	$5.5 million	<1%
Computer Science	$3.5 million	<1%
Career and Technical Education (CTE) Start-Up Grants	$1.1 million	<1%
Total State Funding	**$2.73 billion**	**100%**
Expected Local Share Funding (URT)	**$1.56 billion**	**N/A**
Total State and Expected Local Share Funding	**$4.29 billion**	**N/A**

***Source**: Arkansas Division of Elementary and Secondary Education, 2024-2025 Arkansas School Funding Guide (FAS), Arkansas Department of Education, 2024.*

The responsibility for funding State Foundation Aid is shared between state and local communities. The Arkansas Constitution requires every school district to levy a minimum of 25 mills, known as the Uniform Rate of Tax (URT).[4] A mill is a property tax rate that represents $1 of tax per $1,000 of assessed property value.[5] For example, a 25 mill tax on a property assessed at $200,000 would generate $5,000 in tax revenue [($200,000 ÷ $1,000) × 25 = $5,000]. Another way to think about it is that 25 mills is a 2.5% tax rate on assessed value. The difference between State Foundation Aid and the revenue generated locally under the URT determines the amount of funding that the state is responsible for allocating to the district. Arkansas guarantees that every district receives at least 98% of its calculated

State Foundation Aid funding by supplementing any shortfall in local revenue up to that threshold. With voter approval, a district may levy property taxes above the 25 mill rate. The additional local revenue from those extra mills is excluded from the State Foundation Aid calculation, and the district keeps those dollars on top of its guaranteed state funding amount. Currently, every district in Arkansas levies above 25 mills, ranging from 28.3 to 54.8 mills.[6]

State Foundation Aid is supplemented by additional funding streams that target specific student groups, district attributes, and teacher salaries.[7] These additional funding sources are not subject to a local share expectation and are funded entirely by the state. The two largest of these funding streams that compose about 16% of state spending are:

- **Enhanced Student Achievement (ESA) ($234 million)**: Grant provided to Arkansas school districts to help meet the educational needs of economically disadvantaged students.[8] ESA funding is allocated based on the district's concentration, rather than a per-pupil weight, of students eligible for free and reduced-price lunch (FRPL), as defined by the legislature, and must be used for state-approved strategies and programs aimed at improving academic outcomes.

- **Teacher Minimum Salaries ($182 million)**: Grant funding to lift statewide public school teachers' base salary to at least $50,000 and give those already above that threshold a one-time $2,000 increase to their base pay, effective in FY24. Funding must be used for teacher salaries and benefits. This funding stream is linked to the LEARNS Act (2023), a package of educational reforms focused on the teacher workforce, early literacy, and school choice, among other issues.[9]

Table 1 includes the total amounts and relative share of state spending on K-12 public education across different funding streams. Of note, this report focuses on state operational education funding streams. The state comparison sections that follow explain most larger funding streams in greater detail. In FY23, Arkansas' school funding system, on average, produced $14,681 in total funding per student across all revenue sources, $9,738 of which is from state funds. State funding per pupil varies substantially across school districts, based on factors unique to each funding stream (e.g., student enrollment, local share, enrollment in certain student groups).

Research on education spending suggests that increasing per-pupil funding can lead to higher educational attainment, increased wages, and reduced adult poverty, potentially resulting in long-term savings for the state.[10] The results vary, but economically disadvantaged students in particular benefit from increased school funding when compared to their non-low-income peers.[11] Many states structure their funding formulas to target funding allocations to student groups and communities with less access to resources and higher educational needs, in order to yield the most benefit from limited state resources.

Figure 1 illustrates the distribution of state funding in Arkansas and the relationship between state per-pupil funding and the percentage of economically disadvantaged students, as measured by the percentage of students with FRPL eligibility.[12] It also shows relative district enrollment through the size of the circles. Figure 1 shows relatively little alignment between the amount of state funding and student need as measured by poverty. In Arkansas' current system, districts with similar levels of poverty may receive very different amounts of state per-pupil formula funding. Conversely, districts with very different levels of poverty often generate about the same amount of state per-pupil funding from the formula.

FIGURE 1: ARKANSAS STATE PER-PUPIL FUNDING BY FRPL RATE, FISCAL YEAR 2025

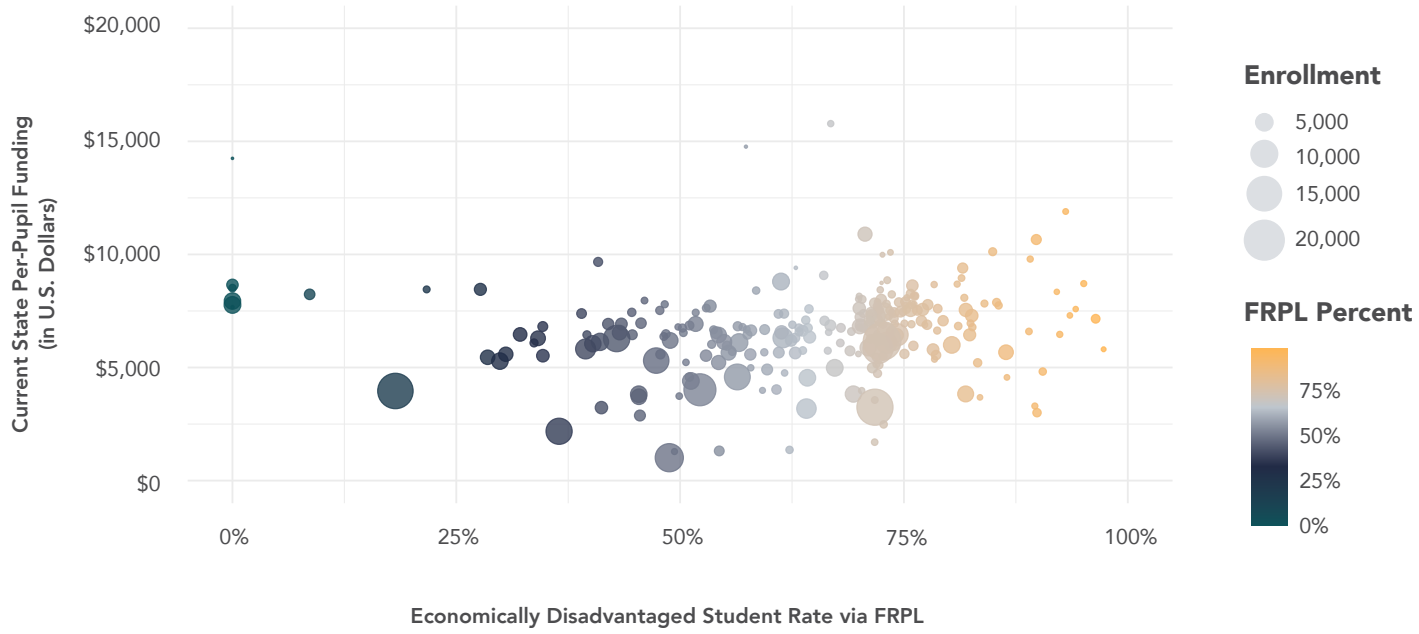
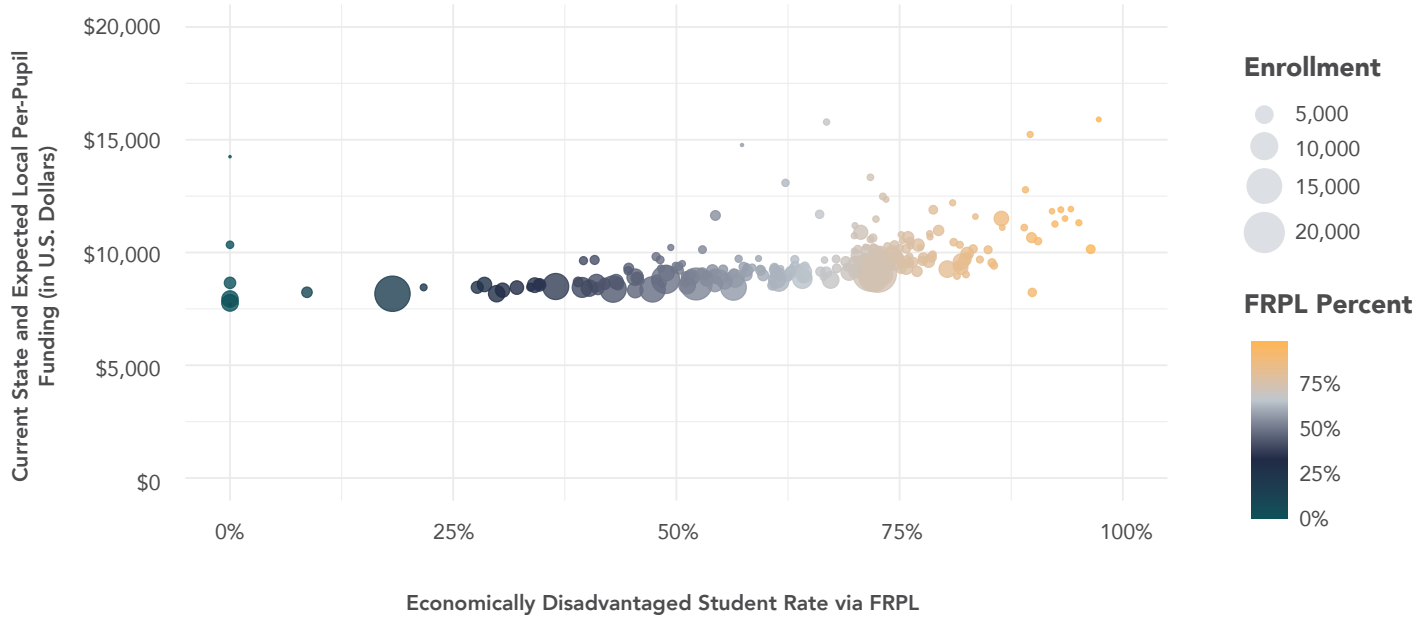


Figure 2 illustrates per-pupil funding after adding in expected local share for foundation funding. For most Arkansas districts, state and expected local per-pupil funding do not increase as student need increases, except for the highest-poverty and lowest-enrollment districts. This fairly narrow range of funding is unlikely to support the differentiated needs of schools serving high shares of students in poverty, English learner (EL) students, and students with disabilities.

FIGURE 2: ARKANSAS STATE AND EXPECTED LOCAL PER-PUPIL FUNDING BY FRPL RATE, FISCAL YEAR 2025



Sources: *Arkansas Department of Education Data Center.*

Benchmarking Arkansas Against Peer States

To identify both the strengths and areas for improvement in Arkansas' school finance system, this report compares it to seven regional peer states: Alabama, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas, as well as the broader national context and research-based best practices where relevant. Of note, three of these states — Alabama, Mississippi, and Tennessee — have enacted major school funding reforms in the past four years, with Alabama's reforms being the most recent.

This benchmarking analysis examines key components of state funding formulas and common funding structures, including student count approaches, base funding amounts, and targeted supports for economically disadvantaged students, students with disabilities, EL students, CTE, sparsely populated school systems, gifted programs, and outcomes-based funding. The report also considers how each state addresses transparency and accountability within its funding framework. For each formula component and funding structure, the authors compare Arkansas to the peer states across three aspects:

1. The specific funding structure used by Arkansas and each peer state.
2. The relative funding levels after applying any applicable weights or per-pupil amounts.
3. The structural advantages or limitations inherent in each approach.

These peer states are examples, not exemplars, to help Arkansas stakeholders see a range of state funding policy design possibilities and understand the Arkansas system within the broader geographic region. Ultimately, Arkansas education leaders and stakeholders must consider their own unique context, values, student and school needs, and state-specific legal responsibilities, in addition to national research and examples from other states, when making recommendations and decisions about how to improve their state's funding formula.

Defining "School Districts"

Unless otherwise specified, "school districts" or "districts" refers to all local education agencies (LEAs), including charter school LEAs.

Total and State Per-Pupil Funding

Before benchmarking specific funding policy elements, it is helpful to examine the larger context of state spending on K-12 public schools. Arkansas leads its peer states in state per-pupil funding ($9,738) (Table 2). Alabama has the second-highest amount of state per-pupil funding ($8,119), which is a difference of $1,619 per pupil. However, when all funds are considered (local, state, and federal), Arkansas is in the middle of its peer states. Arkansas has a higher share of state funding than its peers, with approximately two-thirds of education funding coming from the state. It also allocates a higher proportion of its total revenue to K-12 education compared to other states. This measure, known as "funding effort," represents state and local education revenue as a percentage of the state's gross domestic product.[13] States with a higher funding effort dedicate a larger share of their available resources to support public schools.

TABLE 2: ARKANSAS AND PEER STATE TOTAL AND STATE AVERAGE PER-PUPIL FUNDING, FISCAL YEAR 2023

State	Total Per-Pupil Funding (Local, State, and Federal)	State Per-Pupil Funding	State Per-Pupil Funding Share	Funding Effort*
Arkansas	**$14,681**	**$9,738**	**66%**	**3.21%**
Alabama	$15,722	$8,119	52%	3.14%
Louisiana	$18,294	$6,188	34%	3.05%
Mississippi	$14,458	$6,505	45%	3.15%
Missouri	$16,895	$5,876	31%	2.95%
Oklahoma	$13,241	$5,565	42%	2.77%
Tennessee	$14,400	$5,719	40%	2.24%
Texas	$15,553	$4,377	28%	2.53%

***Note**: *Funding effort uses FY22 data. **Sources**: U.S. Census Bureau, 2023 Public Elementary-Secondary Education Finance Data, U.S. Department of Commerce, April 29, 2025; Funding effort via Education Law Center, Making the Grade: 2024.*

Student Count Methods

Most states use district and charter student counts as the primary input in determining state K-12 public school funding allocations. There are two common types of student count measures: enrollment (the number of students enrolled) and attendance (the number of students who show up). States typically use one of three general student count methods:[14]

- **Average Daily Attendance (ADA), five states**: Counts the number of students in attendance districtwide, recorded and averaged over many days throughout the school year.
- **Average Daily Membership (ADM), 24 states**: Counts the number of students enrolled districtwide, recorded and averaged over many days throughout the school year.
- **Seat Count, 22 states**: Counts the number of students enrolled or in seats on a single "count day" or averaged across a few "count days" each school year.

When state formulas use student attendance, districts with higher rates of economically disadvantaged students tend to be disproportionately negatively affected, as these districts often have higher rates of chronic absenteeism.[15] Reasons include transportation gaps, unstable housing, and health issues that can reduce student attendance rates.[16] Using a student enrollment metric, particularly ADM, is a best practice for fair funding. Unlike attendance-based counts, allocating funding by enrollment ensures that districts receive funding for all students they are responsible for educating.

Since state funding allocations are usually determined before the school year begins, states often use adjustment processes to match funding with actual or projected enrollment. These processes adjust funding based on actual student counts, which improves funding accuracy and enables districts to adapt to enrollment shifts, particularly when enrollment is growing. However, these adjustment processes can also create budgeting uncertainty and administrative burden for states and districts, as final funding figures may not be known until late in the year; districts might have to employ contingency budgets and do additional data verification work, with few options to significantly change their budgets during the school year.

Peer State Benchmarking

Arkansas and four peer states — Alabama, Mississippi, Oklahoma, and Tennessee — use an ADM count method (Table 3). However, their specific calculation methods differ. Arkansas uses a three-quarter ADM, which calculates the average of the first three quarters of the prior school year to determine the foundation funding.[17] This approach is more comprehensive than that of the other four peer states. For example, Mississippi calculates its annual net enrollment by taking the average of the total student enrollment in the last two months of the school year. Alabama, on the other hand, calculates the average enrollment from the first 20 days of school after Labor Day of the preceding academic year.[18] Louisiana is the only peer state that uses a single count day (Feb. 1). Texas and Missouri use attendance-based calculations, which are not considered best practices. However, starting in SY25-26, Missouri will transition to a phased-in student count structure that uses both ADM and ADA.[19]

Unlike Arkansas, five of the seven peer states have an adjustment process to align funding with its actual enrollment or attendance counts. For example, Texas might deduct funds from the following year's allocations (or request a refund if deductions are not possible) if a district received more funds than its actual enrollment would have generated, and vice versa.[20] Tennessee provides additional funds to fast-growing districts but does not penalize districts with enrollment lower than their funding allocation.

Policy Considerations

Arkansas' student count method (ADM) aligns with best practice. Arkansas leaders could consider adopting an adjustment process based on actual fall semester enrollment to reflect changes from the previous year. Such a process could ease fiscal pressures experienced by growing districts but could create challenges for districts with declining enrollment that would need to adopt budgets prior to a fall process. To mitigate volatility for shrinking districts, the state could consider limiting single-year revenue losses beyond a certain threshold to allow time to adjust budgets.

TABLE 3: ARKANSAS AND PEER STATE STUDENT COUNT MEASURES, METHOD, AND TRUE-UP PROCESS, FISCAL YEAR 2025

State	Student Count Measure	Student Count Method	Adjustment Process
Arkansas	**ADM**	**Three-quarter ADM (calculates the average of the first three quarters of the prior school year)**	**Bases funding on prior-year enrollment. No formal adjustment process.**[21]
Alabama	ADM	Average enrollment from the first 20 days of school after Labor Day of the preceding year[22]	Bases funding on the prior year's enrollment.[23]
Louisiana	Seat Count	Student Membership Counts on Oct. 1 and Feb. 1[24]	If there is a significant change in enrollment from Oct. 1 to Feb. 1, a midyear adjustment is made.[25]
Mississippi	ADM	Average Net Enrollment on the last day of months two and three of the previous school year[26]	Bases funding on the prior year's enrollment.[27]
Missouri	ADA, moving to hybrid in FY26	The highest ADA from the current year or either of the two previous school years, plus the most recent summer school ADA[28]	Prior-year corrections occur at least twice within a school year, typically once midyear (November or December) and once at the end of the year (May). This process is meant to reconcile funding over- or underpayments.[29]
Oklahoma	ADM	Divide by each grade level's days of membership by the number of days taught[30]	Provides an initial allocation in July based on the prior year's weighted average daily membership (ADM), then recalculates after the first nine weeks of the current school year, with a final January allocation based on whichever ADM is higher.[31]
Tennessee	ADM	ADM across nine reporting periods over 20 instructional days per period[32]	After the final ADM data is available, adjusts district payments to match the district's enrollment.[33] Additional funding is available for districts experiencing significant growth in a year, while districts with enrollment declines are protected by a 5% safety net provision that ensures their Tennessee Investment in Student Achievement (TISA) formula funding does not decrease by more than 5% from one year to the next.[34]
Texas	ADA	Sum of attendance for each day of the minimum number of days of instruction, divided by the minimum number of days of instruction[35]	Uses a series of payment adjustments. Initial payments are based on projected ADA, with adjustments made after the actual ADA is reported. A final adjustment occurs at the end of the school year to ensure the funding matches actual attendance.[36]

Base Amounts

Forty-three states use a student-based funding formula, either fully or as a hybrid, to distribute education funding to districts and charter schools.[37] Student-based funding formulas, like Arkansas', primarily distribute funding based on enrollment, with per-pupil adjustments for student and district characteristics. Other formula types include resource-based formulas, which estimate costs per school or district based on staffing and other resources, and program-based formulas, which fund specific program elements. The cornerstone of a student-based funding formula is the per-student base amount, also referred to as "the foundation amount," which represents the cost of educating a student who has not been identified for additional services or needs.[38] States use one of three types of bases:[39]

- **Single Base**: Assigns a fixed per-pupil funding amount to all districts.
- **Simple Variable Base**: Introduces a few per-pupil amounts based on characteristics such as grade level.
- **Complex Variable Base**: Uses layered formulas to determine distinct per-pupil funding levels for each district.

Among these models, the single base model is the most common and stands out for its transparency and ease of adjustment, especially when most state funding is distributed through the base amount and associated weights.[40]

Besides the base type, states must decide how to set and revise their base amounts. Many rely on legislative judgment and might also incorporate formal periodic review or input processes.[41] Some states include inflation adjustments or use cost-based formulas to update the base.[42]

Peer State Benchmarking

Arkansas and six of its peer states utilize a single base model for per-pupil funding. However, they differ in how they determine the base amount (Table 4). Arkansas has the most complex method among student-based formulas, estimating the cost of running a prototypical 500-student school by detailing staffing, salaries, and resources through a formula called the Matrix. Legislators use this information to determine the annual base amount.[43]

Four other peer states rely on the legislative process to establish their base, taking into account prior-year amounts, fiscal conditions, and committee recommendations. This approach is more straightforward but may not take into consideration the full breadth of actual costs. Missouri determines its base amount by referencing the average expenditures of top-performing districts and applying parameters such as a 5% growth cap. However, its legislature can choose to fund the base amount at a lower level than the calculated amount.

Policy Considerations

Arkansas' process results in a base amount that is the highest among the peer states, before considering any weights or supplemental grants. The state could consider simplifying the Matrix calculation to improve transparency without significantly compromising rigor. For example, adjusting for inflation or primary cost drivers in some years instead of a full recalculation annually. Arkansas' Matrix requires ongoing analysis and policy oversight to ensure the assumptions stay accurate. It also accounts for some cost drivers (e.g., special education staffing) that other states fund through weights or separate funding streams. Even though the Matrix is not intended to dictate staffing requirements for schools, its structure might be perceived as a staffing mandate that could discourage local flexibility and innovation.

TABLE 4: ARKANSAS AND PEER STATE BASE TYPE AND AMOUNTS, FISCAL YEAR 2025

State	Base Type	Base Amount	Base Setting
Arkansas	**Single Base**	**$7,771**	**The base is set by state legislature through its Matrix formula, that uses school and district inputs like staffing and salaries.**
Alabama*	Resource-based formula, with weighted student-based elements	$7,547 statewide average	Alabama does not use a per-student base funding amount and instead uses a resource-based formula, but a base is calculated for purposes of determining weighted funding by dividing total local and state funding by the ADM from the preceding year.[44]
Louisiana	Single Base	$4,015	The base is set by the state board of education and approved by the state legislature.[45]
Mississippi	Single Base	$6,695	The base is set statutorily by the state legislature, adjusted annually for inflation and recalculated every four years.[46]
Missouri	Single Base	$6,760	The base is recalculated every two years using expenditure data from well-performing districts. The single base is capped at 5% growth per recalculation, and it cannot decrease, but the state legislature can choose to not fully fund.[47]
Oklahoma	Single Base	$3,390.98	The state legislature determines the per-pupil base amount for school funding through the state budget process.[48]
Tennessee	Single Base	$7,075	The state legislature determines the per-pupil base amount for school funding through the state budget process.[49]
Texas	Single Base	$6,610	The base is set statutorily by the state legislature.[50]

***Note**: *Alabama policies include the recently enacted Renewing Alabama's Investment in Student Excellence (RAISE) Act, effective beginning in FY26.*

Defining "Weights" and "Categorical Grants"

"Weights" and "categorical grants" are two distinct mechanisms in funding formulas that states can use to target funding to districts based on student or community characteristics.

Weights: An adjustment factor applied directly to a base amount or enrollment calculation in a state's education funding formula. It increases or decreases the funding allocated per student by multiplying the base amount by a specified percentage weight, based on student or community. For example, a 15% EL student weight applied to a $6,000 base amount would result in an additional $900 of funding allocation to that district per EL student ($6,000 x 0.15). As the base amount changes, the amount allocated to that weight would also change, allowing policymakers to consider changes to the base amount while retaining the proportional value of weights. There might be a single weight, or multiple weights, in a given category.

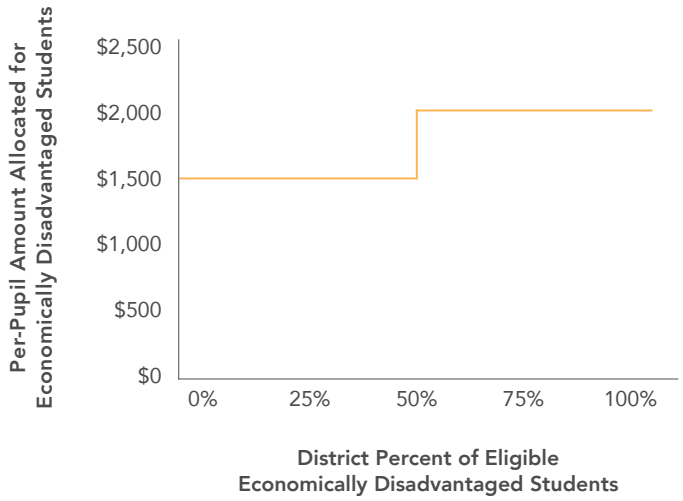
Categorical Grant: A separate funding stream outside the base per-pupil amount, designated for a specific purpose or student group. Categorical grants can be allocated via a variety of mechanisms, including but not limited to a grant amount per student or program. Unlike weights, categorical grants are not calculated as a multiplier of the base funding, so they do not automatically increase or decrease as the base amount changes and must be considered individually in legislative funding decisions. Categorical grants tend to have more spending restrictions than weights, but this can also vary.

Economically Disadvantaged Student Funding

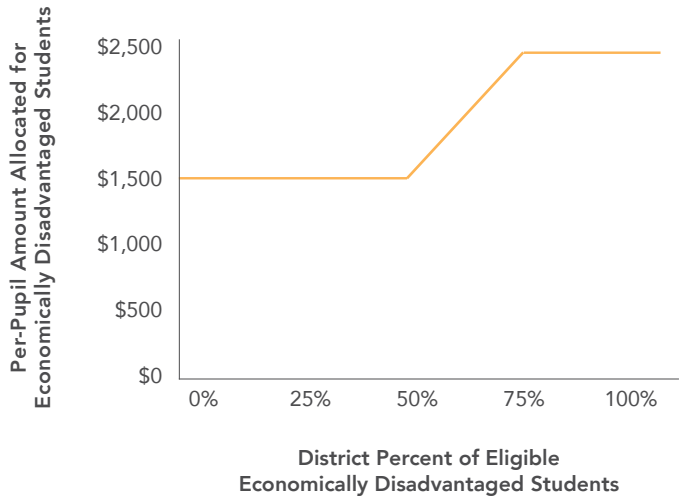
For FY25, Arkansas served a total of 278,443 economically disadvantaged students as measured by FRPL eligibility, equating to 60% of the state's K-12 enrollment. States provide additional funding for economically disadvantaged students through various methods. Most rely on student-based formulas that add a consistent "flat" per-pupil percentage weight for students identified as low-income, though the specific approaches and definitions vary.[51] Flat weights are simple to administer but may not provide enough support to districts with high concentrations of economically disadvantaged students. Tiered weights allocate more funding to districts with higher student poverty levels but can create funding cliffs where small changes in poverty rates lead to significant shifts in funding (Figure 3). Escalating weights address this issue by increasing per-pupil funding gradually.

FIGURE 3: TIERED AND ESCALATING WEIGHT COMPARISON

Tiered Weight Example
Based on a $6,000 base with a weight beginning at 25% and jumping to 50%



Escalating Weight Example
Based on a $6,000 base with a weight beginning at 25% and escalating to 85%



Some states use the above funding mechanisms to provide additional funding for each economically disadvantaged student in a district and/or districts with high concentrations of economically disadvantaged students, often referred to as "concentrated poverty." Targeting funding in one or both of these ways allows states to address both individual student needs and the systemic challenges that arise in communities where poverty is widespread.

States must also decide how to classify students as "economically disadvantaged." The most common measure of economic disadvantage is FRPL eligibility. This method uses readily accessible and simple-to-understand data but may not accurately reflect poverty levels, leading to less targeted funding.[52] Some states use direct certification, which identifies students based on data from means-tested programs (e.g., Supplemental Nutrition Assistance Program [SNAP], Temporary Assistance for Needy Families, Medicaid) that their families already qualify for. Direct certification

targets a smaller group of students with higher needs but requires improved data-sharing among state agencies and can undercount students who meet other poverty definitions. Furthermore, all these counts are linked with and contingent on federal programs and eligibility decisions. For example, recent federal changes to SNAP and Medicaid eligibility in the 2025 reconciliation bill are likely to reduce program participation and eligibility.[53] This could result in fewer K-12 students being identified as "economically disadvantaged," which would impact state and district funding.

These different approaches reflect broader national challenges. While most states strive to direct additional resources to economically disadvantaged students, the impact of these efforts depends not only on the funding formula but also on how accurately eligible students are identified. Ultimately, the effectiveness of low-income funding strategies hinges on both the precision of student identification and the adequacy of the resources provided.

Peer State Benchmarking

Arkansas' ESA allocates funding to districts through three distinct per-pupil funding tiers based on the district's share of economically disadvantaged students, which are not tied to the per-pupil base amount:[54]

- **90.0% or more FRPL**: $1,613 per FRPL student
- **70.0% to 89.9% FRPL**: $1,076 per FRPL student
- **69.9% or less FRPL**: $538 per FRPL student

All other peer states use different funding structures (Table 5). Six peer states use flat weights, ranging from 2.25% in Alabama (effective for FY26) to 30% in Oklahoma and Mississippi. Tennessee also includes a flat concentrated poverty weight in addition to the flat per-pupil weight, recognizing both the individual needs of economically disadvantaged students and the additional challenges faced by schools with higher concentrations of poverty. Two peer states, Mississippi and Texas, also have concentrated poverty funding in the form of escalating weights that apply an increasing multiplier for students in communities with greater economic disadvantage.[55]

Arkansas' per-student funding amount for economically disadvantaged students ranks in the middle of its peer states. Regarding student count, Arkansas and two peer states use FRPL and direct certification eligibility to identify students for economically disadvantaged funding. Conversely, three peer states rely only on FRPL and two use only direct certification for student identification.

Arkansas also has ALE funding for programs aimed at students experiencing two or more defined hardships, such as homelessness, mental or physical health problems, pregnancy, being a single parent, and absenteeism.[56] Even though fewer than 5,500 students (1.4%) generate ALE funding, the high full-time equivalent pupil amount ($5,086) may incentivize unintended school-level programmatic decisions to pull students with additional needs out of general education settings. While there is no direct analog for ALE funding in other states, three peer states — Mississippi, Tennessee, and Texas — include homelessness as a student eligibility criterion for economically disadvantaged funding.[57]

Policy Considerations

Arkansas' tiered approach creates funding cliffs at each tier and results in a relatively small share of state funds specifically targeting student poverty. The state could consider adopting a two-part weighting system tied to the base amount, which includes a consistent per-student weight for all economically disadvantaged students and an escalating weight for districts with concentrated poverty. This would create a streamlined and flexible system and eliminate rigid funding cutoffs present in the current tiered structure. Additionally, Arkansas could explore expanding funding eligibility by including a wider range of "at-risk" qualifying factors, such as homelessness and foster care. If eligibility were expanded beyond poverty, the intent of ALE funding could be incorporated into funding for economically disadvantaged students without incentivizing programmatic decisions to remove students from their schools or classrooms.

TABLE 5: ARKANSAS AND PEER STATE METHODS FOR ALLOCATING ECONOMICALLY DISADVANTAGED FUNDING, FISCAL YEAR 2025

State	Structure	Weights or Tiers	Student Identification
Arkansas	**Tiered Per-Pupil Categorical Grant Funding**	**$538 to $1,613 per FRPL student**[58]	**FRPL Eligibility/Direct Certification**
Alabama*	Flat Weight	2.25% ($169 per FRPL student)[59]	Direct Certification
Louisiana	Flat Weight	22% ($883 per FRPL student)[60]	FRPL Eligibility/Direct Certification
Mississippi	Escalating Weights	30% flat weight ($2,009 per FRPL student) and up to an additional 10% for concentrated poverty ($669 per FRPL student)[61]	Direct Certification
Missouri	Flat Weight	25% weight ($1,690 per FRPL student) if the district has more than 16.73% FRPL rate[62]	FRPL Eligibility
Oklahoma	Flat Weight	30% weight ($1,017 per FRPL student)[63]	FRPL Eligibility
Tennessee	Tiered Weights	25% flat weight ($1,769 per FRPL student) and 5% concentrated poverty ($354 per FRPL student)[64]	FRPL Eligibility/Direct Certification
Texas	Escalating Weights	22.5% to 27.5% ($1,487 to $1,818 per FRPL student)[65]	FRPL Eligibility

***Note**: *Alabama policies include the recently enacted RAISE Act, effective beginning in FY26. The initial funding weight for FY26 is set below the Act's authorized maximum, as the statute establishes "up to" amounts that exceed the levels implemented in the first year.*

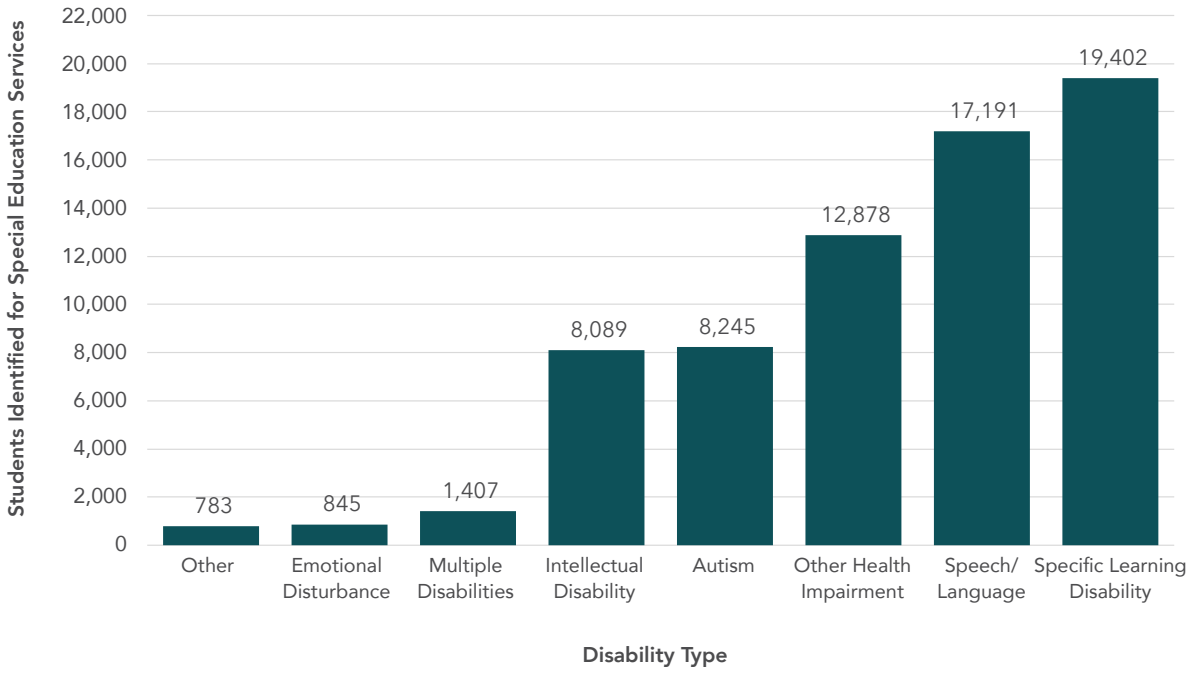
Special Education Funding

In FY25, Arkansas had 68,840 students identified for special education services, which is nearly 15% of all K-12 students. Students with disabilities, speech-language impairment, or other health impairment composed nearly 72% of all students with disabilities in Arkansas (Figure 4).

Nearly every state provides additional funding for students with disabilities.[66] The needs of students with disabilities are wide-ranging, and states must account for several factors when determining how to allocate special education funding, including the type of disability, the level and scope of services required, and the associated costs.[67] To serve students with disabilities effectively, schools must provide additional resources that support their educational success while ensuring alignment with individualized education programs (IEPs) and compliance with federal protections. While there is limited national data about the cost of educating students with disabilities, a recent Bellwether analysis found that in many states, districts disproportionately rely on local revenue to fund special education, signaling that state and federal funding is falling short.[68] A few states have also conducted cost studies specific to their state's special education funding systems, with those studies finding that the cost of educating students with disabilities varies not only by disability type and severity but also by region.[69]

States use various structures for funding students with disabilities, each presenting trade-offs between equity, administrative complexity, and incentives for efficient and accurate service delivery. The most common approach is a flat weight, which is simple and straightforward. However, this simplicity does not account for the wide variation in service intensity and cost among students with different disabilities, potentially underfunding those with more significant needs. Multiple student weights address this issue by providing differentiated funding based on disability type or required services, enabling a better match between resources and student needs. This type of system is more complex to administer and may also require more detailed data collection and oversight.

FIGURE 4: ARKANSAS K-12 STUDENT COUNTS BY PRIMARY DISABILITY TYPE, FISCAL YEAR 2025



***Note**: Students whose primary disability is deaf/blind, brain injury, orthopedic impairment, hearing impairment, and visual impairment are included in the "Other" category.*

***Source**: Arkansas Department of Education data request.*

Like other funding streams, funding can be allocated through means not associated with weights. The census-based model allocates funds based on an assumed percentage of students needing special education, reducing paperwork and increasing predictability. However, this approach does not reflect the actual number or needs of students with disabilities in a district, which can result in underfunding and encourage under-identification of students for services.

With special education funding, policymakers are sometimes concerned that per-pupil funding encourages over-identification of students as eligible for additional services and funding. While research does not provide conclusive evidence that any single funding model leads to over-identification, census-based methods have, in practice, contributed to over- and underfunding where students with disabilities are not evenly distributed across school systems.[70]

Seventeen states also provide additional funding for especially high-cost special education services, such as hospitalized or homebound students.[71] Usually, this funding supplements the state's main special education funding mechanism through separate grants or reimbursements with their own defined parameters.

Peer State Benchmarking

Arkansas uses a **census-based approach**, incorporating a 2.9 special education teacher assumption in its base amount calculation for a school of 500 students.[72] Arkansas is an outlier among its peer states, which all distribute special education funding through flat or multiple student weights responsive to actual special education enrollment (Table 6). Arkansas also offers additional funding through a high-need fund for districts when the per-pupil costs for educating a student with disabilities exceed $15,000.[73]

Five peer states — Alabama, Mississippi, Oklahoma, Tennessee, and Texas — have adopted a multiple student weighted system for funding students with disabilities that is tied to the base amount.[74] However, the specific number of weights and weight size vary. Furthermore, while Alabama, Mississippi, and Oklahoma categorize their tiers by disability type, Tennessee and Texas do so by the intensity of services. Missouri and Louisiana have adopted a flat weight approach, which provides the same funding increment for all special education students, regardless of the type of disability or level of service need.

Peer states vary in their actual special education funding levels. Texas provides the most generous funding, while Alabama, once the RAISE Act is implemented, will offer the least. Some states are better equipped to meet the full range of student needs, whereas others risk underfunding students who require more intensive support.

Policy Considerations

Arkansas policymakers should consider a special education funding stream that is responsive to actual special education enrollment and variation among student needs. This could include adopting a multiple weighted system that differentiates among students with disabilities based on disability type, with the weights tied to the base amount. Such an approach would target funding to districts based on the students with disabilities they serve. If implemented, the state should consider removing the 2.9 special education teacher assumption included in the Matrix calculation to avoid duplication. Additionally, state leaders could consider transferring some qualifying factors for ALE funding to the special education tiers, as discussed on Page 15 of this report.

TABLE 6: ARKANSAS AND PEER STATE SPECIAL EDUCATION FUNDING STRUCTURE AND WEIGHTS/ASSUMPTIONS, FISCAL YEAR 2025

State	Structure	Weight/Assumption	Student Categories
Arkansas	**Census-Based**	**2.9 special education teachers per 500 students assumption built into the base amount**[75]	**N/A**
Alabama*	Tiered Weights	**1**: 2% weight ($150 per IEP) **2**: 10% weight ($754 per IEP) **3**: 75% weight ($5,660 per IEP)[76]	Tiered by disability type[77]
Louisiana	Flat Weight	150% weight ($6,023 per IEP)[78]	N/A
Mississippi	Tiered Weights	**1**: 60% weight ($4,017 per IEP) **2**: 110% weight ($7,365 per IEP) **3**: 130% weight ($8,704 per IEP)[79]	Tiered by disability type[80]
Missouri	Flat Weight	A 75% weight ($5,070 per IEP) if the district has more than 13.3% students with disabilities[81]	N/A
Oklahoma	Tiered Weights	**1**: 5% weight ($170 per IEP) **2**: 40% weight ($1,356 per IEP) **3**: 120% weight ($4,069 per IEP) **4**: 130% weight ($4,408 per IEP) **5**: 240% weight ($8,138 per IEP) **6**: 250% weight ($8,478 per IEP) **7**: 290% weight ($9,834 per IEP) **8**: 380% weight ($12,886 per IEP)[82]	Tiered by disability type[83]
Tennessee	Tiered Weights	**1**: 15% weight ($1,061 per IEP) **2**: 20% weight ($1,415 per IEP) **3**: 40% weight ($2,830 per IEP) **4**: 75% weight ($5,306 per IEP) **5**: 80% weight ($5,660 per IEP) **6**: 100% weight ($7,075 per IEP) **7-8**: 125% weight ($8,844 per IEP) **9-10**: 150% weight ($10,613 per IEP)[84]	Tiered by service level needed[85]
Texas	Tiered Weights	**1**: 115% weight ($7,602 per IEP) **2**: 230% weight ($15,203 per IEP) **3**: 270% weight ($17,847 per IEP) **4**: 280% weight ($18,508 per IEP) **5**: 300% weight ($19,830 per IEP) **6**: 400% weight ($26,440 per IEP) **7**: 500% weight ($33,050 per IEP)[86]	Tiered by educational setting[87]

***Note**: *Alabama policies include the recently enacted RAISE Act, effective beginning in FY26. The initial funding weight for FY26 is set below the Act's authorized maximum, as the statute establishes "up to" amounts that exceed the levels implemented in the first year.*

English Learner Funding

In FY25, Arkansas served 43,068 EL students, representing 9% of all K-12 students. Federal law requires states to identify EL students through a combination of home language surveys and English language proficiency assessments and to provide identified students with appropriate language assistance services until they reach English language proficiency.[88] Multilingualism is an asset for students and school communities; however, research has consistently shown that EL students require more support to succeed academically, which means more funding is required compared to non-EL students.[89] Despite this evidence, districts still have gaps in the resources needed to educate these students, with EL students receiving less state and local per-pupil funding on average than their non-EL peers.[90]

Every state except Montana provides additional EL student funding.[91] Flat weights are most common, offering transparency and predictability. However, they do not account for varying needs within the EL student population, such as differences between newcomer students and those approaching proficiency. Multiple student weights can better differentiate these needs, but they require more complex data systems and administration and may provide less marginal benefit in states with relatively small EL student populations. Categorical funding ensures dedicated EL student spending, but it often lacks the flexibility that weighted formulas provide and may be more vulnerable to budget cuts.

Peer State Benchmarking

Arkansas allocates EL student funding through a per-pupil categorical grant of $366 per EL student, which equates to approximately 4.7% of the base amount.[92] Five peer states — Alabama, Louisiana, Mississippi, Missouri, and Oklahoma — use a flat EL student weight that ties funding to their base amounts (Table 7). In these states, the weights vary from 15% in Alabama to 60% in Missouri.[93] Texas and Tennessee have implemented multiple EL student weights, with different tiers, weights, and student categories.

Arkansas offers the second lowest funding for EL students among its peer states. Oklahoma is the next lowest, but still offers $482 more per EL student than Arkansas. At the other end of the spectrum, Tennessee's highest EL student funding tier reaches $4,953 for EL students with higher needs.

Policy Considerations

Arkansas state leaders could consider transitioning to a single or multiple weighted system (if data are available) linked to the base amount, with a higher overall weight. This could provide more adequate funding and enable EL student funding to keep up proportionally with automatic adjustments to base funding levels.

TABLE 7: ARKANSAS AND PEER STATE FUNDING METHODS AND WEIGHTS FOR EL STUDENTS, FISCAL YEAR 2025

State	Structure	Weight or Amount	Student Categories
Arkansas	**Per-pupil categorical grant amount**	**$366 per EL student**	**EL students identified by English Language Proficiency exams**
Alabama*	Tiered Weights	Up to 15% flat weight ($1,132 per EL student) and up to a 5% weight ($377 per EL student) for high concentrations of EL students[94]	EL students identified by English Language Proficiency exams
Louisiana	Flat Weight	22% weight ($883 per EL student)[95]	EL students identified by English Language Proficiency exams
Mississippi	Flat Weight	15% weight ($1,004 per EL student)[96]	EL students identified by English Language Proficiency exams
Missouri	Flat Weight	60% weight ($4,056 per EL student) if the district has above a 2.09% EL student rate[97]	EL students identified by English Language Proficiency exams
Oklahoma	Flat Weight	25% weight ($848 per EL student)[98]	EL students identified by English Language Proficiency exams
Tennessee	Tiered Weights	**1**: 20% weight ($1,415 per EL student) **2**: 60% weight ($4,245 per EL student) **3**: 70% weight ($4,953 per EL student)[99]	**1**: EL students requiring the least intensive services **2**: EL students requiring moderate services **3**: EL students requiring the most intensive services
Texas	Tiered Weights	**1**: 5% weight ($331 per EL student) **2**: 15% weight ($992 per EL student)[100]	**1**: EL students enrolled in dual language immersion program **2**: EL students not enrolled in dual language program[101]

***Note**: *Alabama policies include the recently enacted RAISE Act, effective beginning in FY26. The initial funding weight for FY26 is set below the act's authorized maximum, as the statute establishes "up to" amounts that exceed the levels implemented in the first year.*

Career and Technical Education Funding

In FY25, 185,358 Arkansas students participated in CTE, equating to 39% of all K-12 high school students. While FY25 data are not available, in FY24, 27% of CTE students in Arkansas were concentrators, meaning they completed at least two CTE sequenced courses, and 10% were completers, meaning they completed at least three CTE sequenced courses.[102]

Many states support CTE by providing additional funding to districts through various models, including categorical funding, grants, weights tied to the base amount, and hybrid approaches.[103] These funds provide additional resources for programs that prepare students for careers by equipping them with industry-relevant skills and knowledge. They are intended to support the cost of specialized equipment, qualified instructors, and external partnerships.

Peer states fund CTE in a few common ways. A flat weight model is straightforward for districts to understand and administer, providing predictable funding for every CTE student. However, it does not account for the varying costs of different CTE programs and may underfund high-cost or high-demand pathways. In contrast, multiple student weights allow states to differentiate funding based on program expenses or workforce priorities, better aligning resources with actual needs and incentivizing high-value offerings. With that said, this approach increases administrative complexity and necessitates regular updates to maintain fairness and effectiveness. Grant funding ensures that funds are allocated specifically for the needs of a CTE program, utilizing dedicated state resources to support program costs, including equipment, instructors, and operations. The efficacy of this approach depends on the specific design of the funding stream, but a stand-alone funding program could be more vulnerable to budget cuts, insufficient to ensure high-value opportunities across all school systems, and less transparent.

Peer State Benchmarking

Arkansas and all peer states provide additional CTE funding, though their allocation methods vary (Table 8). Arkansas distributes CTE funding in two ways:[104]

- **Secondary Technical Center Aid**: The state provides funding to support Secondary Technical Centers (STCs), which are typically hosted by high schools or two-year colleges. Funding is provided in three tiers based on the individual program of study costs and the state's current workforce needs. In a 2023 survey of its statewide superintendents, 69% of responding superintendents reported having students who attended an STC or satellite.[105] In FY23, $20.6 million was allocated to 30 STCs with 32 satellite locations.

- **Vocational Start-Up Grants**: The Division of Career and Technical Education administers the Vocational Start-Up Grants, which are provided on an annual, competitive basis to assist with the start-up expenses of new CTE programs. These grants are exclusively for the purchase of equipment, and required training, assessments, and industry-recognized credentials. In FY23, nearly $3.6 million was awarded to 77 schools in 69 districts and open-enrollment charters.

Among peer states, Louisiana and Mississippi apply a flat weight to the base per-pupil amount for CTE. Texas employs a three-tiered weighted system, offering more nuanced alignment with program expenses, but this introduces additional administrative complexity and necessitates regular updates. Tennessee provides a per-pupil amount of $5,000 for each CTE student, ensuring predictable and substantial support. However, it may not reflect actual program costs or local workforce priorities. Missouri and Oklahoma distribute their CTE funding primarily through competitive grants. Overall, while these funding structures help districts manage the higher costs of CTE and expand program options, each model involves trade-offs between simplicity, flexibility, and the ability to target resources where they are most needed or in alignment with state priorities. Without a deliberate focus on program quality and consistency, there is a risk that additional funding will mainly benefit districts already capable of offering strong CTE, potentially widening gaps in accessibility or quality for students in under-resourced or rural areas.

Policy Considerations

Arkansas state leaders could consider transitioning to a single or differentiated CTE weight linked to the base amount per CTE course (depending on data availability). State leaders could also consider differentiating per-pupil funding based on whether a student is a CTE participant or concentrator. In the future, Arkansas might consider differentiating funding based on program demand and quality; however, most states are only beginning to build the data and policy infrastructure to support this level of detail.

TABLE 8: ARKANSAS AND PEER STATE CTE FUNDING STRUCTURE, FISCAL YEAR 2025

State	Structure	Description	Student Category
Arkansas	**Hybrid: Tiered Per-Pupil Categorical Amounts and Grants**	**State funding to support STCs; funding provided in three tiers based on the individual program of study costs and the state's current workforce needs; the state also provides Start-Up Grants, which are exclusively for purchasing CTE equipment**[106]	**N/A**
Alabama	Categorical Grant	CTE funding as a categorical grant[107]	N/A
Louisiana	Flat Weight	6% weight ($2,410 per CTE student)[108]	Per enrolled student
Mississippi	Flat Weight	10% weight ($670 per CTE student)[109]	Per enrolled student
Missouri	Categorical Grant	Competitive CTE grant that districts must apply for[110]	N/A
Oklahoma	Categorical Grant	State legislature-allocated funding to the Department of Career and Technology Education (DCTE), which oversees the CTE centers;[111] Department distributes grants to school districts	N/A
Tennessee	Categorical Grant	Additional CTE funding provided through a categorical grant of $5,000 to $5,700 per portion of time spent in CTE courses[112]	Core funding amount determined by the program's assigned level (Levels 1-3, based on alignment to high-wage, high-demand, high-skill occupations) and the student's progression in the program[113]
Texas	Multiple Weights	**1**: 110% weight ($7,271 per CTE student) **2**: 128% weight ($8,460 per CTE student) **3**: 147% weight ($9,716 per CTE student)[114]	**1**: EL students enrolled in dual language immersion program **2**: EL students not enrolled in dual language program **3**: Students in Level 3 or 4 courses that are part of an approved program of study[115]

Rural District Funding

Rural, isolated, or sparsely populated school districts have unique cost considerations, which many states support via dedicated funding. During FY25, 32 districts serving 19,865 students in Arkansas qualified for isolated funding. Educating students in rural and sparsely populated areas requires additional resources, as rural districts often face higher per-pupil costs due to smaller enrollment, limited economies of scale, increased challenges with staff recruitment and retention, and greater transportation needs.[116] The higher costs of rural districts are shaped by a complex mix of factors, including geography, school size, and student demographics, which vary widely among and within states.[117]

States provide additional funding for rural and sparsely populated districts through various methods. One common approach is a flat or escalating weight within a state's funding formula to provide additional support to rural districts. This provides predictable and automatic additional resources, but it may not fully capture the variation in costs among rural districts. Some states also offer categorical grants for specific needs such as technology, transportation, or facility upgrades. About a dozen states apply a cost-of-living or geographic cost adjustment to reflect higher costs, aligning funding more closely with actual expenses. However, creating accurate indices can be complicated, and cost-of-living adjustments often favor wealthier areas with high local revenue and lower student need.

States must create eligibility criteria for how to categorize a district as "rural" or "isolated." Common qualifiers include:[118]

- **Enrollment Size**: The state offers extra funding if a district's student enrollment falls below a specified threshold. Financial incentives for small size should be approached with caution, as they might encourage the creation of small districts in nonrural areas or inefficient financial choices.

- **Enrollment Density**: The state offers extra funding if the district is below a threshold of students per square mile.

- **Geographic Isolation**: The state may consider factors such as the distance between schools, travel time for students, and geographic barriers like mountains or rivers to determine district eligibility for extra funding.

Peer State Benchmarking

Arkansas' isolated funding calculation method is complex and based on student density, district size, the number of paved roads, geographic barriers, and the distance between districts.[119] Thirty-two districts qualified for funding in 2025. This five-factor approach makes Arkansas unique among its peer states (Table 9). It is also the only state of the peer group that explicitly funds transportation through its sparsity funding. Tennessee uses a simpler flat weight system based on enrollment thresholds or density measures. Louisiana, Mississippi, and Texas employ escalating weights, while Missouri uses a density-based formula but with fewer variables than Arkansas.

Policy Considerations

The state could consider transitioning to a more straightforward funding mechanism, such as a sparsity weight based on density of students per square mile. This would help streamline calculations and improve transparency.

TABLE 9: ARKANSAS AND PEER STATE SPARSITY FUNDING STRUCTURES, FISCAL YEAR 2025

State	Structure	Description
Arkansas	**Hybrid: Formula/ Weight/Per-Pupil Amount**	**Small, Isolated Districts (Category 1): Supports districts with small enrollments, helping them cover the higher per-student costs of operating schools in isolated areas.** **Small, Isolated, and Sparsely Populated (Category 2): Targets districts that are not only small but also extremely sparsely populated, recognizing the additional challenges and costs associated with serving very low-density student populations. Any remaining isolated funding is allocated proportionally to districts for transportation purposes.**
Alabama	None	No dedicated rural funding in Alabama, but the state's resource-based formula funding ensures a baseline level of funding for low-enrollment districts based on staffing ratios.
Louisiana	Escalating Weight	Provides up to a 20% weight ($803 per student) to districts that have <7,500 students.[120]
Mississippi	Escalating Weight	Provides up to an 8% weight ($536 per student) if a district has eight or fewer students per square mile.[121]
Missouri	Hybrid: Grant/ Cost Adjustment	The state legislature allocates $15 million in Small School Grant funding for districts with an ADA of 350 or fewer students in the preceding school year. The funding is distributed proportionally based on ADA, equating to about $419 per ADA.[122] The state also uses a regional cost adjustment based on wage ratios.[123]
Oklahoma	Formula	Increases its student count using a special formula for rural districts with few students spread over a large area, so they get extra funding to cover higher costs.[124] Similarly, for small districts with fewer than 529 students, the state inflates their student count based on how much smaller they are, which also results in more funding for those districts.
Tennessee	Flat Weight	Provides two separate 5% weights ($354 per student) to districts with either 1,000 or fewer students or fewer than 25 students per square mile.[125]
Texas	Escalating Weight	Small districts (those with fewer than 1,600 students) and midsized districts (K-12 districts with between 1,600 and 5,000 students) receive per-student allotments calculated based on formulas specified in statute.[126]

Transportation Funding

Across the country, about one-third of all public school students take a school bus to and from school every day.[127] Investments in school transportation are important to ensure that there is a safe and reliable way for students, particularly those from systemically marginalized communities, to get to school on time. Research suggests positive relationships between bus ridership and attendance and access to higher-quality schools, especially among Black and Latino students.[128] Transportation costs also form a significant, often growing, component of district per-pupil expenditures due to factors including rising labor costs, expanded school choice requiring longer bus routes, and investments in environmentally friendly bus fleet upgrades.[129]

States use several approaches to allocate K-12 school transportation funding, each with distinct trade-offs in terms of equity, cost alignment, and administrative complexity. The most common approach is categorical grant funding, which ensures that resources are earmarked specifically for transportation and can be tailored to factors like enrollment, mileage, or local needs. However, complex formulas and lagging updates can create funding gaps. Reimbursement funding aligns allocations with actual documented expenses, promoting transparency and cost alignment, but it requires extensive reporting and may reward inefficiency. Flat grant funding, which provides a fixed amount per pupil or per mile, is simple and predictable, and it makes budgeting easier, although it can fail to reflect actual cost differences, which could potentially disadvantage rural or high-cost districts. Finally, general aid models do not specifically earmark funds for transportation or assume it as part of the base amount. This gives districts flexibility to allocate resources where needed, but it can also obscure transportation spending and risks pitting instructional needs against transportation needs.

Peer State Benchmarking

Arkansas provides transportation funding to districts in two ways. First, any of the remaining isolated funding is allocated proportionally to those isolated districts for transportation purposes. Arkansas also has an Enhanced Transportation Funding stream, which is a targeted categorical grant that supports districts with higher transportation costs.[130]

Peer states demonstrate a variety of methods for allocating school transportation funding. For example, Missouri employs a reimbursement model, covering up to 75% of eligible transportation expenses (Table 10). In contrast, Oklahoma uses a multistep formula, incorporating factors such as the number of students transported beyond a minimum distance, student density, and a legislatively determined transportation factor. Two peer states, Louisiana and Tennessee, do not provide dedicated transportation funding.

Policy Considerations

Arkansas leaders may consider maintaining school transportation funding as a separate categorical allocation, but they also may consider adopting a simpler, data-driven formula or funding mechanism to improve transparency.

TABLE 10: ARKANSAS AND PEER STATE TRANSPORTATION FUNDING STRUCTURES, FISCAL YEAR 2025

State	Structure	Description
Arkansas	**Categorical Grant**	**Divides remaining isolated funding among those isolated districts for transportation purposes. Arkansas also offers an additional $8 million in Enhanced Transportation Funding for districts with greater transportation costs, as determined by the number of school bus miles driven and the number of bus riders.**
Alabama	Formula	Bases funding on the size of the district's transportation operation, including personnel, buses, and fuel costs. Fleet renewal is its own subset of transportation funding.[131]
Louisiana	N/A	Does not provide separate transportation funding.
Mississippi	Categorical Grant	Provides additional state funding through the Education Enhancement Fund Buildings and Buses Program, which allocates approximately $16 million annually to school districts statewide for facility projects and transportation vehicles. Funds are distributed proportionally based on ADA in each district.[132]
Missouri	Reimbursement	Requires the state to reimburse districts for a portion of the cost, up to a maximum of 75% of eligible expenses as mandated by state law.[133] In 2025, the state legislature allocated $361 million to distribute to districts for transportation.[134]
Oklahoma	Formula	Bases transportation supplement funding on a formula that includes the number of students transported who live more than 1.5 miles from school, per capita allowance determined by student density, and a transportation factor set by the state legislature.[135]
Tennessee	N/A	Does not provide separate transportation funding; transportation funding is wrapped into the base amount.[136]
Texas	Formula	Bases funding on factors such as miles driven, number of students transported (including general education, special education, and certain other categories), and number of buses operated.[137]

Gifted Funding

In FY25, 38,914 Arkansas students participated in gifted programming, representing 8% of K-12 students. Gifted funding supports students with advanced learning needs requiring specialized educational programs or services.[138] Some states provide additional funding to support gifted programming. However, research raises significant concerns about the fair distribution of services and funding as well as the reliability of identification methods. Specifically, the research has found that economically disadvantaged, Black, and Latino students are less likely to be identified for and have access to gifted programming.[139] This indicates that identified student count approaches may systematically direct more resources to wealthier, whiter districts. Percentage-based assumptions about giftedness can help address this identification bias.[140] States should ensure their funding supports differentiated instruction for all learners.

Peer State Benchmarking

Arkansas does not have a separate funding stream for gifted education. Instead, every district is required to spend a certain amount of its revenues on gifted programming. The formula is as follows: 15% of State Foundation Aid x 5% of the previous year's ADM.[141] Because the rule is framed as a spending floor rather than a per-student allocation, dollars are decoupled from the number of students participating in gifted programming. During FY25, district funding for gifted programs totaled $37.9 million, which exceeds the funding for EL students ($15.8 million) and ALE programming ($27.6 million).[142]

Five peer states — Alabama, Louisiana, Mississippi, Oklahoma, and Texas — allocated gifted funding through a flat weight tied to the base.[143] The weights range from 5% in Alabama and Mississippi to 60% in Louisiana (Table 11).[144] Funding allocations in Alabama and Mississippi both assume a consistent percentage of gifted students in each district.

Policy Considerations

Arkansas state leaders could consider ending or reducing the expenditure requirement for gifted programming. This would allow district and school leaders to have more flexibility in their spending, enabling them to allocate funding based on their unique needs and priorities.

TABLE 11: ARKANSAS AND PEER STATE GIFTED FUNDING STRUCTURES, FISCAL YEAR 2025

State	Structure	Description
Arkansas	**Spending Requirement**	**Requires every district to spend a certain amount of their revenues on gifted programming, with the amount determined through a formula: 15% of the State Foundation Aid Amount x 5% of the previous year's third-quarter ADM.**[145]
Alabama*	Flat Weight	Provides up to a 5% weight ($375 per gifted student).[146]
Louisiana	Flat Weight	Provides a 60% weight ($2,409 per gifted student).[147]
Mississippi	Flat Weight	Provides a 5% weight for an assumption of gifted students composing 5% of each district ($335 per gifted student).[148]
Missouri	None	N/A
Oklahoma	Flat Weight	Provides a 34% weight ($1,152 per gifted student).[149]
Tennessee	Tiered Weights	Includes funding in Unique Learning Needs; varies based on need.[150]
Texas	Flat Weight	Provides a 7% weight ($463 per gifted student).[151]

***Note**: *Alabama policies include the recently enacted RAISE Act, effective beginning in FY26. The initial funding weight for FY26 is set below the Act's authorized maximum, as the statute establishes "up to" amounts that exceed the levels implemented in the first year.*

Charter School Funding

During FY25, 29,133 students attended charter schools in Arkansas, composing 7% of all K-12 public school students. Most states provide funding to charter schools using the same state general education funding formulas used for traditional district schools, which include a base per-pupil amount and additional weights or categorical funds for higher-need students and/or particular programs. However, charter schools do not have the authority to levy taxes and often lack access to local tax revenues that traditional districts use to supplement state funds, requiring states to consider cost sharing differently for charter schools. States vary in whether and how they allow charter schools to access a proportion of local tax revenue. Charter schools often also face challenges similar to other very small or geographically sparse school districts in terms of diseconomies of scale and serving students over a whole city or county area. These schools additionally may not be eligible for all state funding streams. To help address these differences, some states apply a dedicated weight for charter school students within the main state funding formula, while others provide categorical grants outside the formula. Both approaches are designed to partially compensate for the absence of local revenue and other cost factors unique to charter schools.

Charter schools face significant challenges with facilities funding as compared to traditional districts, because they lack the authority to issue public bonds, levy additional local funding, or access certain forms of capital funding for construction, renovation, and maintenance.[152] Many states, including Arkansas, provide supplemental or categorical grant funding to help charter schools acquire and improve their facilities.[153] However, these funding streams are distinct from operational school funding. Because of this, facilities funding is not examined in detail in this report for charter schools or traditional districts.[154]

Peer State Benchmarking

In Arkansas, charter schools receive the full state Foundation Funding Aid amount and do not have direct access to local tax revenue or an expectation of a local revenue match.[155] Their formula amount is fully state-funded, but they do not have access to any local revenue raised in excess of the state's expectations. This arrangement is similar to most peer states.[156]

Three peer states provide dedicated charter school funding, either within the main state funding formula or as a categorical. Tennessee has a categorical grant of about $500 for every student who attends a charter school.[157] Mississippi includes charter schools as eligible for the sparsity weight in their formula if the school is located within the geographic boundaries of a district with a student density of fewer than eight students per square mile.[158] Alabama recently adopted a dedicated flat weight of 2% for charter schools for FY26.[159] In Missouri, charter school funding is calculated separately from the general formula. A multistep formula determines a per-pupil amount of state and actual local revenue based on the charter school's weighted ADA. This system aims to ensure charter schools and districts in St. Louis and Kansas City, where all Missouri's charter schools are located, receive the same per-pupil funding.[160]

Policy Considerations

Arkansas state leaders may consider creating a dedicated weight for charter schools to help offset lack of access to supplemental local funding. This may help partially address funding gaps between charter schools and traditional districts.

Outcomes-Based Funding

Outcomes-based funding links extra state funds to specific performance measures like standardized test scores, graduation rates, or postsecondary enrollment and completion.[161] This is relatively uncommon in K-12 education but more common in some higher education funding contexts.

The total amount of outcomes-based funding in states that use it is usually a very small part of overall state funding, designed to reward and motivate student success, although there is not a strong research base to support this practice. The measures a state chooses to use have significant implications. Relying on academic achievement, for example, often increases funds to already high-performing districts and wealthier districts. These higher outcomes often reflect the incoming advantages of the students, rather than the schools' direct contributions to achievement. A more targeted set of criteria might focus on growth or specific student groups that are usually lower performing. Some states consider postsecondary outcomes, such as college enrollment, degree completion, or workforce participation. This requires strong longitudinal data systems capable of tracking students beyond high school, and it might take several years for schools to see rewards for their efforts.

Peer State Benchmarking

Arkansas and five peer states do not currently have outcomes-based funding. Two peer states do:

- Tennessee provides a weight (10% or 20%) tied to the base amount for students meeting specific eligibility criteria based on academic achievement, which differ for elementary, middle, and high school and target specific groups of students.[162] During SY23-24, the state distributed $87 million in outcomes funding, which is less than 1% of the total amount of state education funding.[163]

- Texas provides per-pupil funding amounts to districts with more than the minimum number of graduates demonstrating college, career, or military readiness.[164] The per-pupil funding amount is higher for economically disadvantaged students ($5,000) than for those who are not ($3,000).[165]

Policy Considerations

There is not a strong evidence base to support outcomes-based funding in K-12, and these systems tend to reward districts that are already successful with the resources they have. If Arkansas decides to consider outcomes-based funding, it should ensure that the funding rewards student growth and progress, not just academic proficiency, and includes a small percent of overall funding focused on outcomes among students with different learning needs. This will help ensure that districts that serve more students with greater needs are not adversely impacted.

Transparency and Accountability

While some states have comprehensive and transparent fiscal accountability systems, most do not. A recent Bellwether publication laid out four key components to state fiscal accountability:[166]

- **Component 1 — Strong Foundational Fiscal Policy Structures**: Distribute funding using an adequate and equitable weighted student-based funding formula and establish clear state academic goals and measures of success through the state's academic accountability system.
- **Component 2 — Purposeful Local Planning and Engagement**: Establish an expectation that local budgets and academic goals are closely linked.
- **Component 3 — Transparent and Comprehensive Data Reporting**: Monitor resources and enable insights into connections among revenue, expenditure, and outcomes.
- **Component 4 — Capacity Building, Tiered Support, And Interventions**: Provide ongoing direction and support with increased intensity for underperforming districts and schools.

Peer State Benchmarking

Tennessee, Texas, and Alabama are peer states that meet two or more transparency and accountability components. Tennessee's 2023 transition to the TISA formula provided districts with greater flexibility in how they use their funds and also introduced more robust fiscal accountability measures. These measures include:[167]

- Annual public reporting on district funding use and academic outcomes.
- A formal review process that regularly assesses the formula's effectiveness and recommends improvement, with the state board of education having the authority to intervene in low-performing districts/schools.

The Texas Education Agency's dedicated School Improvement Division actively intervenes and supports districts and campuses that receive failing ratings through the state's accountability system. The state also maintains a financial accountability system, which includes:[168]

- The Financial Integrity Rating System of Texas (FIRST): Rates school districts on their financial management and transparency.
- The Texas Comptroller's Transparency Stars Program: Recognizes districts and agencies that excel in making financial data open and understandable to the public.

Alabama's recent RAISE Act introduces several fiscal accountability measures alongside new student-based state funding, which will come into effect gradually.[169]

- School districts must submit annual plans and detailed spending reports, ensuring that the proposed use of RAISE Act funds aligns with targeted improvements in student performance.
- The RAISE Act requires new achievement and growth data for each student subgroup receiving weighted funding to be reported on the state's school report card.
- Under the RAISE Act, by SY28-29, districts will be required to submit their accountability plans, budget, and reporting through a new "unified application" that integrates planning, budgeting, and reporting for all state and federal programs into a single document.
- The RAISE Act created an Accountability and Implementation Board comprising legislative leaders, state officials, and other education experts and leaders. The board's job is to review department recommendations and suggest corrective actions for districts that are not efficiently using the funding or not reaching the expected results.

Policy Considerations

If Arkansas adopts changes that allow more spending flexibility within weighted funding categories, it may also increase the need for accountability and transparency, especially for spending and funding data. These accountability measures could be accompanied by supports to ensure schools have the capacity to leverage new flexibilities and use resources effectively to support students, such as building capacity and best practices in strategic budgeting and tiered interventions for districts when needed.

Other Policy Considerations: Expected Local Share

As previously described, the responsibility for Arkansas' State Foundation Aid is shared between the state and local districts. The expected local share, or the URT, requires all school districts to levy 25 mills. The difference between the State Foundation Aid and the amount generated locally under the URT yields the amount that districts receive from the state. In FY25, the URT totaled $1.56 billion among Arkansas' districts.[170] Notably, charter schools do not have a local property tax base and therefore cannot levy the URT, resulting in no local contribution toward their State Foundation Aid. Instead, their entire State Foundation Aid amount is provided by the state.[171] All other state funding streams (e.g., for EL students, Enhanced Student Achievement) are fully state funded.

School districts can raise funds above the required amount through voter approval, and those additional local funds are not counted toward the expected local effort part of the State Foundation Aid calculation. This means that any local tax revenue generated above the 25 mill requirement is retained by the district as supplemental funding and does not reduce the amount of State Foundation Aid the district receives. If the value of the constitutionally required millage exceeds the State Foundation Aid amount, districts also still receive all state categorical funds, not adjusted for local revenue. In FY25, Arkansas districts raised $2.54 billion in local revenue.[172] This is nearly $980 million more local revenue than the state considers in its State Foundation Aid calculation. This disparity can have implications for the fairness and efficiency of state funding.

Although the task force was not explicitly charged with reviewing Arkansas districts' local contributions, the authors considered it an important issue due to the significant amount of local funding not accounted for in the state formula. While the state constitution sets 25 mills as a minimum levy, it does not prohibit the Arkansas General Assembly from enacting legislation that counts revenues above this minimum or includes more funding streams in the local-state split.

Conclusion

Arkansas' school funding system includes many strengths: The state invests more in K-12 education than many of its neighbors, and it provides additional funding for several key categories of student needs and major district cost drivers. However, there are opportunities for improvement. Current state K-12 education funding does not effectively differentiate for variation in student need among districts. Several student-based funding streams exist outside the main formula, and these funding streams are complex, limited in scope, and have restricted criteria for spending. These characteristics may diminish their transparency and effectiveness. Notably, the state lacks differentiated funding for special education students, which is a major category of student need and cost driver for districts.

There are several key areas where Arkansas state leaders may consider ways to improve, streamline, and modernize the state's K-12 education funding system. One potential approach across all the policy elements described above would be a structural transition to a weighted student funding formula. This is close to what Arkansas has now, with a few key differences. A comprehensive weighted student funding formula would retain a consistent base amount and apply student and community weights to account for varying needs, tied to the base. The expected local effort (URT) might then be applied to the total amount generated by this formula. This has the potential to clarify the funding system, focus state funding on students and communities with greater needs, and encourage district innovation in deploying resources to support students.

With the formation of a state task force and the rapidly evolving federal policy landscape, now is an opportune time for Arkansas to improve its state K-12 education funding formula. By implementing a simpler, more transparent weighted student formula with a clear base and purposeful, evidence-driven weights, the state can better ensure that resources are aligned with students' needs and support a high-quality education for all. ✦

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About Bellwether

Bellwether is a national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities. Founded in 2010, we work hand in hand with education leaders and organizations to accelerate their impact, inform and influence policy and program design, and share what we learn along the way. For more, visit **bellwether.org**.

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