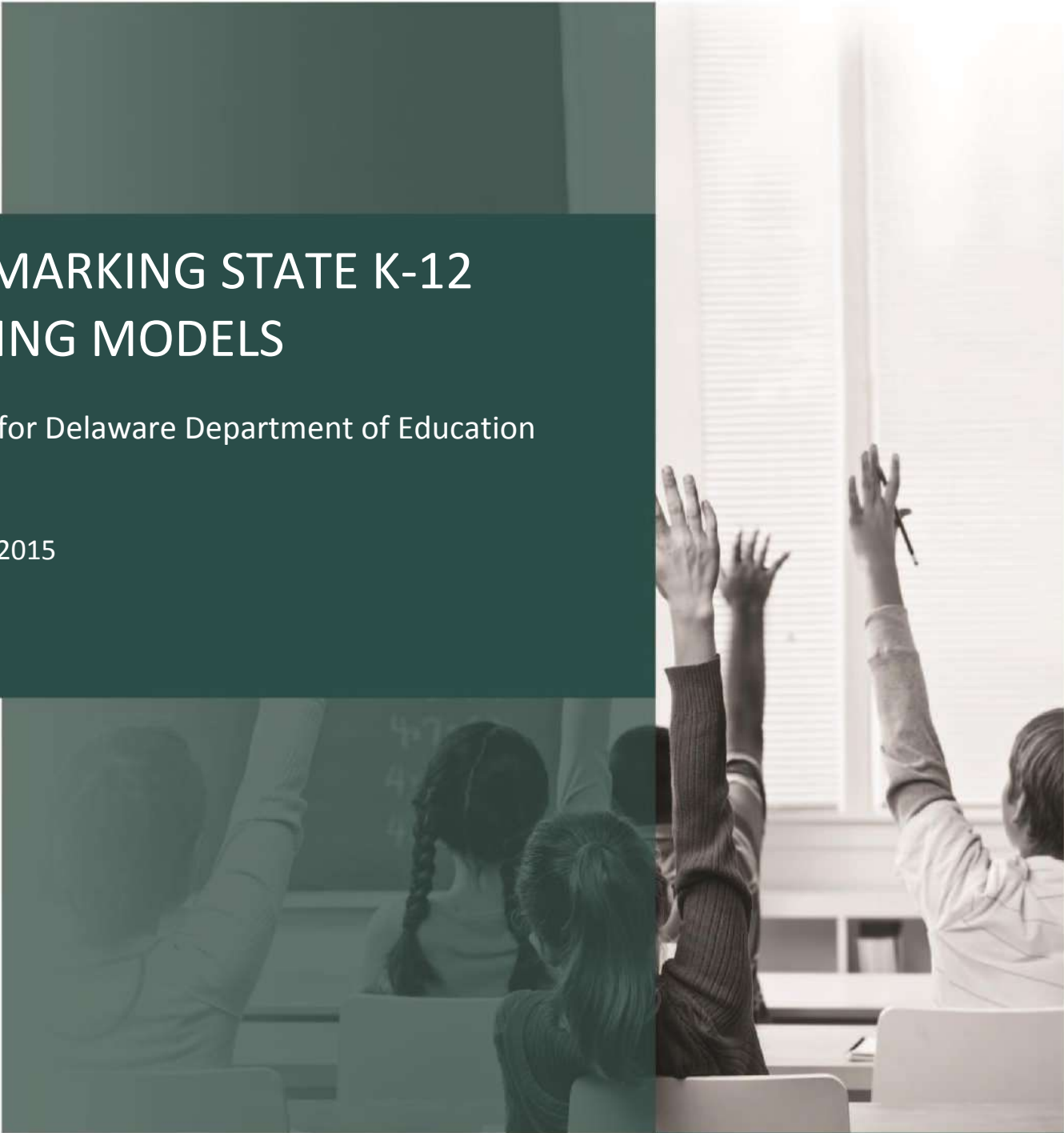


BENCHMARKING STATE K-12 FUNDING MODELS

Prepared for Delaware Department of Education

February 2015



In the following report, Hanover Research examines recent trends in state aid models for K-12 education, including four in-depth profiles of exemplary state models.

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EXECUTIVE SUMMARY AND KEY FINDINGS

INTRODUCTION

In order to support the Delaware Department of Education's (DDOE) review of its K-12 education funding model, the following report details current trends in state K-12 education funding. The report comprises two sections:

- **Section I: Literature Review** examines national trends in K-12 education funding models and formulas.
- **Section II: Exemplar States** profiles four states recognized for the equitable distribution of K-12 education funding statewide, including Massachusetts, Minnesota, New Jersey, and Wyoming.

KEY FINDINGS

- **Although all state education funding models are unique, most states allocate funds to school districts by a dollar amount per pupil (42 out of 50 states as of 2012).** Most states also adjust this dollar amount to direct additional aid to students and districts with greater needs. According to the Education Commission of the States, only seven states nationwide use position-based education funding models.
- **As of 2013, 37 states use at least one student-based formula factor that explicitly allocates additional funds on a per pupil basis for students with higher needs.** The most commonly used student-based formula factors, or "weights" are English language learner (ELL) status, low-income status, and special education status. Among the states profiled in this report, three states — Massachusetts, Minnesota, and New Jersey — use student-based formula factors to meet the needs of various student groups, including vocational students, low-income and ELL students, gifted and talented students, students in extended-day or extended-year programs, and different base funding amounts for students at different grade levels.
- **Forty-six states consider one or more district-based formula factors as of 2013.** District-based factors are typically community characteristics that drive up education costs, such as high cost of living, high levels of concentrated poverty, and small district size. Among the states profiled in this report, Minnesota provides funding for the most district formula factors, including concentration of students below the poverty level in a district, concentration of ELL students in a district, small and sparsely populated districts, and districts with declining enrollment levels, among other factors.

- **Some states include the creation of an “adequacy goal” in the education funding formula.** An adequacy goal is the amount of funding that each district needs to provide an adequate education to its unique population of students, based on the state funding formula and enrollment. States then strive to meet the adequacy goal for each district by providing aid to fill the gap between local resources and the goal level of spending. For example, Massachusetts sets a floor level of spending that all districts must meet called the “foundation budget,” and provides state aid to ensure that districts have enough revenue to meet the goal. Similar funding model adequacy goals are in place in Wyoming and New Jersey.
- **Nearly all states — 48 out of 50 — consider local wealth in determining the level of state funding provided to school districts.** Forty of these states determine local wealth in terms of property value only, while the remaining eight states consider other factors in determining local wealth, including local income, sales tax, and percentage of elementary school students eligible for free and reduced price lunch compared to the state average, among other factors.
- **Leading states for equitable school finance include, but are not limited to, Massachusetts, Minnesota, New Jersey, and Wyoming.** Exemplar states included in this report were chosen on the basis of top school finance scores awarded by Education Law Center’s 2014 National Report Card and/or *Education Week’s* 2015 “Quality Counts” school finance measures. A summary of the profiled state funding models is available in Figure A on the following page.

Figure A: Summary of Exemplar State Funding Models

FUNDING MODEL MECHANISMS	MASSACHUSETTS	MINNESOTA	NEW JERSEY	WYOMING
Student Count Method	Single Count Date – Enrollment	Average Daily Membership	Single Count Date – Enrollment	Average Daily Membership
Adequacy Target	Yes	No	Yes	Yes
Student-Based Formula Factors	<ul style="list-style-type: none"> • Grade level • Low-Income • LEP Students • Vocational Students 	<ul style="list-style-type: none"> • Grade level • EL Students • Low-Income • Extended Day/Year • Gifted and Talented* 	<ul style="list-style-type: none"> • Grade level • Low-Income • ELL Students • Vocational Students 	<ul style="list-style-type: none"> • Cost-based model based on actual calculated expenses for needed resources rather than allocated funds per pupil
District-Based Formula Factors	<ul style="list-style-type: none"> • District cost-of-living 	<ul style="list-style-type: none"> • Local tax effort • Concentration of poverty • Concentration of EL students • Small district • Sparsity and transportation • Declining enrollment • Other factors 	<ul style="list-style-type: none"> • Local tax effort • Concentration of poverty 	<ul style="list-style-type: none"> • Local tax effort • District cost of living • Small district and small school • Isolation funds provided as a reimbursement
Other General Formula Components	<ul style="list-style-type: none"> • Districts can contribute additional resources beyond foundation amount through local taxes; state pays a minimum 17.5% of foundation budget for all districts regardless of wealth. 	<ul style="list-style-type: none"> • Hold Harmless funds provided to districts in transition 	Additional funding provided for: <ul style="list-style-type: none"> • Preschool for all low-income students • Preschool for all students living in high-poverty districts • Additional security aid for high-poverty districts 	<ul style="list-style-type: none"> • Hold Harmless funds provided to districts with declining funds not based on declining enrollment.
Local Tax Share Calculation	50% Property Value 50% Local Income	Multiple Factors	50% Property Value 50% Local Income	Multiple Factors
Special Education Funding Mechanism	Census-Based Model – Uses assumed enrollment to allocate funds	Reimbursement Model funded outside of general education formula	Census-Based Model – 2/3 of funds included in weighted formula, 1/3 of funds awarded as separate categorical aid	Reimbursement Model funded outside of general education formula

*Gifted and Talented funds in Minnesota are allocated based on total district enrollment rather than enrollment of gifted and talented students.

SECTION I: LITERATURE REVIEW

INTRODUCTION

In 2010, states contributed an average of 43.5 percent of revenue to support public school districts, compared to an average 43.8 percent of revenue from local sources and 12.7 percent from the federal government. Because so much revenue for education is derived from local sources, which vary widely across community wealth and income levels, states do not simply supply a flat rate of support to all districts. Instead, most states rely on data-driven funding formulae in an attempt to allocate funding in a fair, equitable, and transparent manner.¹

According to a report on poverty and education published by the ETS Center for Research on Human Capital and Education, state education aid formulae generally strive to meet two concurrent goals:²

- To account for the fact that some local public school districts have less capacity to raise local revenues on their own (weaker property tax base); and
- To account for differences in the educational needs of students and other factors affecting the cost of education from one local district or school to another.

In pursuit of these goals, state education funding models are both complex and unique. However, while no two funding models are the same, many include similar provisions designed to meet the varying needs of students and districts. Figure 1.1 on the following page displays a summary of the factors accounted for in each state's funding model. This information was compiled by staff members at the Education Law Center (ELC), who carefully gathered these summaries using publically available information and confirming details with state education agency staff in each state. However, the publication acknowledges that some inaccuracies may be present in the figure due to the sheer complexity of state funding models and "differences in interpretation of abstract formula concepts and components."³ Additionally, the figure reflects state funding models as they existed in 2013. Only those states that are noted in the figure have been updated since that time.

¹ "Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States' Education Funding Formulas." Education Law Center, February 2013, p. 1. http://www.elc-pa.org/wp-content/uploads/2013/02/ELC_schoolfundingreport.2013.pdf

² Coley, R.J. and Baker, B. "Poverty and Education: Finding the Way Forward." ETS Center for Research on Human Capital and Education, July 2013, p. 36. http://www.ets.org/s/research/pdf/poverty_and_education_report.pdf

³ "Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States' Education Funding Formulas," Op. cit., p. i.

Figure 1.1: State Formula Factors for Basic Education Funding, 2013

STATE	ACCURATE STUDENT COUNT	WEIGHT FOR LOW INCOME STUDENTS	WEIGHT FOR STUDENTS WITH DISABILITIES	WEIGHT FOR ELL STUDENTS	PER STUDENT BASE COST	DISTRICT POVERTY FACTOR	DISTRICT COST OF LIVING FACTOR	DISTRICT TAX EFFORT FACTOR	SMALL DISTRICT FACTOR	ADEQUACY TARGET CALCULATED
Alabama	✓							✓		
Alaska	✓	✓	✓	✓	✓				✓	
Arizona	✓		✓	✓	✓				✓	
Arkansas	✓				✓			✓		✓
California**	✓	✓		✓	✓	✓		✓	✓	✓
Colorado	✓	✓		✓	✓		✓		✓	
Connecticut	✓	✓		✓	✓	✓				
Delaware								✓		
Florida	✓		✓	✓	✓	✓	✓		✓	
Georgia	✓		✓	✓	✓				✓	
Hawaii	✓	✓	✓	✓	✓					
Idaho	✓		✓						✓	
Illinois	✓	✓			✓	✓				
Indiana	✓	✓			✓	✓		✓	✓	
Iowa	✓	✓	✓	✓		✓				
Kansas	✓	✓		✓	✓	✓			✓	
Kentucky	✓	✓	✓	✓	✓			✓		
Louisiana	✓	✓	✓	✓	✓			✓	✓	
Maine	✓	✓	✓	✓	✓		✓	✓	✓	✓
Maryland	✓	✓	✓	✓	✓	✓	✓	✓		
Massachusetts*	✓	✓	✓	✓	✓		✓			✓
Michigan	✓				✓					
Minnesota*	✓	✓		✓	✓	✓	✓	✓	✓	
Mississippi	✓	✓			✓					
Missouri	✓	✓	✓	✓	✓		✓		✓	✓
Montana	✓	✓	✓		✓			✓		
Nebraska	✓	✓	✓	✓				✓	✓	
Nevada	✓					✓		✓	✓	
New Hampshire	✓	✓	✓	✓	✓			✓		

STATE	ACCURATE STUDENT COUNT	WEIGHT FOR LOW INCOME STUDENTS	WEIGHT FOR STUDENTS WITH DISABILITIES	WEIGHT FOR ELL STUDENTS	PER STUDENT BASE COST	DISTRICT POVERTY FACTOR	DISTRICT COST OF LIVING FACTOR	DISTRICT TAX EFFORT FACTOR	SMALL DISTRICT FACTOR	ADEQUACY TARGET CALCULATED
New Jersey*	✓	✓		✓	✓	✓	✓	✓		✓
New Mexico	✓	✓	✓	✓				✓	✓	
New York	✓	✓	✓	✓	✓	✓	✓	✓		
North Carolina										
North Dakota	✓				✓			✓	✓	
Ohio	✓									
Oklahoma	✓	✓	✓	✓	✓				✓	
Oregon	✓	✓	✓	✓	✓			✓	✓	✓
Pennsylvania										
Rhode Island	✓	✓			✓	✓		✓		✓
South Carolina	✓		✓		✓			✓		
South Dakota	✓				✓			✓	✓	
Tennessee	✓						✓	✓		✓
Texas	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Utah	✓	✓	✓		✓			✓	✓	
Vermont	✓	✓		✓	✓	✓			✓	
Virginia	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Washington	✓	✓	✓	✓		✓			✓	
West Virginia	✓				✓			✓	✓	
Wisconsin	✓				✓			✓	✓	
Wyoming*	✓						✓	✓	✓	✓

Source: Education Law Center⁴

*The noted states are profiled in Section II of this report; as such, the figure was updated when necessary to reflect the most recently available funding formula information, as detailed in Section II.

**California’s funding formula was updated from the original report to reflect changes made by the Local Control Funding Formula established in the 2013 Budget Act.⁵

⁴ Figure created verbatim from: Ibid., p. 11.

⁵ [1] “Local Control Funding Formula Overview.” California Department of Education.

<http://www.cde.ca.gov/fg/aa/lc/lcffoverview.asp>

[2] “LCFF Frequently Asked Questions.” California Department of Education.

<http://www.cde.ca.gov/fg/aa/lc/lcffffaq.asp>

TYPES OF STATE K-12 FUNDING FORMULAE

According to the Education Commission of the States (ECS), there are two main models for state education funding. Although each state's funding model is different, most fall into one of the following categories:⁶

- States provide a school district/charter school with a set amount of funding per pupil;
- States fund a number of positions (teachers, principals, counselors, librarians, etc.) per school.

In 2012, ECS found that 42 state education funding models allocate actual dollar amounts, while only seven states use funding systems based on a set number of positions.⁷ Based on the interests expressed by the Delaware Department of Education (DDOE), this report will place more emphasis on formulae that include a set amount of funding per pupil, particularly weighted student funding (WSF) models.

WEIGHTED STUDENT FUNDING

The WSF model for school funding, also called the "student-based budgeting" or "back-pack funding" model, is a school district and state education finance system that allocates funds based on enrollment and identified student needs.⁸ In a 2006 report on school finance, the Thomas B. Fordham Institute suggested that a WSF system could help remedy the problem of disparities in funding between wealthy and poor districts within the same state. The Fordham report defines WSF with the following five principles:⁹

- Funding should follow the child, on a per-student basis, to the public school that he/she attends;
- Per-student funding should vary according to the child's need and other relevant circumstances;
- It should arrive at the school as real dollars (i.e., not teaching positions, ratios, or staffing norms); that can be spent flexibly, with accountability systems focused more on results and less on inputs, programs, or activities;
- These principles for allocating money to schools should apply to all levels (e.g., federal funds going to states, state funds going to districts, districts to schools); and
- Funding systems should be simplified and made transparent.

⁶ Bullets adapted nearly verbatim from: "Understanding State School Funding." Education Commission of the States, *The Progress of Education Reform*, 13:3, June 2012, p. 3. <http://www.ecs.org/clearinghouse/01/02/86/10286.pdf>

⁷ Hawaii is not included in the analysis, as the state consists of only one district.

⁸ Petko, M. "Weighted Student Formula (WSF): What is it and How Does it Impact Educational Programs in Large Urban Districts." National Education Association, April 2005, p. 2. <http://www.nea.org/assets/docs/HE/formula.pdf>

⁹ Bullets taken verbatim from: "Fund the Child: Tackling Inequity & Antiquity in School Finance." Thomas B. Fordham Institute, June 2006, p. 3. http://www.schoolfunding.info/resource_center/media/Fordham_FundtheChild.pdf

The main goal of the WSF model is to increase equity in the distribution of education funds, but secondary goals often include improving flexibility in district- and school-level decision-making about how resources are used to meet student needs and creating transparency through easy to understand rules for education funding.¹⁰ While the Fordham Institute strongly recommends that states require districts to implement the same WSF policies adopted at the state level to ensure that funds follow the student all the way to the school level, many states do not require districts to do so.¹¹ However, WSF has been implemented at the district level in a number of large urban school districts, including Baltimore, Cincinnati, Denver, Hartford, Houston, New York City, Oakland, San Francisco, and Cleveland, among others.¹²

The Education Commission of the States describes the “steps” to WSF at the state level as follows:¹³

- **Step One: Starting with a Foundation** – A foundation formula begins with a per-pupil funding amount that is deemed sufficient to educate a general education student to state standards (also known as the “foundation” or “base” funding amount).
- **Step Two: Counting the Kids** – Each state needs to have a system to determine how it will count students for funding purposes.
- **Step Three: Weighting the Students** – Most states recognize that certain student populations require additional funding to meet state achievement expectations or standards.... Many states choose to supply districts with this additional funding by providing these needier students with additional weights in the funding formula. For example, if a state determines that it would cost districts 20 percent more to educate an English Language Learner, the formula would provide ELL students with an additional weight of 0.2. Some states determine the additional weights for high-needs students through studies either run by the state or through third parties. However, most states establish their weights through the political process based on the availability of funding.
- **Step Four: Determining the Total Foundation Amount** – To determine the total foundation amount you simply multiply the per-pupil foundation amount by the “Weighted Student Count.”
- **Step Five: Adding up the Tab and Splitting the Costs** – States split the cost of the total foundation amount between state education funding coffers (themselves) and the local districts, based on each district’s relative wealth.... As a district’s wealth increases, it is expected to pay a higher percentage of the total foundation amount. Conversely, lower-wealth districts could expect to receive a higher percentage from the state.

¹⁰ “Transforming School Funding: A Guide to Implementing Student-Based Budgeting.” Education Resource Strategies, 2014, pp. 6-8. <http://www.erstrategies.org/cms/files/2054-student-based-budgeting-guide.pdf>

¹¹ “Fund the Child: Tackling Inequity & Antiquity in School Finance,” Op. cit., pp. 27-28.

¹² “Transforming School Funding: A Guide to Implementing Student-Based Budgeting,” Op. cit., p. 19.

¹³ Bullets adapted nearly verbatim from: “Understanding State School Funding,” Op. cit., pp. 3-5.

FUNDING FORMULA COMPONENTS

Education Law Center (ELC), an organization that researches equity in school finance policy, asserts that “states that accurately, fairly, and transparently distribute their education dollars often share common components of a sound education funding formula.”¹⁴ ELC suggests that these common factors include a designated base cost for all students, formula factors that consider the different costs of students and districts that require additional resources, and an adequacy goal that establishes a target level of funding for all districts based on the funding model requirements.¹⁵

BASE COST

ELC defines the base cost as “the annual funding — absent additional factors for student and district differences — required for a student to meet state academic standards.” The organization’s 2013 analysis found that 36 states established a base cost for per student general funding.¹⁶ Some states designate the base cost by calculating the actual cost of needed resources. For example, Wyoming, which is profiled in Section II of this report, uses a variation of a base cost method determined by a study of the actual cost of the “basket of resources” needed to educate a child in the state, although these costs are determined on a per school rather than per student basis.¹⁷ However, base costs are often set by state legislatures according to the amount of funding currently available.¹⁸

FORMULA FACTORS

ELC’s “formula factors” are mechanisms included in state funding models that direct additional resources where they are most needed: to disadvantaged students and school districts with high poverty or other special funding needs. Formula factors may be either student-based or district-based, as discussed below.

Student-Based Factors

Student-based formula factors strive to account for differences in cost necessary to meet the needs of students from a variety of backgrounds. The most common student-based factors used in state funding models are English language learner (ELL) status, poverty status as determined by eligibility for free or reduced price lunch, and special education/disability status. According to ELC’s 2013 analysis of state funding formulae, 37 states use at least one student factor in the funding model, including 30 states that use a factor for low-income students, 27 states that use a factor for ELLs, and 25 states that use a factor for students who require special education services.¹⁹

¹⁴ “Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States’ Education Funding Formulas,” Op. cit., p. 5.

¹⁵ Ibid., p. 5.

¹⁶ Ibid., p. 5.

¹⁷ “Understanding State School Funding,” Op. cit., p. 3.

¹⁸ Ibid., p. 3.

¹⁹ “Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States’ Education Funding Formulas,” Op. cit., p. 5.

However, while these three student-based factors are the most widely used, some states use other factors based on unique state needs. For example, California includes extra funding provisions for students in foster care as well as low-income students and ELLs.²⁰ Oregon uses eight different student-based factors in its funding formula, including ELLs, low-income students, students who are pregnant or parenting, foster students, neglected or delinquent students, high school students, students attending a small school, and students with disabilities.²¹

When selecting student-based factors in a weighted funding formula, Education Research Strategies, an organization that works with school districts to implement student-based budgeting, cautions that weights must be chosen carefully. Too many student weights reduce the amount of resources available for the base weight of per pupil funding. Instead, ERS suggests that each weight selected should be:²²

- **Relevant:** tied to a real student need that typically requires additional resources to be addressed effectively. For instance, many formulas use some measure of poverty status as a proxy for academic need. While the two are highly correlated, especially in the primary grades, the relationship weakens as students reach high school. Therefore, a poverty weight for high school students may be less relevant than other potential weights;
- **Measureable:** objectively and quantifiably;
- **Independent:** to avoid perverse incentives or punishing schools for achieving desired outcomes, schools should not have direct control or agency over the metric. For example, a weight for academic performance at a high school should be based on the academic performance of the students *when they were in 8th grade*, rather than their performance at the school they currently attend;
- **Significant:** present in at least three to five percent of the student population without applying to all students; and
- **Diversified:** exist at more than one school or district and with significant variation across schools and districts.

District-Based Factors

District-based factors that are used in state funding models can vary widely based on state needs. For example, states with a large rural population may use district-based factors that provide extra funding for districts operating in sparsely populated areas or school districts

²⁰ “Local Control Funding Formula Overview,” Op. cit.

²¹ “Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States’ Education Funding Formulas,” Op. cit., p. 5.

²² Bullets taken verbatim from: “Transforming School Funding: A Guide to Implementing Student-Based Budgeting,” Op. cit., p. 18.

with small enrollments. ELC's study of state funding models suggests that the most common district-based factors are:²³

- District Poverty Factor, or the concentration of students receiving free or reduced price lunch in the district;
- District Cost of Living Factor, an adjustment for districts where average wages and expenses are higher than the state average;
- District Tax Effort, or a measure of the district's current property tax level; and
- Small District Factor, a factor that provides additional funding to districts and/or schools with small enrollments.

ELC's 2013 analysis found that 46 states use at least one district-based factor in their funding models, including 27 states that provide additional funding to small school districts and 29 states that consider local tax effort.²⁴

ADEQUACY GOAL

After determining a base per-student cost and factoring in added costs for selected student and district characteristics, the resulting funding level is the adequacy goal, or the amount of funding each district needs to provide an adequate education to all of its students. According to ELC, adequacy goals are effective only when states keep an accurate tab on district data and actual cost of education resources.²⁵ ELC describes its vision of an appropriate adequacy goal process as follows:

When a state does periodic checks on its student data and costs, it can then determine whether there's a "gap" between its current funding level and what's necessary for student success. This is often known as the "adequacy gap." Once a state identifies the adequacy gap, it can establish an adequacy goal — a resource level to reach over a set period of time.²⁶

In its 2013 analysis, ELC found that 12 states establish an adequacy goal for district funding and seek to guarantee funding at this level.²⁷ In Massachusetts, profiled in Section II of this report, an adequacy goal known as the district foundation budget is set as a unique, "floor" level of spending to which each district must adhere. If a district does not generate enough revenue from local taxation to meet its foundation budget, the state provides aid to fill the funding gap. However, the foundation budget is the minimum level of funding, which wealthier districts may exceed using additional local resources where available. Alternatively, Wyoming's education funding model, also profiled in Section II of this report, sets its adequacy goal, known as a foundation guarantee, as a ceiling for per pupil spending. If a district's local resources exceed the foundation guarantee, the state recaptures excess

²³ Ibid., p. 11.

²⁴ Ibid., p. 6.

²⁵ Ibid., p. 6.

²⁶ Ibid., p. 6.

²⁷ Ibid., p. 11.

resources and redistributes the funds to help meet needs in districts where local resources are insufficient.²⁸ Regardless of how the state adequacy goal is established, the purpose of this formula component is to ensure that state funds are used to provide a sufficient level of funding based on student and district needs regardless of local wealth.

FURTHER CONSIDERATIONS FOR STATE FUNDING MODELS

In order to provide a complete analysis of state education formula components, the subsections below detail state practices for other funding model considerations, including funding for special education, student count mechanisms, and methods for the determination of the local share of education costs or local tax capacity.

SPECIAL EDUCATION

As previously mentioned, some states include special education funds as a student-based weight in the state funding formula. However, special education funding is often provided by the state outside of the general education model, and many states have a separate funding formula or model just for special education programs. ELC found in 2013 that only 25 states include weighted funding for students with disabilities in the general education funding formula.²⁹

Figure 1.2, on the following page, displays the results of a 2009 survey conducted by the National Association of State Directors of Special Education (NASDE) “Project Forum” on state special education funding formulae. A study of the survey’s results by NASDE revealed seven main mechanisms for special education funding, although the authors of the study point out that the listed mechanisms represent the main funding method, but not a complete description of all funding available. According to the study, “Formulas are often complex, generally comprising multiple streams, and many states added comments about their funding mechanisms [to further explain the model].”³⁰ As shown in the figure, there are a variety of mechanisms for funding special education, the most common of which is weighted student funding based on disability, type of placement, and student need.³¹ It must be noted that special education funding formulae are likely to change over time, and the data below may not accurately represent individual state funding models after 2009.

²⁸ See “Massachusetts” and “Wyoming” in Section II of this report.

²⁹ “Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States’ Education Funding Formulas,” Op. cit., p. 11.

³⁰ Ahearn, E. “Financing Special Education: State Funding Formulas.” National Association of State Directors, April 2010, p. 3. http://nasdse.org/DesktopModules/DNNspot-Store/ProductFiles/82_dce66976-08dd-4cdd-abbd-1397e973c81a.pdf

³¹ Ibid.

Figure 1.2: Special Education Funding Mechanisms by State, 2009

MECHANISM	DEFINITION	STATES
Multiple Student Weights	Funding (either a series of multiples of the general education amount or tiered dollar amounts) allocated per special education student that varies by disability, type of placement, or student need	12 States <i>(Arizona, Colorado, Florida, Georgia, Indiana, Iowa, Kentucky, New Mexico, Ohio, Oklahoma, South Carolina, Texas)</i>
Census-Based	A fixed dollar amount per total enrollment or Average Daily Membership (ADM)	7 States <i>(Alabama, California, Idaho, Massachusetts, Montana, New Jersey, Pennsylvania)</i>
Single Student Weights	Funding (either a single multiple of the general education amount or a fixed dollar amount) allocated per special education student	7 States <i>(Louisiana, Maine, New Hampshire, New York, North Carolina, Oregon, Washington)</i>
No Separate Special Education Funding	Funding to support special education is rolled into the overall funding levels	7 States <i>(Arkansas, Connecticut, Hawaii, Missouri, North Dakota, Rhode Island, West Virginia)</i>
Resource-Based Funding	Funding based on payment for a certain number of specific education resources (e.g., teachers or classroom units), usually determined by prescribed staff/student ratios that may vary by disability, type of placement or student need	6 States <i>(Delaware, Kansas, Mississippi, Nevada, Tennessee, Virginia)</i>
Percentage Reimbursement	Funding based on a percentage of allowable, actual expenditures	5 States <i>(Michigan, Minnesota, Nebraska, Wisconsin, Wyoming)</i>
Block Grant	Funding based on base-year or prior year allocations, revenues, and/or enrollment	1 State <i>(Utah)</i>
Combination	Funding based on a combination of formula types	5 States <i>(Alaska, Illinois, Maryland, South Dakota, Vermont)</i>

Source: National Association of State Directors of Special Education³²

STUDENT COUNT MECHANISMS

Using an accurate count of students is a critical factor in determining the appropriate level of funding for school districts. Student count mechanisms must not only include accurate measures of the number of students, but the number of ELLs, students receiving free or reduced price lunch, special education students, and any other student groups that a state formula might weight at a different level than the overall student population.³³

³² Figure verbatim from: Ibid., p. 3.

³³ “Funding, Formulas, and Fairness: What Pennsylvania Can Learn from Other States’ Education Funding Formulas,” Op. cit., p. 9.

As shown in Figure 1.3 below, states use a variety of mechanisms to measure district enrollment. The figure is derived from a study on student count mechanisms conducted in 2012; researchers administered a survey to 44 state education agencies to determine the most recent information about student count policies.³⁴ As shown in the figure, the most common student count mechanism is “Average Daily Membership,” which is the average total enrollment of each district over the course of all or almost all of the previous school year.³⁵

Figure 1.3: Student Count Mechanisms by State, January 2012

MECHANISM	DEFINITION	STATES
Single Count Date – Enrollment	A count done on a single day, usually near the beginning of the school year, <i>based on district enrollment.</i>	8 States <i>(Colorado, Iowa, Kansas, Maryland, Massachusetts, Nevada, New Jersey, and South Dakota)</i>
Single Count Date – Attendance	A count done on a single day, usually near the beginning of the school year, <i>based on district attendance on that day.</i>	1 State <i>(Connecticut)</i>
Multiple Count Dates	Two or more counts done during the school or calendar year, with one occurring in the fall and the second occurring in the winter or spring. Each count is weighted individually.	10 States <i>(Arizona*, Delaware, Georgia, Hawaii, Indiana*, Louisiana, Maine, Michigan, Montana, and Wisconsin)</i>
Average Daily Attendance	An average calculated using daily count numbers from all or most of the school year of <i>all students in attendance.</i> ADA does not include absent students in the count.	7 States <i>(California, Illinois, Kentucky, Mississippi, Missouri, New York, and Texas)</i>
Average Daily Membership	An average calculated using daily count numbers from all or most of the school year of <i>all students enrolled.</i> ADM includes absent students in the count.	14 States <i>(Arkansas, Minnesota, Nebraska, New Hampshire, North Carolina, North Dakota, Oklahoma, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Washington, and Wyoming)</i>
Single Count Period	An average of a daily count during a designated period near the beginning of the school year. This type of count may or may not include absent students.	3 States <i>(Alabama, Alaska, Ohio)</i>
Multiple Count Periods	An average of multiple daily counts conducted during two or more periods during the school year.	1 State <i>(Florida)</i>

*These states reportedly changed student enrollment count mechanisms in FY2013 to the mechanism listed.

States not included in this table did not respond to the January 2012 survey

Source: Center for Evaluation and Education Policy³⁶

³⁴ Lara, L.M., Spradlin, T.E., and Wodicka, C.Y. “Student Count Mechanisms for Funding Purposes.” Center for Evaluation and Education Policy, 10:2, Spring 2012.

http://ceep.indiana.edu/projects/PDF/PB_V10N2_2012_EPB.pdf

³⁵ Ibid.

³⁶ Figure adapted verbatim from multiple tables: Ibid.

DETERMINING LOCAL SHARE OF COST

Almost all states take community wealth into account when allocating school funding. In fact, in 2013 only two states – Pennsylvania and Hawaii – provided a flat amount of basic education funding per pupil without adjusting for community wealth. According to the Education Commission of the States, 40 of the 48 states that adjust funding with consideration to community wealth currently use school district property value as the only measure of local tax capacity.³⁷

While property value measures are a relatively reliable measure of community wealth in most school districts, this method can be challenging for communities where property values rapidly outpace resident income levels; although property increases in value, property owners may not actually have the necessary income to meet the higher tax levels. In response to the existence of high property-wealth/low-income communities and school districts, eight states use alternative measures of local tax capacity in combination with property value (see Figure 1.4 below). Alternative measures for local tax capacity most often include a measure of local income, but may also include sales tax base or, in Rhode Island, the percentage of students eligible for free or reduced price lunch in the elementary grades in the community compared to the state average.³⁸

Figure 1.4: Alternative Measures of Local Tax Capacity, 2013

STATE	PROPERTY MEASURE	INCOME MEASURE	OTHER MEASURE(S)
Connecticut	Property Value 90%	Income 10%	--
Maryland	Real Property Personal Property	Total Taxable Income	Public Utilities Assessable Base
Massachusetts	Property Value 50%	Income 50%	--
New Jersey	Based on Property Values and Property Tax Rates 50%	Income and Income Tax Rates 50%	--
New York	Property Value 50%	Income 50%	
Rhode Island	Property Value 50%	--	Percentage of Grade PreK-6 students eligible for free/reduced lunch compared to the state average 50%
Tennessee	Property Value 50%	--	Sales Tax Base 10%
Virginia	Property Value 50%	Income 40%	Sales Tax Base 10%

Source: Education Commission of the States³⁹

³⁷ “Who Pays the Tab for K-12 Education?” Education Commission of the States, *The Progress of Education Reform*, 14:4, August 2013, p. 2. <http://www.ecs.org/clearinghouse/01/08/47/10847.pdf>

³⁸ *Ibid.*, p. 3.

³⁹ Figure taken verbatim from: *Ibid.*, p. 3.

SECTION II: EXEMPLAR STATE FUNDING MODELS

The following section profiles four exemplary state funding models that demonstrate the adequate and equitable distribution of funds across districts in the state. The states profiled include:

- Massachusetts;
- Minnesota;
- New Jersey; and
- Wyoming.

SELECTION CRITERIA

The four states profiled in this section were chosen based on two sources of information on the equitable distribution of school funding: *Education Week's* 2015 "Quality Counts" report, which ranks states' finance performance in terms of spending level and equity, and Education Law Center's (ELC) 2014 National Report Card on school funding fairness.

Education Week's "Quality Counts" report considers school finance in terms of both overall spending level and equitable distribution of funds across school districts, using school finance data from 2012. The report awards states a number grade from 0 to 100 for each of the school finance factors on the basis of eight variables:⁴⁰

- Equity Variables
 - Wealth-Neutrality Score – relationship between district funding and local property wealth (a negative value indicates higher funding for poorer districts);
 - McLoone Index – actual spending as percent of amount needed to bring all students to median level;
 - Coefficient of Variation – amount of disparity in spending across districts; and
 - Restricted Range – difference in per-pupil spending levels of the 95th and 5th percentiles.
- Spending Variables
 - Per-Pupil Expenditures (PPE) – adjusted for regional cost differences;
 - Percent of Students in Districts with PPE at or above U.S. Average;
 - Spending Index – per-pupil spending levels weighted by the degree to which districts meet or approach the national average for expenditures (cost and student need adjustment); and
 - Percent of Total Taxable Resources Spent on Education.

⁴⁰ Bullets created verbatim from: "School Finance." *Education Week*, 2015. <http://www.edweek.org/media/school-finance-education-week-quality-counts-2015.pdf>

Based on spending and equity scores, each state is awarded an overall school finance score on an A-F scale.⁴¹

In examining ELC's 2014 National Report Card, which uses school finance data from 2011, this report focuses on funding distribution, one of the report card's four measures of fair student funding. This measure considers per pupil spending by school district relative to student poverty. According to the report, "this measure addresses the key question of whether states' funding systems recognize the additional resources required to provide an equal educational opportunity in settings of concentrated student poverty."⁴² For this measure, states are graded based on the ratio of per pupil spending between high- and low-poverty school districts on an A-F scale.⁴³

In order to be included in this report, a state must be:

- Ranked among the top five states for school finance in the 2015 "Quality Counts Report," including Wyoming (ranked number one); or
- Ranked among the top five states for fairness in funding distribution by ELC's 2014 National Report Card, including Minnesota (ranked number one); or
- Awarded a grade of "B" or higher for school finance in the 2015 "Quality Counts" report *and* awarded a grade of "B" or higher by ELC's 2014 National Report Card, including Massachusetts and New Jersey.

⁴¹ "Quality Counts 2015: State Report Cards Map." *Education Week*, 2015.

<http://www.edweek.org/ew/qc/2015/2015-state-report-cards-map.html?intc=EW-QC15-TOC>

⁴² Baker, B.D., D.G. Sciarra, and D. Farrie. "Is School Funding Fair? A National Report Card." Education Law Center, January 2014, p. 15. http://www.schoolfundingfairness.org/National_Report_Card_2014.pdf

⁴³ *Ibid.*, p. 14.

MASSACHUSETTS

MASSACHUSETTS PUBLIC SCHOOLS			
Operating School Districts: 408	Total Schools: 1,860	Total Students: * 955,739	State Aid: ** \$4.3 billion

All information from academic year 2013-2014 unless otherwise noted

*Total students as of 2014-2015

**State Aid includes Chapter 70 funding in FY2014

Source: Massachusetts State Department of Elementary and Secondary Education⁴⁴

The Massachusetts Department of Elementary and Secondary Education (MADESE) is one of the leading state education agencies in the nation. In 2014, ELC awarded the state an “A” in equitable funding distribution, ranking it seventh out of the 49 states considered in the analysis.⁴⁵ However, while Massachusetts scored well above the national average on spending levels in *Education Week’s* most recent “Quality Counts” report, the state scored slightly below average on equity in education spending (see Figure 2.1 below).

The following subsections explore Massachusetts’ current state education funding formula: Chapter 70 education aid. The subsections cover the state’s required foundation budget determination, local tax capacity calculations, and state aid allocation process, as well as recent challenges faced by the current model.

Figure 2.1: Massachusetts School Funding Scores

CATEGORY	STATE SCORE	NATIONAL AVERAGE	RANK
EDUCATION WEEK “QUALITY COUNTS,” 2015			
Overall School Finance Score	B	C	10
Equity	82.0	85.1	--
Spending	84.0	65.4	--
EDUCATION LAW CENTER NATIONAL REPORT CARD, 2014			
Funding Distribution	A	--	7

Source: *Education Week*⁴⁶ and Education Law Center⁴⁷

⁴⁴ [1] “General.” Massachusetts Department of Elementary and Secondary Education.

<http://profiles.doe.mass.edu/profiles/general.aspx?topNavId=1&orgcode=00000000&orgtypecode=0&>

[2] “Enrollment Data.” Massachusetts Department of Elementary and Secondary Education.

<http://profiles.doe.mass.edu/profiles/student.aspx?orgcode=00000000&orgtypecode=0&>

[3] “School Finance: ESE Budget: FY14 Update on State Aid Programs for Elementary and Secondary Education.”

Massachusetts Department of Elementary and Secondary Education, June 15, 2013.

<http://www.doe.mass.edu/finance/ESEbudget/FY2014update.html>

⁴⁵ Hawaii and the District of Columbia are not included in the 2014 Report Card because they are single-district education systems.

⁴⁶ Baker, Sciarra, and Farrie, Op. cit., p. 15.

⁴⁷ “Massachusetts – State Highlights 2015.” *Education Week*, 2015, p. 2.

<http://www.edweek.org/media/ew/qc/2015/shr/16shr.ma.h34.pdf>

FUNDING MODEL

Massachusetts' current state aid formula — known as “Chapter 70” — was established in 1993 as part of the state’s Education Reform Act (Ed Reform), and underwent its last major revision in 2007 in an attempt to better calculate education costs and the tax capacity of school districts.⁴⁸ The education formula strives to allocate state aid in an equitable fashion by:⁴⁹

- Creating a minimum required funding level for all districts. A district’s minimum requirement is driven by its “foundation budget,” calculated by considering the specific needs of its student population (e.g. the number of low-income students);
- Requiring communities to contribute revenue based on their local tax-raising capacity; and
- Providing aid to fill the gap between a district’s foundation budget and its required local contribution.

Foundation Budget Calculation

Chapter 70 requires that the state calculate a foundation budget for each school district, which is based on a number of factors including enrollment, the needs of the district’s student population, and the average wages in the community.⁵⁰ Accordingly, foundation budgets are calculated by “multiplying the number of students at each grade level and demographic group (e.g., low-income and limited English proficiency students) by a set of education spending categories (e.g., teacher compensation, professional development, building maintenance), and then adding together those total dollar amounts.”⁵¹

Education finance reform implemented in FY 2007 established eleven functional areas and fourteen enrollment categories that determine the amount of funding each district needs to provide an adequate education to its student population. The functional areas, determined based on different grade level needs and adjusted annually for inflation, include:⁵²

- | | |
|-------------------------------------|--|
| ■ Administration | ■ Instruction |
| ■ Classroom and Specialist Teachers | ■ Other Teaching Services |
| ■ Professional Development | ■ Instructional Equipment and Technology |
| ■ Guidance and Psychological | ■ Pupil Services |
| ■ Operations and Maintenance | |

⁴⁸ Shuster, L. “Ed Reform at Twenty: What’s Worked, What’s Changed, and What’s Next.” Massachusetts Budget and Policy Center, June 18, 2013. http://www.massbudget.org/report_window.php?loc=ed_reform_twenty.html

⁴⁹ Bullets taken nearly verbatim from: Ibid.

⁵⁰ “Demystifying the Chapter 70 Formula: How the Massachusetts Education Funding System Works.” Massachusetts Budget and Policy Center, December 7, 2010. http://www.massbudget.org/report_window.php?loc=Facts_10_22_10.html

⁵¹ Ibid.

⁵² Bullets taken verbatim from: “The Massachusetts Foundation Budget.” Massachusetts Department of Elementary and Secondary Education, July 8, 2014, p. 2. <http://www.doe.mass.edu/finance/chapter70/chapter-cal.pdf>

- Special Education Tuition
- Employee Benefits and Fixed Charges

The sum of all 11 functional areas creates a total per pupil “foundational rate” for each enrollment category. Furthermore, the local labor market is taken into account for eight of the 11 functional areas that include salary costs. The “wage adjustment factor” is designed to provide districts in communities with a higher cost of living with extra funding, sufficient to pay its staff a competitive wage. This factor is calculated based on the difference between the district’s labor market area and the state average, weighted at 80 percent, and the difference between the district’s town labor market and the state average, weighted at 20 percent.⁵³

Although the wage adjustment factor originally provided higher funding levels to districts with more expensive labor costs and also cut funding for districts with lower labor costs, the current design does not allow any district to have a wage adjustment factor lower than 100 percent. In this way, MADESE provides additional funding to districts with higher labor costs without cutting funding from other districts with lower labor costs. Massachusetts is one of only a few states that controls for varying labor costs in its state education funding model.⁵⁴

District “foundation enrollment” in Massachusetts is determined in a total student count on October 1st of each school year. The count is based on enrollment rather than attendance; a student who is absent on October 1st is counted as long as she or he is enrolled, but a student who leaves the school in September or enrolls after October 1st is not counted.⁵⁵ Students in pre-kindergarten and half-day kindergarten are counted as 0.5 pupils.⁵⁶ According to MADESE, foundation enrollment:

...is comprised primarily of local resident schoolchildren attending their community’s local or regional school district. However, it also includes students for whom the district is paying tuition, such as those at Commonwealth charter schools, other school districts, special education schools, and other settings. It does not include tuitioned-in students from other districts, because their home districts are paying for those students’ costs.⁵⁷

Each individual student counted in a district’s foundation enrollment is categorized into one of 10 base enrollment categories, which differentiate costs across the 11 functional areas for grade levels as well as for limited English proficient (LEP) students and vocational students. In addition to base enrollment categories, Chapter 70 also includes four “cost incremental” categories that attribute more funds beyond the base amount to low-income and special education students. Essentially, every student is counted in a base enrollment category, but low income students are also counted in the cost-incremental enrollment

⁵³ Ibid., p. 4.

⁵⁴ Ibid., pp. 3-4.

⁵⁵ “Foundation Enrollment.” Massachusetts Department of Elementary and Secondary Enrollment, p. 1.
http://www.doe.mass.edu/finance/chapter70/enrollment_desc.pdf

⁵⁶ Ibid., p. 3.

⁵⁷ Ibid., p. 1.

category and qualify for additional funding. Special education funds are allocated slightly differently, using a census-based model rather than a student count.⁵⁸

The Massachusetts census-based method for special education “assumes” that in-district special education students will account for 3.75 percent of foundation enrollment — excluding pre-kindergarten and vocational pupils — and 4.75 percent of vocational enrollment. Out-of-district special education enrollment is assumed at 1 percent of total foundation enrollment, again excluding pre-kindergarten and vocational programs.⁵⁹

Figure 2.2 below displays the foundational rate allocated to each of the 10 base enrollment categories and four cost-incremental categories in 2015. These amounts are awarded to each district based on enrollment, with consideration to the wage adjustment factor. In 2015, the average foundation rate per pupil in Massachusetts is \$10,486.⁶⁰

Figure 2.2: Foundation Budget, FY2015 Rates per Pupil

STUDENT GROUP	FOUNDATIONAL RATE
BASE ENROLLMENT CATEGORIES	
Pre-K and ½ Day K	\$3,586
Kindergarten	\$7,171
Elementary (Grades 1-5)	\$7,214
Junior High/Middle School (Grades 6-8)	\$6,840
High School (Grades 9-13)	\$8,539
LEP, Pre-K and ½ Day K	\$4,583
LEP, Full Time (Grades 1-12)	\$9,166
Vocational Students	\$13,005
COST INCREMENTAL ENROLLMENT CATEGORIES	
Special Education – In-school	\$24,958
Special Education – Tuitioned Out	\$26,070
Low-Income Elementary	\$3,422
Low-Income Secondary	\$2,767

Source: Massachusetts Department of Elementary and Secondary Education⁶¹

After funding levels are established for each districts’ students, foundational rates are added to obtain a foundation budget for the entire district. The foundation budget represents the amount of funds needed to provide an adequate education to students in that district. As such, school districts are *required* to spend the foundation budget each year by Chapter 70’s “net school spending requirement.”⁶²

⁵⁸ “The Massachusetts Foundation Budget,” Op. cit., pp. 2-3.

⁵⁹ Ibid., pp. 2-3.

⁶⁰ “FY15 Chapter 70 Aid.” Massachusetts Department of Elementary and Secondary Education, July 2014, p. 6. http://www.doe.mass.edu/finance/chapter70/chapter_15.pdf

⁶¹ Figure created verbatim from: Ibid., p. 6.

⁶² “School Finance: Chapter 70 Program.” Massachusetts Department of Elementary and Secondary Education. http://www.doe.mass.edu/finance/chapter70/chapter_15_explain.html

Local Capacity Calculation

After determining the district's foundation budget, Chapter 70 requires that the MADESE calculate the local taxation capacity to determine its "target local share," or the percentage of the foundation budget that the community has the ability to pay on its own without state aid. This amount is based on the community's property values and resident incomes. According to MADESE, "[p]roperty and income percentages are applied uniformly across all cities and towns to determine the combined effort yield from property and income."⁶³ In 2015, target local shares were calculated using the following formula:⁶⁴

- To determine local effort, first apply this year's property percentage (**0.3624%**) to the town's 2012 total equalized property valuation;
- Then apply this year's income percentage (**1.5113%**) to the town's 2011 total residential income;
- Local Property Effort + Local Income Effort = Combined Effort Yield (CEY)
- Target Local Share = CEY ÷ Foundation Budget.

All districts' target local shares are capped at 82.5 percent, regardless of local capacity beyond this point. Essentially, the state provides a minimum of 17.5 percent of the foundation budget to all districts. In FY2015, 131 school districts out of a total 351 are capped at 82.5 percent.⁶⁵

State Aid Allocation

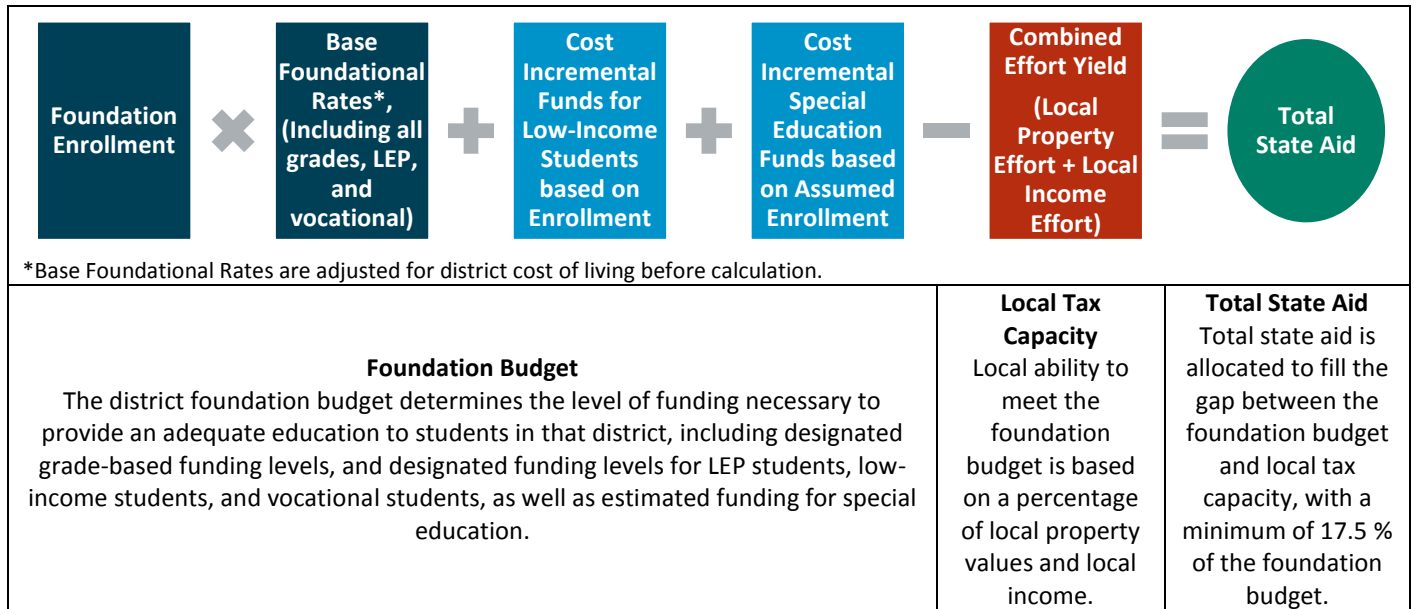
State aid is provided to school districts to fill the difference between a community's local tax capacity and the foundation budget. The formula is summarized in Figure 2.3 on the following page.

⁶³ "FY15 Chapter 70 Aid," Op. cit., pp. 8-9.

⁶⁴ Bullets nearly verbatim from: Ibid., p. 10.

⁶⁵ Ibid., p. 10.

Figure 2.3: Massachusetts State Education Funding Formula



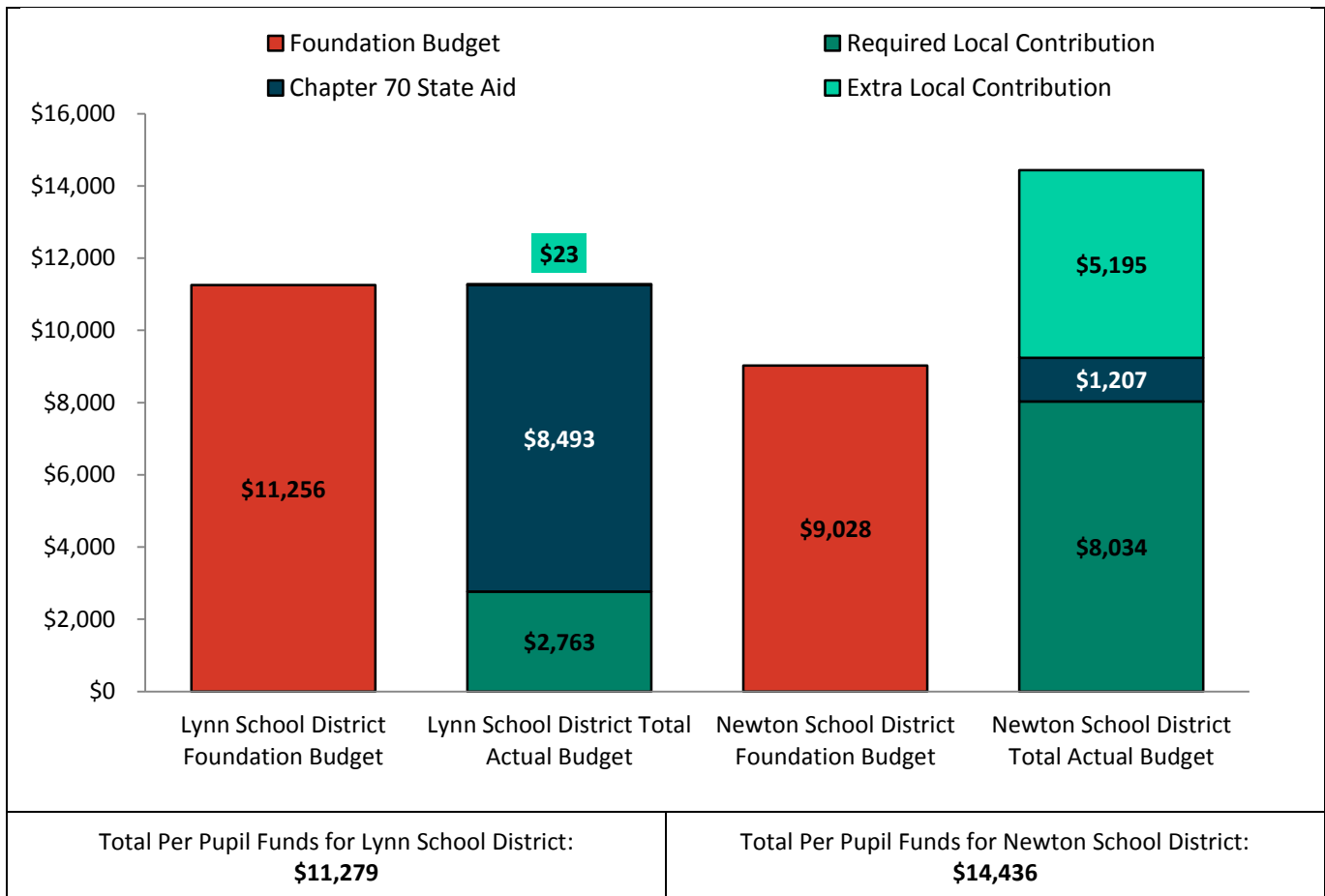
Source: Massachusetts Department of Elementary and Secondary Education⁶⁶

However, although state aid is provided to ensure all districts meet the foundation budget, wealthier districts are able to increase per pupil spending beyond the foundation budget minimum by raising local taxes. This is known as the “extra local contribution.” Because wealthy communities are able to provide more resources to schools, Chapter 70 does not ensure an equitable distribution of funds to all districts. Rather, Chapter 70 sets a “floor” for minimum education spending across all districts, but not a ceiling for districts and communities that are able to spend more. For example, Figure 2.4 below displays per pupil spending in two Massachusetts school districts in 2010: low-income Lynn School District and high-income Newton School District. Although the state sets a higher per pupil foundation budget for Lynn School District and provides substantially more state aid, Newton School District ultimately spends more per pupil due to extra local contributions beyond the foundation amount.⁶⁷

⁶⁶ Ibid.

⁶⁷ “Demystifying the Chapter 70 Formula: How the Massachusetts Education Funding System Works,” Op. cit.

Figure 2.4: Per Pupil Spending in Lynn and Newton School Districts, 2010



Source: Massachusetts Budget and Policy Center⁶⁸

RECENT CHALLENGES

In recent years, Chapter 70 education funding has received some criticism from education reformers. In 2013, Massachusetts Budget and Policy Center (MBPC) published a report examining school finance in the state since Ed Reform was introduced in 1993. According to the report, while Chapter 70 Aid doubled during the first decade of Ed Reform (1993-2002), budget cuts between 2003 and 2013, largely resulting from income tax reductions, the 2007 recession, and rising health care costs consuming an increasing portion of the state’s budget, disproportionately affected poorer school districts that rely more heavily on state aid to meet their foundation budgets.⁶⁹

In addition to budget cuts, MBPC found that the foundation budget formula had not been properly updated to reflect current costs, particularly for special education. The report explains:

⁶⁸ Figure created verbatim from: Ibid.

⁶⁹ Schuster, L. “Ed Reform at Twenty: What’s Worked, What’s Changed, and What’s Next.” Massachusetts Budget and Policy Center, June 18, 2013. http://www.massbudget.org/report_window.php?loc=ed_reform_twenty.html

By FY 2010, the statewide foundation budget understated actual health care and special education costs by roughly \$2.1 billion annually. Forced to meet these rising costs, all but the wealthiest districts in Massachusetts have been spending below foundation budget assumptions on core classroom components, especially on the hiring of regular education teachers. With average teacher salary growth roughly in line with inflation, it is most likely that this reduced spending led districts to hire fewer classroom teachers, in turn resulting in larger class sizes and teachers carrying larger workloads.⁷⁰

The report ultimately found that school districts in the lowest 20 percent of community property wealth and income per pupil were spending as much as 32 percent less than the amount called for by the foundation budget on teacher salaries in 2010 to make up for rising costs elsewhere in the school budget.⁷¹

In October 2014, the Massachusetts Legislature created a panel called the Foundation Budget Review Commission, charged with the re-examination of the Chapter 70 education aid model. The panel is meant to “begin a comprehensive examination of [Ed Reform]’s funding formula, scrutinize how Chapter 70 education aid is disbursed to cities and towns, hold at least four public hearings and issue a report next year.” Chief concerns of the panel are the distribution of resources and creating incentives for districts to implement proven education reforms.⁷² As a result of the panel’s findings and recommendations, the state’s funding model may change in the coming years.

MINNESOTA

MINNESOTA PUBLIC SCHOOLS			
Operating School Districts: 328	Total Schools: 2,005	Total Students: * 837,154	State Aid: * \$9.3 billion

Data from 2014-2015 unless otherwise noted

*Data from 2013-2014

Source: Minnesota Department of Education⁷³

Minnesota is recognized as one of the leading states for equity in school funding distribution. A large aspect of Minnesota’s ability to equitably fund school districts is that the state provides a substantial portion of overall education funding; the state is the

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Russell, J.F. “Panel about to Re-examine State’s School Spending Formula.” *Telegram*, October 7, 2014. <http://www.telegram.com/article/20141007/NEWS/310079603/1116>

⁷³ [1] “Schools, Districts and Teachers at a Glance.” Minnesota Department of Education. <http://w20.education.state.mn.us/MDEAnalytics/Summary.jsp>

[2] “Consolidated Financial Statements.” Minnesota Department of Education. http://w20.education.state.mn.us/approot/fdm2014_reports/fdm_cfs_reportlaunch.htm

seventh highest in the nation for percentage of K-12 funding provided through state aid.⁷⁴ Minnesota is the highest scoring state for fairness in funding distribution, according to ELC’s 2014 National Report Card.⁷⁵ Additionally, *Education Week’s* 2015 “Quality Counts” report found that while the state scored just below average in terms of education spending level, Minnesota received an above-average score for equity in K-12 education finance (See Figure 2.5 below).⁷⁶

Figure 2.5: Minnesota School Funding Scores

CATEGORY	STATE SCORE	NATIONAL AVERAGE	RANK
EDUCATION WEEK “QUALITY COUNTS,” 2015			
Overall School Finance Score	C	C	20
Equity	87.8	85.1	--
Spending	63.5	65.4	--
EDUCATION LAW CENTER NATIONAL REPORT CARD, 2014			
Funding Distribution	A	--	1

Source: *Education Week*⁷⁷ and Education Law Center⁷⁸

The following subsections explore Minnesota’s funding model for K-12 education, including the formulae for allocating resources based on student and district characteristics and needs. The profile concludes with recent challenges to education finance in the state.

⁷⁴ “K-12 Funding Basics.” Coalition of Minnesota Businesses.
http://www.mnbusiness.com/mnbusiness/Edu_Issue_Card_2014_LR.pdf

⁷⁵ Baker, B.D., D.G. Sciarra, and D. Farrie, Op. cit., p. 15.

⁷⁶ “Minnesota - State Highlights, 2015.” *Education Week*, 2015, p. 2.
<http://www.edweek.org/media/ew/qc/2015/shr/16shr.mn.h34.pdf>

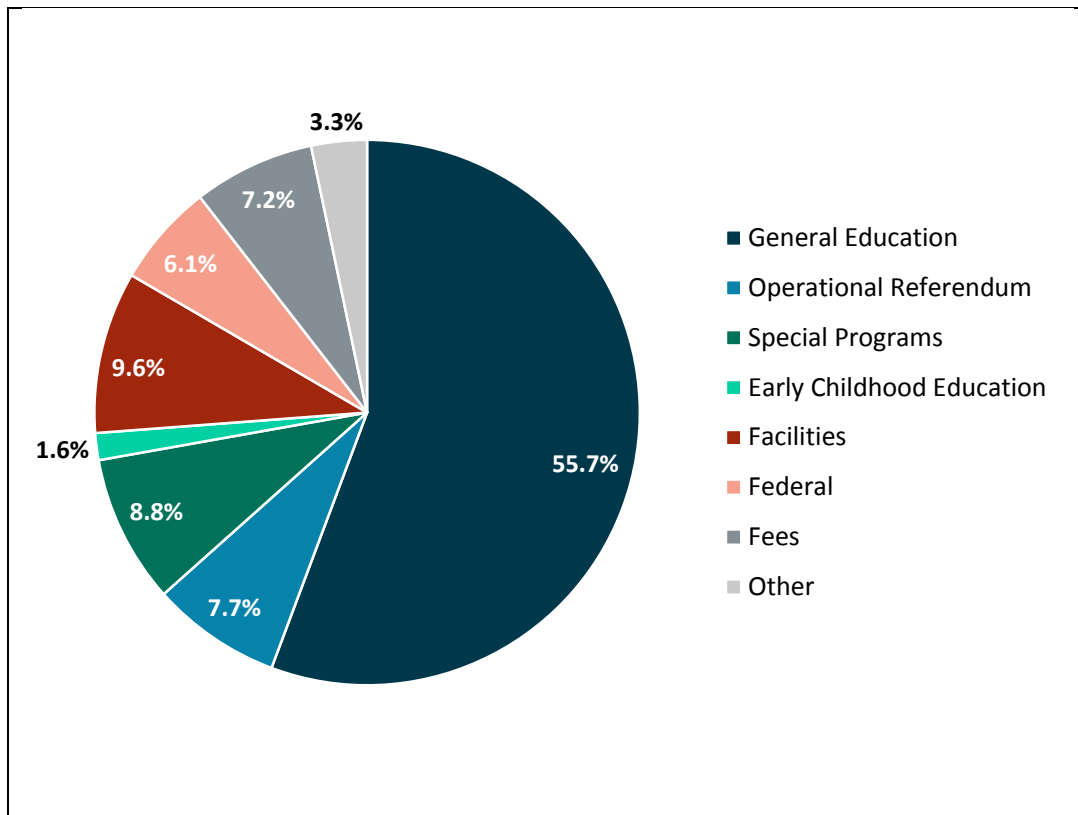
⁷⁷ Ibid.

⁷⁸ Baker, B.D., D.G. Sciarra, and D. Farrie, Op. cit., p. 15.

FUNDING MODEL

Minnesota’s state funding model is very complex. Funds are allocated to school districts through dozens of distinct formulae based on enrollment, need-based student factors, and district-specific characteristics. The majority of revenue for education (55.7 percent in 2013) is provided through the General Education Revenue Program (GERP). For the purposes of this analysis, we will focus on the GERP funding formula, although other categorical funding for education in the state include facilities funds, early education funds, and special programs, among other categories (see Figure 2.6 below).

Figure 2.6: Total Minnesota Education Revenue by Percentage, FY 2013



Source: Minnesota House Education Finance Committee⁷⁹

GERP allocates basic revenue funds to school districts, in addition to funds based upon formula factors for specific student and district characteristics. GERP was established by the state Legislature in 1987. The components of the GERP formula have remained largely consistent since 1989, and include:⁸⁰

⁷⁹ Strom, T. and Johnson, M. “Minnesota K-12 Education Finance System Context and Overview.” House Education Finance Committee, January 13, 2013. <http://www.house.leg.state.mn.us/hrd/issinfo/K12FinOverview.pdf>

⁸⁰ Bullets verbatim from: Strom, T. “Minnesota School Finance: A Guide for Legislators.” Minnesota House of Representatives Research Department, November 2014, p. 2. <http://www.house.leg.state.mn.us/hrd/pubs/mnschfin.pdf>

- Basic revenue
- Declining pupil revenue
- Compensatory revenue
- Gifted and talented revenue
- Small schools revenue
- Operating capital revenue
- Transition revenue
- Extended time revenue
- Local optional revenue
- English learner revenue
- Operating sparsity revenue
- Transportation sparsity revenue
- Equity revenue

The following subsections detail the thirteen components of the funding formula, organized by student-based formula factors and district-based formula factors.

Student-Based Formula Factors

Minnesota includes a number of student-based formula factors within the GERP funding model, including a weighted enrollment formula to calculate basic revenue based on student grade level as well as additional funds for students participating in extended school programs, gifted and talented students, students qualifying for free and reduced price lunch, and English learners (EL).

Basic revenue, which constitutes approximately 79 percent of GERP funds in 2015, is awarded to districts based on “adjusted pupil units.”⁸¹ As shown in Figure 2.7 below, adjusted pupil units are calculated by multiplying average daily membership (ADM) and the grade-based weights assigned by the state legislature to account for the varying cost of educating students at different grade levels.⁸² Average daily membership is determined as “the average number of pupils enrolled in the school district throughout the year.”⁸³

Figure 2.7: Minnesota Adjusted Pupil Unit Calculation



Source: Minnesota House of Representatives Research Department⁸⁴

⁸¹ Ibid., p. 17.

⁸² Ibid., p. 15.

⁸³ “K-12 Education Finance Overview.” Minnesota Department of Education, 2011-2012, p. 2. Accessible from: <http://www.education.state.mn.us/MDE/SchSup/SchFin/index.html>

⁸⁴ Strom, Op. cit., p. 8.

Grade-based weights are adjusted on a regular basis in order to reflect current education spending. Figure 2.8 below displays the grade-based weights currently used in Minnesota in 2015. In order to determine the full amount of each district’s basic revenue, adjusted pupil units, which already include grade-based weights, are multiplied by the current basic formula allowance (\$5,831 in 2015).⁸⁵

Figure 2.8: Minnesota Grade-Based Weights, 2015

GRADE LEVEL	WEIGHT
½ Day Kindergarten	0.55
Grades K-6	1.00
Grades 7-12	1.20

Source: Minnesota House of Representatives Research Department⁸⁶

In addition to basic revenue, GERP also allots additional funding for students enrolled in extended year programs (1.1 percent of total GERP revenue in 2015), gifted and talented students (0.2 percent of total GERP revenue in 2015), and students who qualify for Basic Skills Revenue, including English learners (ELs) and students who receive free or reduced price lunch (8.6 percent of total GERP revenue in 2015).⁸⁷ Notably, Basic Skills Revenue is awarded based on both total enrollment of EL and free/reduced lunch students and the concentration of these populations in a given school or district.⁸⁸ Alternatively, funds for gifted and talented programming, while only intended for use to provide services to gifted and talented students, is awarded based on total enrollment at a rate of \$13 per adjusted pupil unit district-wide.⁸⁹

A complete list of funding formulae for student-based factors is displayed in Figure 2.9 on the following page.

⁸⁵ Ibid., p. 18.

⁸⁶ Ibid., p. 16.

⁸⁷ Ibid., p. 17.

⁸⁸ Ibid., pp. 20-22.

⁸⁹ Ibid., p. 19.

Figure 2.9: GERP Student-Based Weights, 2015

REVENUE TYPE	DESCRIPTION	FORMULA ALLOWANCE	FORMULA	NUMBER OF ELIGIBLE DISTRICTS
Basic Revenue	Funds provided to each district and charter school based on total adjusted pupil units	\$5,831	$\$5,831 \times \text{Adjusted Pupil Units}$	331/332
Extended Time Revenue	Funds provided to districts that offer an extended learning year (such as extended day, extended week, summer school etc.)	\$5,017	$\$5,017 \times \text{Extended Time Pupil Units}^*$ <i>Extended Time Pupil Units = ADM of Extended Program \times 0.20</i>	135/332
Gifted and Talented	Funds to be used to: <ul style="list-style-type: none"> • Identify gifted and talented students; • Provide education programs for gifted and talented students; • Provide staff development to prepare teachers to teach gifted and talented students. 	\$13	$\$13 \times \text{Adjusted Pupil Units}$	331/332
Basic Skills Revenue – Compensatory Revenue	Funds awarded to schools to support students who receive free or reduced price lunch. These funds are weighted to benefit schools with higher concentrations of poverty.	\$415	$\$415 \times 0.6 \times \text{Compensatory Pupil Units}^*$ <i>*Compensatory Pupil Units = (free lunch students + 0.5 \times reduced lunch students) \times the lesser of:</i> <ul style="list-style-type: none"> • One; or • (free lunch students + 0.5 \times reduced lunch students) /ADM/0.8 	330/332
Basic Skills Revenue – English Learners (EL) – Basic Revenue	Funds awarded to schools to support English learners, including for bilingual education programs and English-as-a-second-language (ESL) programs. Basic revenue is meant to cover the marginal cost of each EL student.	\$700* <i>*Individual Students are limited to 6 years of EL funding</i>	$\$700 \times \text{EL Pupil Units}$	330/332
Basic Skills Revenue – English Learners (EL) – Concentration Revenue	EL Concentration Revenue is meant to cover the base cost of educating EL students, particularly in schools and districts with a high concentration of ELs.	\$250* <i>*Districts with at least one EL student are assigned a minimum EL pupil count of 20 for this formula</i>	$\$250 \times \text{EL Concentration}^*$ <i>*EL Concentration= EL pupils \times the lesser of:</i> <ul style="list-style-type: none"> • One; or • (EL pupils/ADM)/0.115 	Unknown

Source: Minnesota House of Representatives Research Department⁹⁰

⁹⁰ Some parts of figure adapted nearly verbatim from: Ibid., pp. 18-22.

District-Based Formula Factors

In addition to student-based factors, several district and community characteristics are also considered in Minnesota’s general funding model. For example, GERP provides funding for small districts with an enrollment less than 960 adjusted pupil units. Similarly, districts with declining enrollment receive declining enrollment revenue to ease the transition to lower funding levels. Sparsity funding is provided to geographically large districts that serve small populations of students, while transportation sparsity funding is awarded to districts based on the density of student population and district area.⁹¹

Other funds that are allocated based on district characteristics include operating capital revenue, which is based on square footage of facilities and enrollment, equity revenue, which is intended to provide additional funding to districts without a referendum levy, pension adjustment revenue, which offsets cost savings to school districts from reductions to teacher contribution rates made in the 1990s, and transition revenue, which provides hold-harmless funding to ease transitions for districts facing reduced funding under the current formula.⁹² Local optional revenue derives from an effort by state lawmakers to increase equity by offsetting each districts approved amount of referendum revenue. These funds do not actually increase school funding, but rather, “[provide] space under the referendum allowance cap and... [provide] enhanced equalization revenue for some districts.”⁹³ Finally, options adjustment revenue is available based on “enrollment changes made under student movement programs,” such as open-enrollment.⁹⁴

Generally, the formulae for district-based factors are more complex than for student-based factors because the state must define which districts qualify for additional aid and how much funding each district should receive. Figure 2.10 on the following page summarizes, to the extent possible, the 11 formulae used by Minnesota to differentiate funding to districts.

⁹¹ Ibid., pp. 19-26.

⁹² “K-12 Education Finance Overview,” Op. cit. pp. 22-25.

⁹³ Strom, Op. cit., p. 19.

⁹⁴ Ibid., p. 28.

Figure 2.10: GERP District-Based Weights, 2015

REVENUE TYPE	DISTRICT QUALIFICATION	FORMULA	NUMBER OF ELIGIBLE DISTRICTS
Small Schools Revenue	Districts with fewer than 960 Adjusted Pupil Units	$\$544 \times \text{Adjusted Pupil Units} - (960 - \text{Adjusted Pupil Units} \div 960)$	162/332
Declining Enrollment Revenue	Districts with declining enrollment	For fiscal years 2015 and later, a district’s declining enrollment revenue equals the greater of zero or 28 percent of the formula allowance for that year and the difference between adjusted pupil units for the current year and the adjusted pupil units for the previous year.	143/332
Local Optional Revenue	Unknown	Local optional revenue is equalized at the same rate as referendum revenue in the second tier, using an equalizing factor of \$510,000 per pupil.	95/332
Sparsity Revenue – Elementary	All elementary schools that are located more than 19 miles away from the next nearest elementary school are eligible for sparsity funding.	$\text{Sparsity Formula Allowance} \times \text{elementary ADM} \times (140 - \text{elementary ADM} \div 140 + \text{elementary ADM})$	97/332
Sparsity Revenue – Secondary	All secondary schools that cover a large geographic area, such that the isolation index is 1.5 or more, with a student enrollment of less than 400 students qualifies for sparsity funding.	$\text{Sparsity Formula Allowance}^3 \times \text{Adjusted Pupil Units} \times (400 - \text{secondary ADM} \div 400 + \text{secondary ADM}) \times (\text{Isolation Index}^* - 23) \div 10$ <i>*Isolation Index = $\sqrt{.55 \times \text{attendance area} + \text{miles to next nearest high school}}$</i>	97/332
Operating Capital Revenue*	All districts	$\$79 + (\text{Maintenance Cost Index}^* \times \$109) \times \text{Adjusted Pupil Units} - \text{Operating Capital Levy}$ <i>*Maintenance Cost Index = $\text{Weighted square footage of buildings} \div \text{Unweighted square footage of buildings}$</i>	331/332
Transportation Sparsity Revenue	Districts with transportation needs due to sparsity	$\text{Transportation Sparsity Allowance}^* \times \text{Adjusted Pupil Units}$ <i>*Basic Formula Allowance $\times 0.149 \times \text{Sparsity Index}^{26/100} \times \text{Density Index}^{13/100} - \text{Basic Formula Allowance} \times 0.0485$</i>	303/332
Equity Revenue*	All districts	The equity revenue formula consists of four parts: basic equity revenue; a metro area adjustment; low referendum equity revenue; and a supplemental formula. The state is divided into a seven-county metro region and a greater Minnesota region, and equity revenue is calculated separately for districts within each region.	332/332

REVENUE TYPE	DISTRICT QUALIFICATION	FORMULA	NUMBER OF ELIGIBLE DISTRICTS
Transition Revenue*	Hold harmless provision for districts with declining funding	Transition revenue guarantees a school district the lesser of (a) its fiscal year 2003 general education revenue per pupil or (b) the amount of revenue per pupil that the district would have received during the 2004 fiscal year under the old definitions of general education revenue.... Beginning in fiscal year 2015, transition revenue is adjusted for a number of changes to the general education revenue program.	196/332
Pension Adjustment Revenue	--	For fiscal years 2015 and later, a district's pension adjustment revenue equals the difference between its per pupil pension adjustment for fiscal year 2014 and the statewide average adjustment for that year.	62/332
Options Adjustment Revenue	Funds are redistributed between districts to account for resident pupils who are open-enrolled, attend Minnesota Academies for the Deaf or Blind, and certain charter school transportation payments.	Unavailable	27/332

Source: Minnesota House of Representatives Research Department⁹⁵

*Schools are required to supplement state aid with local levies in the noted revenue areas.⁹⁶

RECENT CHALLENGES

Although the Minnesota school funding model has remained somewhat consistent since the late 1980s, critics argue that failure to properly adjust funding levels for inflation has crippled school districts' ability to provide adequate programming.⁹⁷ According to the Association of Metropolitan School Districts, although state inflation increased by 35.1 percent between 2003 and 2011, basic per pupil spending only increased by 11.4 percent over the same time period, from \$4,601 to \$5,124 per pupil.⁹⁸

Although state aid has increased over the last four years following major budget cuts in 2010, in response to the poor economic climate, school leaders argue that new funds are often tied to new policy initiatives rather than covering the cost of basic education expenses.⁹⁹ Many of these initiatives are popular among educators, including state-

⁹⁵ Some parts of figure adapted nearly verbatim from: *Ibid.*, pp. 18-22.

⁹⁶ Versteegen, D.A. and N.E. Barclay. "Minnesota." A 50 State Survey of School Finance, 2011. <https://schoolfinancesdav.files.wordpress.com/2011/07/minnesota2011.pdf>

⁹⁷ [1] Magan, C. "Minnesota Schools Getting More Funds, But That's Not the Whole Picture." *Pioneer Press*, August 10, 2014. http://www.twincities.com/localnews/ci_26302854/minnesota-schools-getting-more-funds-but-thats-not

[2] "Minnesota Education Funding Facts." Association of Metropolitan School Districts, 2012, p. 1.

<http://www.amsd.org/wp-content/uploads/2011/11/Education-Funding-Facts-2012.pdf>

⁹⁸ *Ibid.*, p. 1.

⁹⁹ [1] Magan, C. "Minnesota Schools Getting More Funds, But That's Not the Whole Picture," *Op. cit.*

mandated full-day kindergarten.¹⁰⁰ Nevertheless, some school leaders express frustration with the state's addition of new mandates without fully funding basic education costs adjusted for inflation. Heide Miller, president of the Minnesota Association of School Business Officials stated in a recent article, "The Legislature says they give K-12 a lot of money, but it's always targeted and then, in addition, they add new mandates."¹⁰¹

Some educators and politicians argue that the solution to current school funding woes is to increase the flexibility of district spending, providing funds to districts with fewer strings attached. According to Michelle Vargas, chief financial officer at the state's largest school district — Anoka-Hennepin — the state should allow districts more flexibility in education spending to meet pressing needs, rather than mandating new programs without sufficient funding. "If you are going to give us an increase, let us decide where we need it most and then hold us accountable," she stated in an article published in August 2014.¹⁰²

Alternatively, some policy-makers defend the new mandates, including all-day kindergarten and improved instruction for ELL students statewide as a move toward greater equity. State Senator Charles Wiger, chair of the Senate education finance subcommittee, stated in the same article that the funding these mandates receive ensures that school spending emphasizes the state's priority of closing the achievement gap for minority students. "It shouldn't be based on zip code or ability to pay," stated Senator Wiger, "It was a matter of fairness and education opportunity."¹⁰³

Over the last two years, the Minnesota Legislature increased school funding by nearly \$600 million, including the allocation of new funds for the following purposes:¹⁰⁴

- \$234 million in basic education aid, including \$134 million specifically for all-day kindergarten;
- \$45 million for preschool scholarships;
- \$40 million for special education; and
- \$10 million for teacher evaluation.

[2] Magan, C. "Will More Minnesota School Funding Equal Fewer Levies? Probably not." *Pioneer Press*, July 6, 2013. http://www.twincities.com/ci_23607278/will-more-minnesota-school-funding-equal-fewer-levies

¹⁰⁰ Ibid.

¹⁰¹ Magan, C. "Minnesota Schools Getting More Funds, But That's Not the Whole Picture," Op. cit.

¹⁰² Ibid.

¹⁰³ Ibid.

¹⁰⁴ Bullets taken verbatim from: Ibid.

NEW JERSEY

NEW JERSEY PUBLIC SCHOOLS			
Operating School Districts: 590	Total Schools: 2,492	Total Students: 1.36 million	State Aid: \$7.8 billion

Data from 2012-2013
Source: State of New Jersey Department of Education¹⁰⁵

When New Jersey adopted a weighted student funding formula in 2007, the state was recognized as one of the most progressive states in the equitable distribution of state school funding. However, recent cuts in overall education spending have resulted in a major decrease in funding relative to student poverty.¹⁰⁶ In 2015, *Education Week's* Quality Counts ranking places New Jersey fifth in the nation in school finance, which considers both equity and adequacy of education spending. However, as shown in Figure 2.11 below, while the state scores much higher than average on the "spending" indicator, New Jersey scores below the national average on the "equity" indicator.¹⁰⁷ Similarly, although ELC's 2014 National Report Card awards the state a "B" for fairness in funding distribution, the report also highlights the fact that equity in the state has decreased substantially in the last several years, dropping the state's rank from among the top scoring states in fair distribution of funding between 2007 and 2010 to number 12 according to financial data collected in 2011.¹⁰⁸

Figure 2.11: New Jersey School Funding Scores

CATEGORY	STATE SCORE	NATIONAL AVERAGE	RANK
EDUCATION WEEK "QUALITY COUNTS," 2015			
Overall School Finance Score	B+	C	5
Equity	79.8	85.1	--
Spending	93.8	65.4	--
EDUCATION LAW CENTER NATIONAL REPORT CARD, 2014			
Funding Distribution	B	--	12

Source: *Education Week*¹⁰⁹ and Education Law Center¹¹⁰

Despite New Jersey's recent challenges in ensuring the equitable distribution of school funds related to declining education funding in the last several years, we include the state in this report in order to examine the goal of the initial legislation and highlight recent struggles in the implementation of its weighted funding model.

¹⁰⁵ "New Jersey Public Schools Fact Sheet." State of New Jersey Department of Education. <http://www.state.nj.us/education/data/fact.htm>

¹⁰⁶ "New Jersey Slipping on Fair School Funding." Education Law Center, February 5, 2014. <http://www.edlawcenter.org/news/archives/school-funding/new-jersey-slipping-on-fair-school-funding.html>

¹⁰⁷ "New Jersey - State Highlights, 2015." *Education Week*, 2015, p. 2. <http://www.edweek.org/media/ew/qc/2015/shr/16shr.nj.h34.pdf>

¹⁰⁸ Baker, Sciarra, and Farrie, Op. cit., p. 18.

¹⁰⁹ "New Jersey - State Highlights, 2015," Op. cit., p. 2.

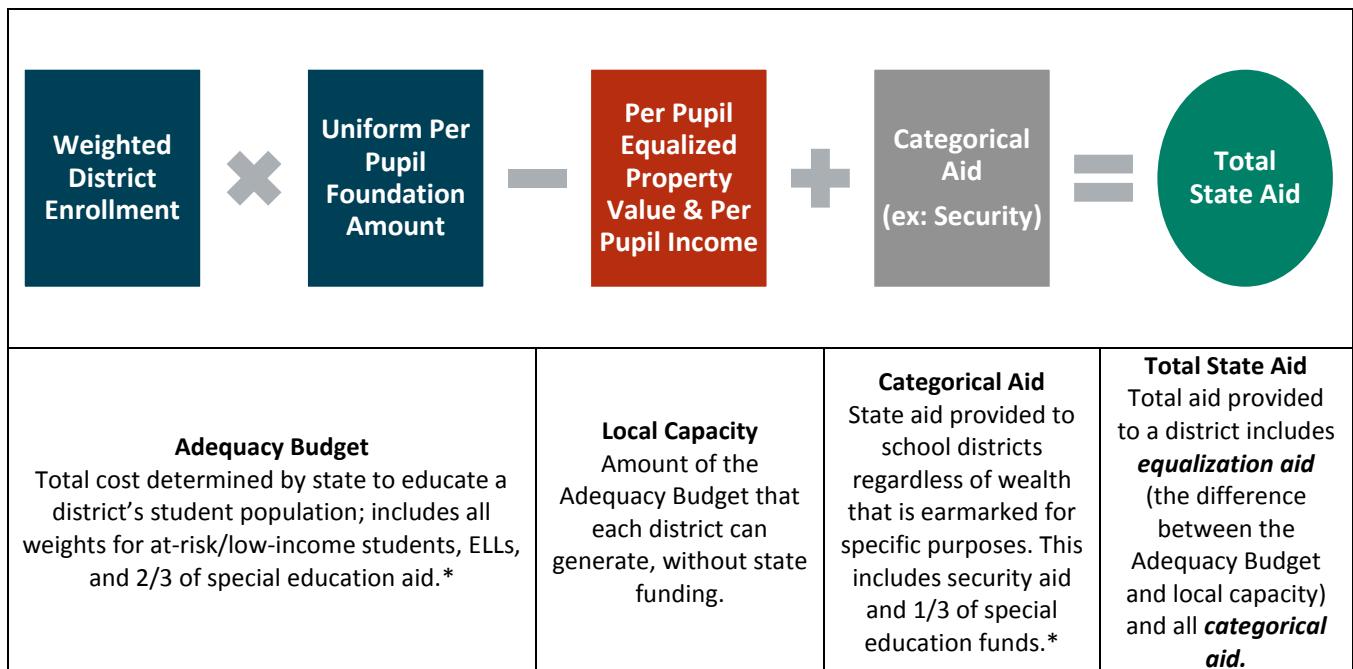
¹¹⁰ Baker, B.D., D.G. Sciarra, and D. Farrie, Op. cit., p. 15.

FUNDING MODEL

New Jersey’s most recent K-12 education funding model was established in the School Funding Reform Act (SFRA) in 2008. SFRA is a weighted student funding formula that seeks to distribute funds based on a number of factors which take into account the needs of school districts and students in different communities. According to ELC, the formula is designed to “provide more funding to at-risk students, students in high poverty schools, and English language learners.”¹¹¹

As shown in Figure 2.12 below, SFRA uses a district enrollment count along with a weighted funding formula, which includes a foundation weight that accounts for the cost of educating a student at various grade levels as well as need-based weights for low-income and English language learner (ELL) students. Because special education is a unique area, only two thirds of special education costs are included in the weighted formula. The outcome of the weighted formula and enrollment is the district’s Adequacy Budget. Each district’s Adequacy Budget is considered in comparison to local capacity, as calculated by both per pupil equalized property value and a measure of per pupil income. If local capacity is not sufficient to meet the district’s Adequacy Budget, the state supplies “equalization aid.”¹¹²

Figure 2.12: New Jersey SFRA Funding Formula



*Special education aid is not calculated within the weighted formula, but is rather calculated using a census-based method.¹¹³
Source: “A 50 State Survey of School Finance Policies”¹¹⁴

¹¹¹ “New Jersey Slipping on Fair School Funding,” Op. cit.

¹¹² Versteegen, D.A. and N.E. Barclay. “New Jersey.” A 50 State Survey of School Finance, 2011. <https://schoolfinancesdav.files.wordpress.com/2011/06/newjersey2011.pdf>

¹¹³ Versteegen, D.A. and N.E. Barclay. “New Jersey,” Op. cit.

¹¹⁴ Ibid.

In addition to equalization aid, the SFRA also requires the state to supply some aid to all districts regardless of wealth through categorical grants. This type of aid includes funds designated for school security as well as one third of all special education costs, which are calculated outside of the weighted formula. As shown in Figure 2.12 on the previous page, total state aid to each district is comprised of the difference between the Adequacy Budget and local capacity in addition to these categorical grant funds.

Education spending cuts in New Jersey in recent years have resulted in the inadequate funding of the SFRA funding model since 2010.¹¹⁵ Although the formula was used in 2011 to allocate funding to school districts, Governor Christie and the state Legislature cut over \$1.1 billion in school aid after the formula was applied,¹¹⁶ which reduced state funding across all districts regardless of local wealth by 4.994 percent.¹¹⁷ Although New Jersey has increased education funding intermittently since 2011, this funding has not been in compliance with SFRA.¹¹⁸ As a result, the following subsections detail the most recent student-based and district-based weights used in the formula in 2011.

Student-Based Weights

The SFRA calls for a number of student-based weights in the funding model, including grade level weights and additional need-based weights for ELL and low-income students. Notably, low-income or “at-risk” students are weighted using a concentration formula; as the percentage of students who are “at-risk” in a given district increases, the weight per student increases as well. However, if a student qualifies as both an ELL and low-income, state funding for ELL status is reduced in order to avoid duplicative aid funding. Students enrolled in the state’s 21 county vocational school districts are weighted at nearly 30 percent over the foundation weight.¹¹⁹

In addition to the formula-based weights, SFRA allocates further funding to at-risk students and districts with high concentrations of at-risk students. The formula provides an additional \$412 per at-risk student in security funding for districts with concentrations of at-risk students of 40 percent or more. Likewise, SFRA calls for the full funding of full-day preschool for all at-risk students, and the full funding of full-day preschool for all students, regardless of at-risk status, in districts with a concentration of at-risk students of 40 percent or more.¹²⁰

¹¹⁵ “Shortchanging New Jersey Students: How Inadequate Funding Has Led to Reduced Staff and Growing Disparities in the State’s Public Schools.” Education Law Center, July 2014, p. 4.
<http://www.edlawcenter.org/assets/files/pdfs/publications/Shortchanging%20New%20Jersey%20Students.pdf>

¹¹⁶ “New Jersey Slipping on Fair School Funding,” Op. cit.

¹¹⁷ Versteegen, D.A. and N.E. Barclay. “New Jersey,” Op. cit.

¹¹⁸ “Shortchanging New Jersey Students: How Inadequate Funding Has Led to Reduced Staff and Growing Disparities in the State’s Public Schools,” Op. cit., p. 4.

¹¹⁹ Versteegen, D.A. and N.E. Barclay. “New Jersey,” Op. cit.

¹²⁰ Ibid.

Figure 2.13 below displays the student-based weights required by the SFRA formula in 2011. Despite funding cuts during 2011, after formula funds were already allocated, the per pupil foundation amount for all students was 1.0 = \$9,971.¹²¹

Figure 2.13: SFRA Student-Based Weights, 2011

STUDENT GROUP	WEIGHT
GRADE LEVEL WEIGHTS	
½ Day Kindergarten	0.5
Grades K-5	1.0
Grades 6-8	1.04
Grades 9-12	1.17
ENGLISH LANGUAGE LEARNERS	
ELL, not low income	0.5
ELL and low income	0.125*
AT-RISK (LOW-INCOME)**	
Low-income, district concentration less than 20%	0.47
Low-income, district concentration 60% or more	0.57
At-risk security aid	\$412 in additional security aid per at-risk student in districts with an at-risk concentration of 40% or more***
At-risk preschool funding	All districts receive funding for all at-risk preschool students to attend full-day preschool; all districts with an at-risk concentration of 40% or more receive funds for all students (regardless of at-risk status) to attend full-day preschool.
COUNTY VOCATIONAL SCHOOL DISTRICTS	
Vocational student	1.31

*Amount reduced to account for duplicative aid from low income status.

**At-risk weights are allocated to districts on a sliding scale from 0.47 to 0.57 as the concentration of at-risk students within a district increases.

***This amount is awarded as categorical aid.

Source: "A 50 State Survey of School Finance Policies"¹²²

Although special education funds are partially included in each district’s Adequacy Budget, the funds are not allocated based on student weights. Rather, funds for special education are provided using a census-based method. According to the “50 State Survey of School Finance Policies,” New Jersey’s special education finance approach “bases the aid allocation on each district’s total enrollment. Using this method, special education needs are projected by multiplying the excess cost of special education students by the statewide average classification rate, which is then multiplied by the district’s total enrollment.”¹²³ Essentially, each district is provided with a funding for special education consistent with the average number of special education students that should appear in the district’s population.

¹²¹ Ibid.

¹²² Ibid.

¹²³ Ibid.

District-Based Weights

While district-based factors are not necessarily given a numerical value as student-based weights are, the main way that SFRA accounts for the varying needs of different districts and communities is by determining the local ability to contribute to the Adequacy Budget. Each district's "Local Capacity" is determined by per pupil equalized property value and per pupil income. In districts with lower average incomes and property values, the SFRA model requires the state to provide a greater share of the Adequacy Budget.¹²⁴

As mentioned, SFRA also provides additional funds to districts with higher concentrations of poverty, including higher rates of at-risk per pupil funding, more resources dedicated to early childhood education, and more security funds.¹²⁵

Categorical Funds

As previously mentioned, SFRA includes categorical aid that is provided to districts regardless of wealth outside of the Adequacy Budget. These funds include security aid and one third of special education funding.¹²⁶

RECENT CHALLENGES

Despite SFRA's intentions to promote equitable funding distribution, decreased education funding in New Jersey has led to rising inequity in the distribution of education funds. ELC, one of the most vocal critics of the state's lack of funding for SFRA, argues that the underfunding of SFRA disproportionately impacts high poverty districts because these districts are more dependent on state aid.¹²⁷ The organization's 2014 Report Card explains the situation further:

...New Jersey managed to maintain the implementation of its school funding formula through 2010 with the use of APRA funds, but in 2011 faced a major revenue shortfall. The state cut each district's budget in 2011, though the cuts fell harder on the state's poorest districts that are more reliant on state aid. The result is a significant shift away from equity.¹²⁸

A 2014 ELC report — "Shortchanging New Jersey Students: How Inadequate Funding Has Led to Reduced Staff and Growing Disparities in the State's Public Schools" — finds that New Jersey schools have been underfunded at a deficit of nearly \$4.5 billion between 2010 and 2013. The report goes on to state that the lack of funding for the SFRA model has particularly difficult consequences for districts that serve disadvantaged students.¹²⁹

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ "New Jersey Slipping on Fair School Funding," Op. cit.

¹²⁸ Baker, Sciarra, and Farrie, Op. cit.

¹²⁹ "Shortchanging New Jersey Students: How Inadequate Funding Has Led to Reduced Staff and Growing Disparities in the State's Public Schools," Op. cit., p. 4.

Underfunded districts are significantly understaffed compared to peer districts with more property wealth and higher community incomes. ELC finds that in 2012, student-to-staff ratios were nearly 20 percent higher in underfunded districts. For example, compared to adequately funded districts, in underfunded districts:¹³⁰

- Each counselor is responsible for 55 percent more students;
- Each nurse is responsible for 21 percent more students;
- There are 18 percent fewer STEM (Science, Technology, Engineering, and Math) teachers available to instruct students;
- There are 47 percent fewer world language teachers;
- There are 21 percent fewer health/physical education teachers;
- There are 34 percent fewer art teachers; and
- There are 44 percent fewer music teachers.

Most recently, New Jersey's Governor Christie proposed a school budget for FY2015 that allocates the same funding levels for all schools as seen in FY2014, with an additional \$20 per student, ensuring that all districts receive a modest increase in funding. This proposal costs approximately \$1.1 billion less than the Legislature's proposal to fully fund the SFRA model in 2015.¹³¹ The New Jersey Department of Education makes clear that both of the proposals are provided for informational purposes only, and do not represent the amount of aid that schools will receive in 2015.¹³² It is unclear at this point the funding level the state will implement in FY2015.

¹³⁰ Bullets taken verbatim from: Ibid., p. 2.

¹³¹ "Christie Administration Releases School Funding Reform Act Scenarios." State of New Jersey Department of Education. <http://www.state.nj.us/education/news/2014/0430aid.htm>

¹³² "2014-2015 State Aid Summaries." State of New Jersey Department of Education. <http://www.state.nj.us/education/stateaid/1415/scenarios.shtml>

WYOMING

WYOMING PUBLIC SCHOOLS			
Operating School Districts: 48	Total Schools: 351	Total Students: * 92,218	State Aid: ** \$726 million

Data from 2012-2013 unless otherwise indicated.

*Data from 2013-2014

**Data from FY2014

Source: Wyoming Department of Education¹³³

The Wyoming Department of Education (WDOE) supplied approximately \$726 million in state education aid to its 92,318 students in 2014.¹³⁴ However, *Education Week's* 2015 "Quality Counts" report and ELC's 2014 National Report Card score the state quite differently for school finance. Although *Education Week's* analysis ranks Wyoming first in the nation for school finance, with an equity score two points above the national average and a spending score over 25 points higher than the average, ELC gives the state a "D" on equitable funding distribution, a major decline from its "A" rating on the National Report Card in 2009.¹³⁵

Figure 2.14: Wyoming School Funding Scores

CATEGORY	STATE SCORE	NATIONAL AVERAGE	RANK
EDUCATION WEEK "QUALITY COUNTS," 2015			
Overall School Finance Score	B+	C	1
Equity	87.3	85.1	--
Spending	91.3	65.4	--
EDUCATION LAW CENTER NATIONAL REPORT CARD, 2014			
Funding Distribution	D	--	31

Source: *Education Week*¹³⁶ and Education Law Center¹³⁷

Despite the disparity in ranking from the two sources, Wyoming's state school funding model is profiled in the following subsections in order to highlight some of the model's unique features, including a mechanism for "recapture" of local resources meant to ensure equitable funding statewide.

¹³³ [1] "Wyoming – STATE Level Report – School Year 2012-2013." Wyoming Department of Education. <https://portals.edu.wyoming.gov/Reports/Public/wde-reports-2012/public-reports/state-report-card/profilereport>

[2] "Enrollment Increases in Wyoming Push State's Student Count Near 93,000." Wyoming Department of Education. <http://edu.wyoming.gov/downloads/communications/enrollment-final.pdf>

[3] "Final Statewide Payment Models: Fiscal Year 2014." Wyoming Department of Education. Accessible from: <http://edu.wyoming.gov/beyond-the-classroom/school-programs/school-foundation/>

¹³⁴ Ibid.

¹³⁵ [1] "Wyoming – State Highlights 2015." *Education Week*, 2015, p. 2. <http://www.edweek.org/media/ew/qc/2015/shr/16shr.wy.h34.pdf>

[2] Baker, B.D., D.G. Sciarra, and D. Farrie, Op. cit., p. 15.

¹³⁶ "Wyoming – State Highlights 2015," Op. cit.

¹³⁷ Baker, B.D., D.G. Sciarra, and D. Farrie, Op. cit., p. 15.

FUNDING MODEL

The current state K-12 education funding model, the School Foundation Program or the School Foundation Block Grant, was adopted by the Wyoming Legislature in 2006. The model is “cost-based,” meaning that the funds supplied to districts are based on an in-depth analysis of statewide education costs. These costs are “recalibrated” to ensure an accurate reflection of the real cost of education every five years, most recently in 2011.¹³⁸ The model is further described as follows:

Resources necessary to deliver the proper education or "basket of goods and services" to each student are for the most part determined through a methodology or model based upon actual cost, often referred to as the MAP model and statutorily defined as the Education Resource Block Grant Model. This model rationally determines a per pupil dollar amount necessary to provide the proper education based upon circumstances of the student (grade level, physical disability, English proficiency) and circumstances of the district (population density, regional costs of living, teacher seniority levels). This per pupil dollar amount is the amount guaranteed to a district for delivery of the "basket."¹³⁹

Notably, Wyoming does not require that districts spend funds on the resources calculated in its cost-based model, but rather allows districts to flexibly spend based on current needs, so long as “a proper educational program is provided.”¹⁴⁰

The model works by setting a Foundation Guarantee for each district, based on a system of equations that consider average state costs, regional economic factors, and district enrollment. Then, the state calculates each community’s resources to determine the local capacity to fund the set Foundation Guarantee. If a district’s local resources are insufficient to cover the Foundation Guarantee, the state provides aid payments to make up the remaining resources. However, if a district’s local resources are greater than the Foundation Guarantee, the state “recaptures” the excess amount and collects it in the School Foundation Program Account. Funds in this account are eventually used to make payments to districts with insufficient local resources.¹⁴¹ This basic formula is represented in Figure 2.15 on the following page.

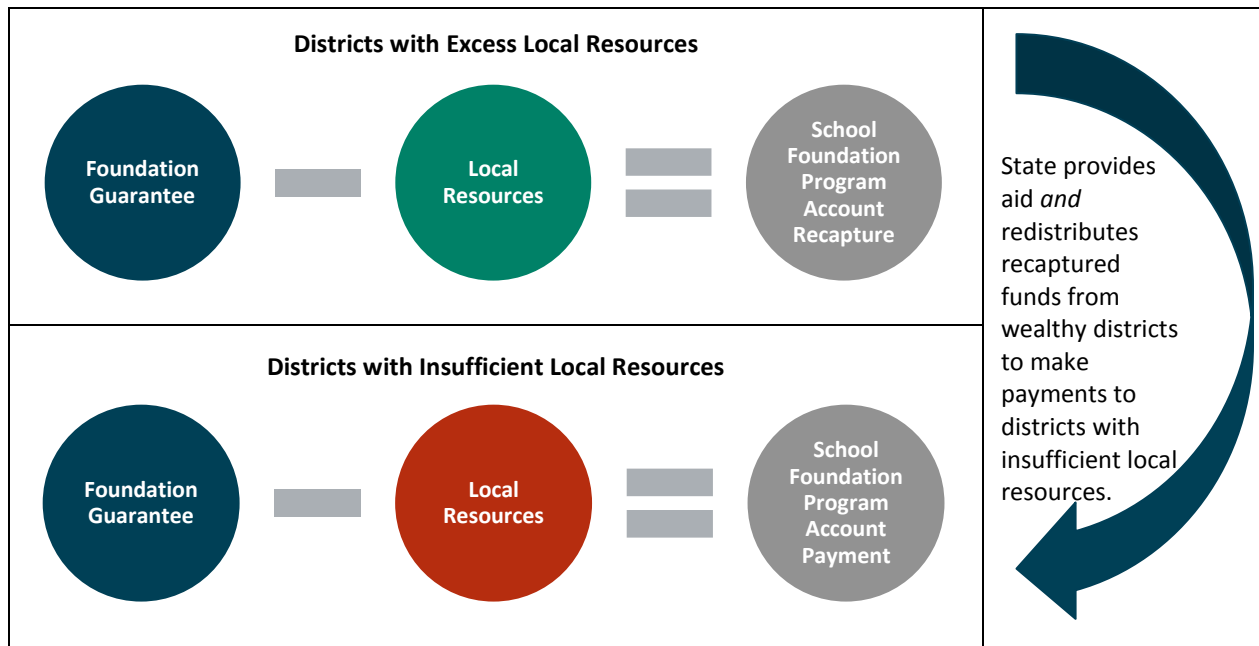
¹³⁸ “School Foundation Block Grant Flow Chart.” Wyoming State Legislature, March 2014, p. 1.
<http://legisweb.state.wy.us/InterimCommittee/2014/SchoolFoundationBlockGrantFlowChart.pdf>

¹³⁹ “School Finance Synopsis: Wyoming School Finance System.” Wyoming State Legislature.
<http://legisweb.state.wy.us/school00/synopsis/syniia.htm>

¹⁴⁰ *Ibid.*

¹⁴¹ “School Foundation Block Grant Flow Chart,” *Op. cit.*, pp. 1-2.

Figure 2.15: School Foundation Program



Source: State of Wyoming Legislature¹⁴²

Foundation Guarantee

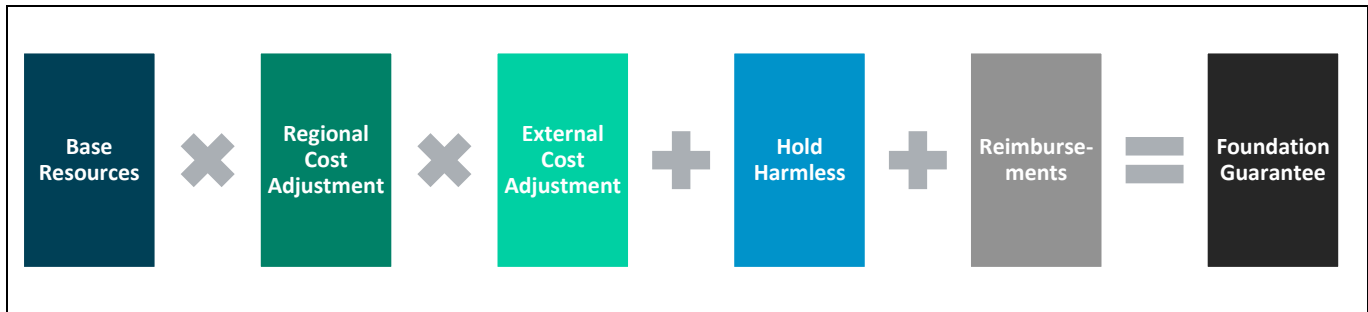
As previously mentioned, the School Foundation Program is a cost-based model. The funding level set for schools and districts in the state are based on actual costs determined during the “recalibrations” that the state requires every five years. Base costs are then applied to each individual district based on enrollment, which is calculated through Average Daily Membership (ADM). Districts have two options for calculating ADM: the average enrollment of the previous school year or a three year rolling average enrollment. The district funding level is set at whichever measure of ADM is larger, providing a cushion of extra funding for districts with declining enrollment.¹⁴³

Once ADM and base resource levels are established, funding levels are adjusted and added to additional funding factors to determine the Foundation Guarantee, as shown in Figure 2.16 on the following page.

¹⁴² Ibid., p. 11.

¹⁴³ “The Wyoming Funding Model: Guidebook and Technical Specifications.” Wyoming Department of Education, September 4, 2012, p. 21. <http://edu.wyoming.gov/downloads/schools/wyoming-funding-model-guidebook.pdf>

Figure 2.16: Foundation Guarantee Calculation



Source: Wyoming State Legislature¹⁴⁴

Base Resources

A district’s Base Resources are calculated in terms of designated school resources and district resources. The cost of both types of resources are calculated during the recalibration periods (which take place every five years), typically using statewide average costs.¹⁴⁵

School resources are calculated through various “school prototypes” designated by the state legislature. Different prototypes apply to elementary schools, middle schools, high schools, small schools with an enrollment of less than 49 ADM, alternative schools, and small school district schools in which the entire district enrollment is less than 243 ADM.¹⁴⁶ Enrollment is calculated in each school prototype’s total cost by allocating staff positions based on enrollment. For example, core teacher positions are designated as follows:¹⁴⁷

- Elementary school class size 16 ADM, minimum six teachers per school;
- Middle school class size 21 ADM, minimum eight teachers per school;
- High school class size 21 ADM, minimum 10 teachers per school.

School prototypes include a designated level of funding based on enrollment and the calculated “basket of resources” for a number of elements beyond core teachers, including:¹⁴⁸

- Personnel;
 - Core and Specialist Teachers; Librarians and Media Technicians; Pupil Support Staff; School Administration; Secretarial and Clerical Staff; Supervisory Aides; and Substitute Teachers.
- At-Risk Resources;
 - Tutors per at-risk pupil; English Language Learner Teachers per ELL pupil; and Guidance Counselors per Secondary Pupil.

¹⁴⁴ Figure created nearly verbatim from: “School Foundation Block Grant Flow Chart,” Op. cit., p. 1.
¹⁴⁵ “Report to the Legislature: Findings on the Recalibration of the Education Resource Block Grant Model.” Select School Finance Recalibration Committee, December 2010.
<http://legisweb.state.wy.us/LSOWeb/SchoolFinance/Documents/Final%20Recalibration%20Report.pdf>
¹⁴⁶ “School Foundation Block Grant Flow Chart,” Op. cit., p. 3.
¹⁴⁷ Ibid., p. 4.
¹⁴⁸ Ibid., p. 5.

- Career and Vocational Education Teachers and Supplies;
- Supplies and Materials;
 - Books and Instructional Materials; and Computers and Equipment.
- Gifted and Talented Resources;
- Student Activities Resources;
- Professional Development Resources; and
- Student Assessment Resources.

School personnel costs are adjusted from the state average salary for each position to account for a number of differences in individual staff member salary levels, including an experience adjustment, an education level adjustment, a responsibility adjustment, and a districtwide average salary adjustment depending on each district's salary levels relative to the state average.¹⁴⁹

District resources are also based on ADM enrollment, but include such costs as central office staff and supplies, maintenance and operations staff and supplies, and utilities. For example, districts with an enrollment of 500 ADM or less have a minimum of three professional and three clerical staff members, while districts with an enrollment greater than 3,500 are allocated eight professional and 10 clerical staff, prorated up as necessary as district size increases. Reimbursements are also included in district resources; however, these funds are not applied to the regional cost adjustment or external cost adjustment.¹⁵⁰

Regional Cost Adjustment

The regional cost adjustment is applied to base costs for each district only for FTE salary expenses. This adjustment is meant to adjust state average salary levels to an appropriate level based on cost of living in different parts of the state.¹⁵¹

External Cost Adjustment

The external cost adjustment is applied to base costs to adjust for inflation each year following the state recalibration of costs. The adjustment is set by the state legislature, and is applied to the following categories: educational material, energy, non-professional labor, and professional labor.¹⁵²

Hold Harmless

The state's Hold Harmless provision is applied to funding levels after base costs are adjusted for regional and external costs. Hold Harmless funding is provided to districts whose funding

¹⁴⁹ Ibid., p. 8.

¹⁵⁰ Ibid., pp. 3-6.

¹⁵¹ Ibid., p. 8.

¹⁵² Ibid., p. 9.

level decreases below levels provided in 2005-2006, although not to districts whose funding decreases as a result of declining enrollment.¹⁵³

Reimbursements

Reimbursements are allocated to school districts after all calculations, including Hold Harmless, are completed. Reimbursements include funds for special education, special tuition, transportation, additional funds for isolated districts and maintenance needs, and teacher extra pay as necessary.¹⁵⁴

Local Resources, Payment, and Recapture

State law requires a number of local resources that must be included in the education funding calculation that determines the level of state aid. Eligible local resources include the following:¹⁵⁵

- Countywide Levy – 6 mills
- Taylor Grazing Act Funds
- Railroad Car Company Taxes
- School District Levy – 25 mills
- County Motor Vehicle Fund
- Property Sales
- Other Local Resources
- Fines and Forfeitures
- Tuition Payments, Excluding D.E. and Dual/Concurrent Programs
- Forest Reserve Funds
- Delinquent Tax Penalty and Interest
- Cash Reserves

After calculating local resources, the state provides an entitlement aid payment to school districts to ensure that the guaranteed amount is achieved. However, if local resources exceed the Foundation Guarantee, the entire excess amount is recaptured by the state under the School Foundation Program Account. These funds, along with the additional funds listed in Figure 2.17 on the following page, are used to make future education entitlement payments. In general, “recapture” is uncommon among school districts in Wyoming, as district’s local resources generally do not exceed the foundation guarantee.¹⁵⁶

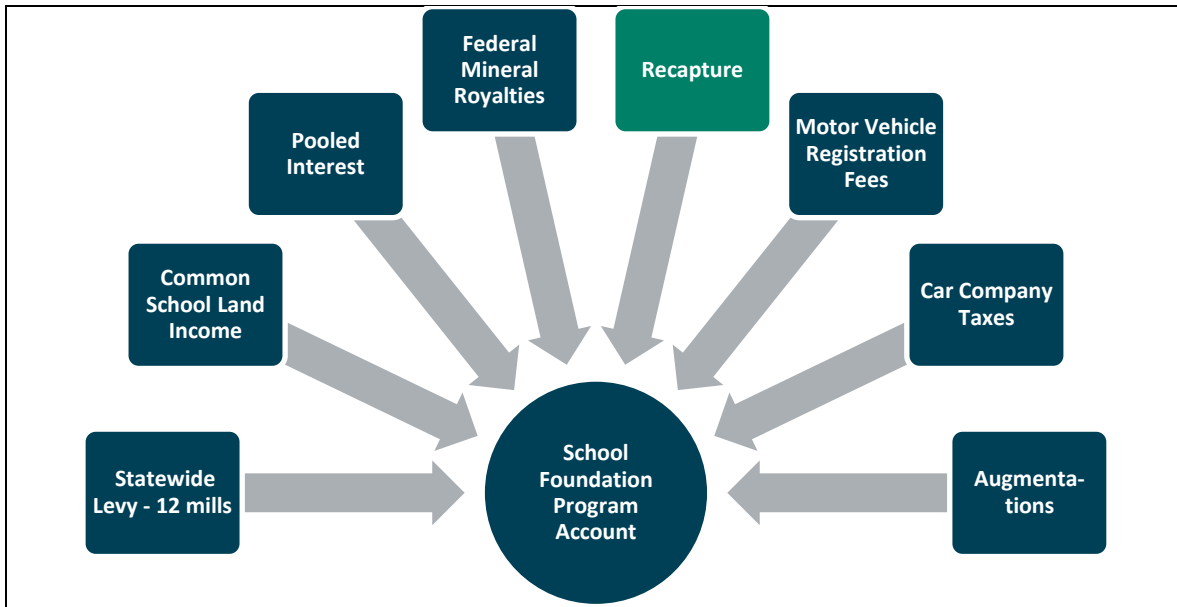
¹⁵³ “The Wyoming Funding Model: Guidebook and Technical Specifications,” Op. cit., p. 157.

¹⁵⁴ “School Foundation Block Grant Flow Chart,” Op. cit., p. 7.

¹⁵⁵ Ibid., pp. 12-13.

¹⁵⁶ “School Finance Synopsis: Foundation Program Entitlement.” Wyoming State Legislature. <http://legisweb.state.wy.us/school00/synopsis/syniie.htm>

Figure 2.17: State Revenues Deposited in the School Foundation Program Account



Source: Wyoming State Legislature¹⁵⁷

Supplemental Funds

While the Foundation Guarantee covers most education resources, the state also provides some supplemental funds. In 2014, these supplemental funds included:¹⁵⁸

- Summer School and Extended Day Funding;
- Instructional Facilitator Funding;
- Other, including retirement, salary enhancements, anti-bullying programming, and CTE.

RECENT CHALLENGES

Wyoming is currently one of the highest spending states for K-12 education, ranking third in the nation for per-pupil spending in 2015.¹⁵⁹ However, despite large increases in state education spending over the last decade, student academic achievement has largely remained on par with the national average, even compared to states where education funding stagnated over the same time period.¹⁶⁰ In its 2015 ranking of the nation’s best

¹⁵⁷ “School Foundation Block Grant Flow Chart,” Op. cit., p. 15.

¹⁵⁸ Bullets taken verbatim from: Ibid., p. 10.

¹⁵⁹ O’Hara, C. “Legislators Plan to End Statewide Writing Assessment.” *KCWY13*, February 3, 2015. <http://www.kcwy13.com/home/headlines/Legislators-Plan-to-End-Statewide-Writing-Assessment-290657301.html>

¹⁶⁰ Connor, E. “How Does Wyoming Education Rank?” *Star Tribune*, July 24, 2012. http://trib.com/news/state-and-regional/how-does-wyoming-education-rank/article_26136fb1-072c-5dc5-a241-f449abb19c65.html

education systems, *USA Today* ranked Wyoming seventh, despite noting that “large expenditures do not always result in excellent test scores” in the state.¹⁶¹

The persistently average achievement of Wyoming students despite high levels of school funding has led some politicians and reformers to call for smarter spending targeted to improve student achievement. State Senator Bernadine Craft recently stated that although she is proud of the state’s high level of education spending, resources need to be targeted more effectively. “I’m more supportive of educational excellence,” Senator Craft stated in a 2015 article on the repeal of a costly state standardized writing test. “I’m more supportive of innovative programs.”¹⁶²

¹⁶¹ Frohlich, T.C. “States with the Best Schools.” *USA Today*, January 15, 2015.

<http://www.usatoday.com/story/money/business/2015/01/15/247-wall-st-states-best-schools/21388041/>

¹⁶² O’Hara, C., Op. cit.

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