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BUILDING SUSTAINABLE FUNDING FOR HIGH SCHOOL ALTERNATIVES

From Patchwork to Purpose

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Executive Summary

High school alternative education schools and programs serve students aged 14–24 whose needs are not met by traditional education systems. Done well, these programs offer flexible, student-centered, and supportive environments tailored to historically underserved youth. Despite the critical role they play in the U.S. education system, alternative schools face persistent funding challenges due to fragmented, inadequate, and unsustainable budget policies.

To better understand these policies, we drew on Education Northwest's national landscape scan of high school alternatives (Denton et al., 2022), along with input from eight state teams in the State Action Collaborative for High School Alternatives, conversations with practitioners across the country, and a review of state policies, white papers, and academic articles related to education budgets.

We combine this research with principles from EdTrust (Huddleston, 2025) and the Education Commission of the States (Duncombe & Peisach, 2025) to offer four clear and compelling funding principles to build a fair high school alternative funding system: adequacy, equity, transparency, and sustainability.

Adequate funding

High school alternatives should have adequate funding to go beyond basic remedial education and provide enriching learning environments for all students.

- Use average daily membership to capture the rolling enrollment in many high school alternative schools and programs.
- For states that use average daily attendance counts, allow students to take advantage of flexible hours and days of attendance without funding penalization for the school or program.
- Allow extended learning time revenue, including summer school and after-school programs that support credit recovery and personalized instruction and ensure students can graduate.
- Fund career-connected learning opportunities for students in alternative education.

Equitable funding

Equitable funding ensures that students have the resources they need to complete a diploma on their timeline with the flexibility they need to be successful.

- In student-based funding formulas, dedicate additional "weights" to supporting students who need it, including students who are eligible for free or reduced-price lunch, justice-involved, pregnant or parenting, or or experience other barriers to educational success.
- Ensure that students who need more time to complete a diploma have access to free public education for the time they need it (age 22 in many states).

- Provide students with the wraparound services they need to be successful, from food to mental health services.

Transparent funding

For district dollars to reach students in high school alternative programs, states need clear goals and reporting strategies that are transparent as to how much funding districts and schools should and do receive.

- Require districts to report on the distribution of weighted funding to the schools serving students who face systematic barriers to school success.
- Alternative education programs and schools should receive dedicated funding that reflects the unique opportunities and supports required to help the learners in their programs thrive.

Sustainable funding

The multiple funding sources often involved in supporting high school alternative education can lead to variability. These programs need funding sources that are stable enough to allow school leaders to plan years in advance and have confidence they will be able to sustain the services they implement.

- Create reserve funds dedicated to education funding that can supplement funding in instances of less available discretionary funds.

High school alternatives are vital for educational equity, yet they are often constrained by outdated and fragmented funding mechanisms. States must shift from patchwork policies to purposeful, sustained investments that reflect the unique strengths and needs of alternative education programs. By adopting the recommendations outlined, policymakers can better support the success of students furthest from opportunity.

Introduction

Alternative education programs serve students whose needs are not typically met in traditional school settings through innovative or supplemental instruction outside of regular, special, or vocational education (Sable et al., 2010, p. C-1). High school alternatives include a wide variety of programs, models, and structures designed to support students—typically between the ages of 14 and 24—in earning a diploma (Porowski et al., 2014). While diverse, high school alternatives are necessary because traditional systems—such as schools, the workforce, higher education, and the criminal justice system—do not consistently or equitably meet the needs of all students (Denton et al., 2022).

High school alternatives serve students who may thrive when they receive additional supports. Their needs are better met through smaller class sizes, trauma-informed practices, wraparound supports, and flexible and innovative[1] approaches—all of which can increase operational costs. Despite these greater needs, alternative schools and programs are often funded at a lower rate (Fresques et al., 2017).

Yet, research shows that increasing high school completion yields significant returns on investment to both the individual and society at large. One study found that increasing the high school completion rate of men ages 20–60 by just 1 percent could save the United States approximately $1.4 billion[2] each year (Moretti, 2007). Recent research on alternative learning environments indicates that programs that boost high school graduation rates offer substantial long-term economic returns. Graduates of these programs are more likely to be employed, earn higher wages, contribute more in taxes, and rely less on public assistance (Millenky et al., 2019).

Despite the benefits of high school alternatives to students and their communities, there is a lack of current research and guidance on how programs are funded state-by-state.[3] High school alternatives face significant funding challenges due to their design and the students they serve. For example, alternative education programs often rely on a fragmented mix of funding sources—state and local district allocations, workforce development dollars, competitive federal grants, and others (Parchment, 2024)—making these programs difficult to sustain, scale, or replicate. As a result, many statewide and local programs are left to navigate complex and disjointed budget policies.

[1] The Gardner Center provides several case studies as examples: https://gardnercenter.stanford.edu/project/case-studies-what-makes-great-alternative-high-school

[2] This would be about $2.2 billion in 2025, adjusted for inflation.

[3] A notable exemption is a review of the literature produced by Allum (2005) for the National Youth Employment Coalition, though the landscape has changed in 20 years.

This brief, informed by existing policies and collaboration with eight state teams working in high school alternatives, describes strategies for moving from a patchwork of unsupportive and insufficient budget policies to purposeful, dedicated funding that brings our educational systems closer to a place where all students can thrive. We hope that states will use this work as a foundation for collaboratively refining funding strategies for high school alternative education, ultimately creating budget policies that are sustainable and lead to high-quality and high-impact educational experiences for students.

How we conducted our review

This work builds on Education Northwest's national landscape scan of high school alternatives (Denton et al., 2022). To better understand high school alternative budget policy, we reviewed state policies, white papers, and academic articles related to education budgets. We also spoke with practitioners across the country about where budget policies impacted their ability to deliver high-quality educational experiences for students in high school alternative programs. Through our State Action Collaborative for High School Alternatives, funded by the Annie E. Casey Foundation, we gathered more insight on how funding impacts high school alternative programs.

How we evaluate funding policy

Due to the diversity of high school alternative definitions and formats and to the diversity of state approaches to education budgets, there is no one way to establish a state-level funding policy that will best serve these schools and programs. EdTrust (Huddleston, 2025) and the Education Commission of the States (Duncombe & Peisach, 2025) offer four clear and compelling funding principles to build a fair school funding system. We drew on these overarching principles to identify those most relevant to high school alternative programs. We evaluated high school alternative funding policy approaches—gathered from our analysis of relevant literature and conversations with state leaders from our state action collaborative and several others—based on whether they are:

Adequate. High school alternatives should have adequate funding to go beyond basic remedial education and provide enriching learning environments for all students.

Equitable. Equitable funding ensures that students have the resources they need to complete a diploma on their timeline with the flexibility they need to be successful. This means that students who need more support—such as students in under-resourced communities, students with disabilities, and learners whose needs are not met in a traditional school scheduling model (including working and parenting students)—should get more funding.

Transparent. For district dollars to reach students in high school alternatives, states need clear goals and reporting strategies that are transparent as to how much funding districts and schools should and do receive.

Sustainable. The multiple funding sources often involved in supporting high school alternative education programs can lead to variability. These programs need funding sources that are stable enough to allow school leaders to plan years in advance and have confidence they will be able to sustain the services they implement.

With the inherent complexity in high school alternatives, we bring a few boundaries and assumptions to our assessment. First, many of our suggestions are geared toward the majority of states that use a student-based funding formula—as opposed to the few states that use a resource-based or other formula (see appendix A for a more detailed description of these approaches). Additionally, while we know that some high school alternatives are provided through contracted schools operated by nonprofit or for-profit organizations, our analysis focuses on funding public alternative schools and programs operated by districts or public charters.

Adequate, Equitable, Transparent, and Sustainable Funding in High School Alternatives

In this section we describe the policy considerations for adequate, equitable, transparent, and sustainable funding for high school alternatives (table 1). The table includes a general practice in budget policy, a key consideration for high school alternatives, and a notable state example. While we have developed these considerations in close conversation with practitioners and policymakers, more evidence is necessary to understand the impact of these practices in specific state contexts.

Table 1. Application of funding policy principles to high school alternatives

Funding policy principles	Practice	Consideration	State example
+ Adequate	**Student counts that adequately capture student enrollment**	Use average daily membership to capture the rolling enrollment in many high school alternatives.	23 states use average daily membership for funding formulas
	Flexible learning opportunities	For states that use average daily attendance counts, allow students to take advantage of flexible hours and days of attendance without funding penalization for the school or program.	**Texas:** Optional Flexible School Day Program
		Allow extended learning time revenue, including summer school and after-school programs that support credit recovery and personalized instruction and ensure students can graduate.	**Florida:** Supplemental Academic Instruction
	Career-connected learning	Fund career-connected learning opportunities for students in high school alternatives.	**Arizona:** Industry Credentials Incentive Program

Funding policy principles	Practice	Consideration	State example
Equitable	**Student weights**	In student-based funding formulas, dedicate additional resources to supporting students who need it, including students who are eligible for free or reduced-price lunch, justice-involved, pregnant or parenting, or or experience other barriers to educational success.	**Michigan:** At-Risk[4] Funding
	Free public education for older students	Ensure that students who need longer to complete a diploma have access to free public education for the time they need it.	New Mexico, Ohio, South Carolina, Michigan, and others provide free public education until age 22
	Comprehensive student support	Provide students with the wraparound services they need to be successful, from food to mental health services.	**Minnesota:** State Approved Alternative Programs **Kentucky:** Kentucky Family Resource and Youth Services Center
Transparent	**Clear passthrough from districts**	Require districts to report on the distribution of weighted funding to the schools serving students who face systematic barriers to school success.	**Ohio:** Fiscal Year District Profile Report
	Dedicated alternative program or school funding	Alternative education programs and schools should receive dedicated funding that reflects the unique opportunities and supports required to help the learners in their programs thrive.	**California:** Alternative Schools of Choice **Indiana:** Alternative Education Grants **Washington:** Alternative Learning Environments

[4] Most legislation uses the term "at-risk" to describe students who may need additional services or support to complete high school. However, we prefer the term "at-promise" as a way of emphasizing student strengths in working toward their education goals. In this brief, we have replaced the term "at-risk" with "at-promise," except where it is tied to a specific piece of legislation.

Funding policy principles	Practice	Consideration	State example
Sustainable	**Dedicated and stable funding for education**	Create reserve funds dedicated to education funding that can supplement funding in instances of less available discretionary funds.	**Alaska:** Public School Trust Fund

Source: Authors' analysis of state budget policies.

Adequate

To be considered adequate, funding for high school alternatives must provide enriching learning environments for all students. We have identified three primary areas that states need to consider to meet this standard of adequacy: accurate student counts, flexible learning opportunities (Lincove et al., 2022), and career-connected learning (Newton et al., 2017).

Student counts that adequately capture student enrollment

States use a range of methods to count students for funding purposes, but most approaches fall short when applied to high school alternatives. These schools and programs frequently operate with rolling enrollment, meaning students can enter at any point during the year. Many also offer flexible credit recovery options, allowing students to graduate as soon as they complete their requirements—often outside the traditional academic calendar. Because of this, funding formulas that rely on static "count days"—typically a single day in the fall or both fall and spring (Syverson & Duncombe, 2022)—can underestimate actual enrollment in alternative programs. Further, while average daily attendance models look across the prior year, they can disadvantage students in alternative settings. Many of these students face barriers that affect consistent attendance or make it difficult to be present during daily roll call. In contrast, average daily membership (ADM), which is based on the average number of students enrolled in a school over a certain period, rather than those who are physically present on "count days" (Meyerhoff, 2022), provides a more equitable and reliable method to ensure that high school alternatives receive appropriate per-pupil funding for the students they serve.

Flexible learning opportunities

Flexible, student-centered learning opportunities—such as personalized instruction, competency-based progress, and real-world learning—are essential for all students and especially critical in high school alternatives (Denton et al., 2022). These approaches meet students where they are and support their success in ways traditional models often cannot.

Recognizing this, a growing number of states are shifting away from rigid seat-time requirements. As of 2024, at least 46 states and the District of Columbia allow students to earn credit through alternatives to seat time (Erwin et al., 2024). With these flexibilities, it is vital for states using attendance-based funding

models to ensure that schools are not penalized for offering flexible schedules. Policies should enable students to attend during hours and days that work for them, without reducing funding for their schools or programs (e.g., Texas's Optional Flexible School Day).

In addition to policy flexibility, targeted funding is also needed. Some flexible learning opportunities—particularly those that extend beyond the traditional school day or year—require supplemental investment. States should provide dedicated funding for extended learning time in high school alternatives, including summer and after-school programs that support credit recovery, individualized instruction, and pathways to graduation (e.g., Florida's Supplemental Academic Instruction). This funding should at least match the FTE calculations for school day instruction, though additional funding is preferred.

Career-connected learning

Funding for career-connected learning is essential to help programs offer students hands-on experiences aligned with best practices (Newton et al., 2017). While staff capacity is an important issue in high school alternatives, there are funding opportunities that schools may be able to access to support students' learning.

- **Workforce Innovation and Opportunity Act (WIOA).** WIOA provides funding for youth workforce development, particularly targeting out-of-school youth and those facing significant barriers to education and employment. While WIOA requires that 75 percent of youth funding be directed toward out-of-school youth, the remaining 25 percent can be used for in-school youth—including those in alternative settings—who qualify. Partnerships with YouthBuild or other programs for opportunity youth may support access to this funding. Additionally, WIOA requires states to have a workforce investment board or council. High school alternatives should consider representation on these boards so that their students' needs and desires are represented.
- **Carl D. Perkins Career and Technical Education Act (Perkins).** The Perkins Act sets aside funding for career and technical education (CTE), including programs, equipment, industry certification, career guidance, and more. While alternative schools and programs may not meet the minimum $15,000 threshold for spending, they often partner with a district CTE program, regional skills center, or consortium (Staklis & Klein, 2014) to offer CTE courses.
- **State funding for CTE.** States can directly provide funding for career-connected learning (e.g., Arizona's Industry Credentials Incentive Program). State agencies often support career-connected programmatic funding, but they also provide technical assistance and professional development and facilitate networks or hubs for eligible schools and programs (Erwin et al., 2024).
- **State funding for college and career learning.** States often dedicate funding to dual enrollment or dual credit programs tied to career pathways (Education Commission of the States, 2022) that students in high school alternatives can access. However, states should attend to providing equitable access and completion rates for all students (Zinth et al., 2025).

Equitable

Equitable approaches to funding ensure that students who need more support—including students from low-income backgrounds, students with disabilities, and students who are underserved by traditional education—get more support. We have identified relevant student weights, free public education for the time students need, and comprehensive services as three key approaches to providing more equitable funding for high school alternative settings.

Student weights

To ensure equitable student funding, student-based funding formulas need weights for specific student populations. Weighted student funding is associated with measurable categories—students from low-income families, English language learners, students with disabilities, and others (Connecticut School Finance Project, 2016). Districts receive additional dollars to support the needs of these students on top of the base amount for each student. These weights can cover a wide range of total funding, from 20 to 89 percent of total funding, and may be either unduplicated[5] or allow for students to be counted in multiple categories (Institute of Education Sciences, 2019).

Weighted student funding is particularly important for high school alternatives. Allowing students to be counted in multiple categories (e.g., receive funding for being both an English language learner and from a low-income family) can ensure that high school alternatives receive equitable funding to support students.

Additionally, some states have generated a specific weight for students who are identified as at-promise (Parker & Griffith, 2016). These categories may include students who are experiencing homelessness, in the foster care system, or eligible for free or reduced-price lunch (e.g., Michigan's "at-risk" funding). While some examples of this dedicated funding require significant data sharing (e.g., Department of Human Services, Child and Family Services), they ensure that funds are equitably distributed to students who need them most.

Public education for older students

State policy determines the maximum age at which students are entitled to receive free public education, with certain exceptions for students receiving special education services. In most states, this age cap is set at 20 or 21, though some are capped at age 19 (Education Commission of the States, 2020). A few states have adapted their policies to extend this limit; New Mexico, South Carolina, Michigan, and others provide free public education until age 22.

[5] Unduplicated student counts means that if students fall into multiple categories (e.g., low-income and English learner categories), then they would only be counted once for funding purposes.

This policy issue is especially relevant for students in high school alternatives, many of whom are significantly behind on credits. Extending the age limit gives these students a realistic opportunity to complete their education and earn a diploma. Once students exceed the age limit for free public education, they typically transition into adult education systems to pursue a high school diploma or GED. While these systems may offer greater flexibility, they are funded at significantly lower levels than traditional K–12 systems, creating additional barriers to student success.

Comprehensive student support

Students in alternative high school settings are more likely to thrive when their basic needs—such as food, shelter, child care, mental health care, and access to clean clothing—are consistently met (Fujita-Conrads et al., 2025). Integrated student support in schools can generate a $3 return for society for every $1 spent (Bowden & Gish, 2021). Funding these comprehensive student support services adequately can reduce barriers to learning for students furthest from educational opportunity. Overall, comprehensive services in high school alternatives are funded through a complex mix of federal and state money, local grants, and partnerships with community-based organizations (Denton et al., 2022). The approach varies by state, local education agency, and program. For example, some states and districts use a "community schools" approach to bringing schools and community together to support students (e.g., Minnesota State Approved Alternative Programs).

By contrast, Kentucky's Family Resource and Youth Services Center program is statewide. While every school in Kentucky may not have a center on site, they have access to a Family Resource and Youth Services Center to provide services and connect to local resources to meet the local need. Additionally, states may focus on social and emotional learning, trauma-responsive and healing-centered practices, and other approaches to supporting students holistically.

Additionally, while federal policy allows states to receive Medicaid reimbursement for providing physical and behavioral health services to any Medicaid-enrolled student, not all states have adopted this option (Mays, 2021). Other mental health funding is often piecemeal, drawing from state and federal sources (Rafa et al., 2021; see figure A1 in appendix A).

Transparent

For district dollars to reach students in high school alternatives, states need clear reporting strategies that are transparent as to how much funding districts and schools should and do receive.

Clear passthrough from districts

High school alternatives are often funded through their local districts in ways that do not necessarily ensure that funds dedicated to a given student population are actually spent in the school attended by a student from that population (Roza & Anderson, n.d.). For example, a district may need to provide little to no reporting on the amount of funding dedicated to an alternative education program serving students

with additional weights. To ensure that high school alternatives receive the correct funding allocation, districts should report on the distribution of weighted funding to the schools serving those students (e.g., Ohio's fiscal year district profile report). When districts dedicate weighted funding to schools, they can see student math and English outcome improvements, especially for students of color (Tuchman et al., 2022).

Dedicated alternative program or school funding

Because alternative education programs and schools serve students with diverse strengths and lived experiences—many of whom have been underserved by traditional systems—they should receive dedicated funding that reflects the unique opportunities and supports required to help these learners thrive. This funding should be equitable to, or greater than, that of the traditional system to ensure access to high-quality, responsive, and student-centered learning environments.

Very few states provide dedicated categorical funding to alternative schools and programs. However, those that do can ensure that the schools are transparently receiving the funding they need to support their students. States can dedicate specific grants to alternative schools and programs to help them meet students' needs (e.g., Indiana's Alternative Education Grants). States can also require funding at the same level of support as traditional schools (e.g., California's Alternative Schools of Choice) or determine funding through a unique funding rate (e.g., Washington's Alternative Learning Environments).

Sustainable

Sustainable funding is an issue in all public school environments, but it is a particular challenge for high school alternatives due to the multiple funding sources they access. The absence of clear processes for accessing and using funds, combined with the broader ambiguity in defining alternative education, complicates efforts to justify and stabilize funding (Aron & Zweig, 2003). High school alternatives require funding that is stable enough to allow school leaders to plan years in advance and have confidence they will be able to sustain the services they implement.

Dedicated and stable funding for education

States need to identify a strategy that works for their specific state context to ensure stable funding for education. While this is less specific to high school alternatives than many of our other considerations, states could consider creating reserve funds—dedicated to education funding—that can supplement funding in instances of less available discretionary funds (e.g., Alaska's Public School Trust Fund). This approach to funding can ensure that students have access to high-quality options to better prepare them for college and career success.

Conclusion

High school alternatives are a critical component of the educational landscape, offering flexible, student-centered pathways for learners to thrive outside of traditional settings. Despite their importance, these schools and programs often operate within funding systems that are inconsistent, opaque, and insufficiently tailored to their unique needs.

While the state contexts, formats, and student populations served by high school alternatives vary nationally, there are relatively consistent ways to ensure that these programs are funded in a way that is adequate, equitable, transparent, and sustainable. States looking to transform their funding models to better serve all students need to look across the patchwork of budget policies to ensure purposeful, dedicated funding for students furthest from educational opportunity.

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Appendix A. Summary of Education Funding Models

There are four basic education funding models (EdBuild, 2025):

- **Student-based.** Assigns a base cost to the education of an average student and calculates state funding for districts primarily by multiplying that cost by districts' enrollment figures. The state accounts for the additional cost of educating specific categories of students by adjusting its distributions, applying multipliers to the base cost, adding flat per-student dollar amounts to the base cost, and/or making program-specific allocations.
- **Resource-based.** Determines the cost of delivering education in a district based on the cost of specific programs and initiatives, and it generally does not itemize either the costs related to particular resources or the costs of delivering education to specific categories of students.
- **Program-based.** Determines the cost of delivering education in a district based on the cost of specific programs and initiatives, and it generally does not itemize either the costs related to particular resources or the costs of delivering education to specific categories of students.
- **No formula.** Funding is distributed based on historical allocation methods that do not rely on any specific formula (EdBuild, 2025).

Most states rely on student-based funding, but a subset of states use another model or a hybrid that combines two of the four policies for funding (table A1). For a more visual representation of state approaches, see Education Commission of the States' Glossary of K–12 Education Funding.

Table A1. Education funding models and state examples

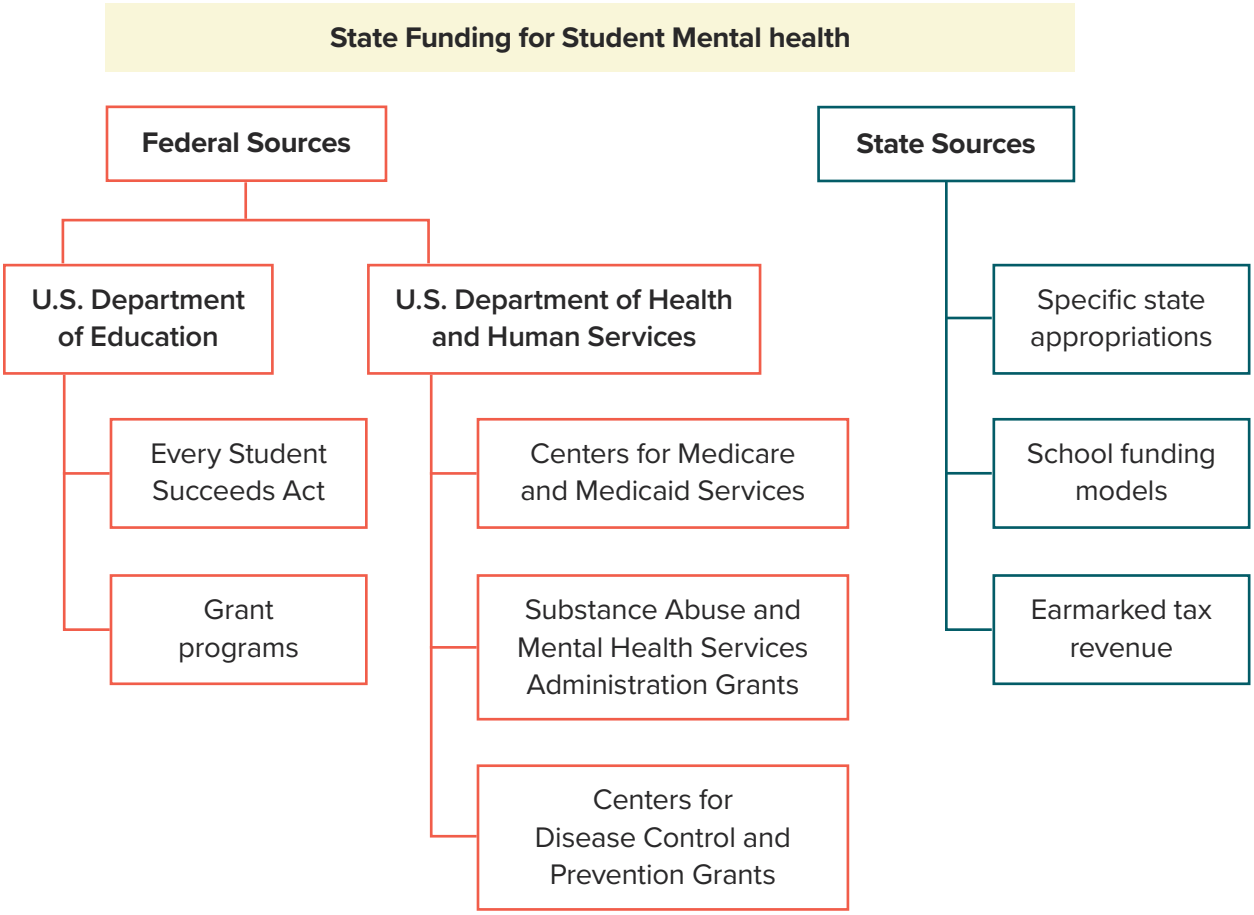
Funding model	State example
Student-based only (34 states)	**Arkansas** has a primarily student-based formula. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students considered in Arkansas' funding policy are students in certain grade levels; English-language learners; low-income students and students in high-poverty districts; students identified as gifted; students enrolled in career and technical education programs; students in alternative learning environments; and students enrolled in small, isolated, and sparsely populated districts.

Funding model	State example
Resource-based only (6 states)	**Washington** has a primarily resource-based funding formula. It determines the cost of delivering education in a district based on the cost of the resources (such as staff salaries and course materials) required to do so. The categories of students considered in Washington's funding policy are students in certain grade levels, English language learners, students in high-poverty schools, students with disabilities, students identified as gifted, students enrolled in career and technical education programs, and students enrolled in small schools and districts.
Program-based only (1 state)	**Wisconsin** is the only state that relies extensively on program-based allocations. The state does not use a base amount. The categories of students considered in Wisconsin's funding policy are certain low-income students and students in high-poverty districts, students in bilingual education programs, students with disabilities, students identified as gifted, students enrolled in career and technical education programs, and students in sparsely populated districts.
Hybrid– Student and Resource (7 states)	**Louisiana** has a hybrid funding formula, incorporating both resource-based and student-based elements. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students generating supplemental funding in Louisiana are students in certain grade levels, English language learners, students from low-income households, students with disabilities, students identified as gifted, students enrolled in career and technical education programs, and students in small school districts. It also provides funding allocations for specific resource costs, including certain staff and operating costs.
Hybrid – Student and Program (2 states)	**South Carolina** has a hybrid funding formula that incorporates both student-based calculations and extensive program-based allocations. It assigns a cost to the education of a student with no special needs or services, called a base amount, and provides increased funding to educate specific categories of students. The categories of students considered in South Carolina's funding policy are students in certain grade levels, English language learners, students from low-income households, students with disabilities, students identified as gifted, and students enrolled in career and technical education programs.
No formula (2 states)	**Illinois** and **Pennsylvania** allocate the bulk of state education funds based on historical allocations. In Illinois a small portion of funds are allocated via a resource-based model, and in Pennsylvania a small portion are allocated via a student-based model.

Source: Education Northwest's review of EdBuld's (2025) analysis of state budget policy.

Student mental health services can come from a diverse set of federal and state sources (figure A1).

Figure A1. State funding sources for student mental health



Source: From Rafa et al., 2021.