



## PUBLIC EDUCATION FUNDING MECHANISMS IN OTHER STATES

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### CONNECTICUT'S EDUCATION FUNDING FORMULA

Connecticut's formula, known as the Education Cost Sharing (ECS) grant formula, is a per-pupil funding mechanism. This type of formula is also referred to as a "foundation" formula.

Foundation formulas are the most common public school funding mechanisms used by states. Nearly three-quarters of the states use foundation models, according to the Education Commission of the States.

### ISSUE

Explain the funding formulas for public education used by other states, and provide several examples.

### SUMMARY

This report uses research from the [Education Commission of the States](#) ("the Commission"), a nonpartisan organization created by states to track state policy trends, translate academic research, and provide unbiased evidence about education topics.

According to the Commission, there are three primary types of public education funding formulas: (1) foundation programs, (2) resource allocation systems, and (3) a hybrid of the two.

Foundation programs use pupil counts with weighted adjustments for student needs to arrive at a per-pupil cost for public education. States then determine how to split this cost with towns using different town wealth measures (e.g., property value, personal income, or a mix of the two).

Resource allocation systems cost-out various service components in the average school district (e.g., teachers, administrators, services). The total cost of these services equals the amount of resources each district should receive. States then determine how to split the cost of the resources with towns.

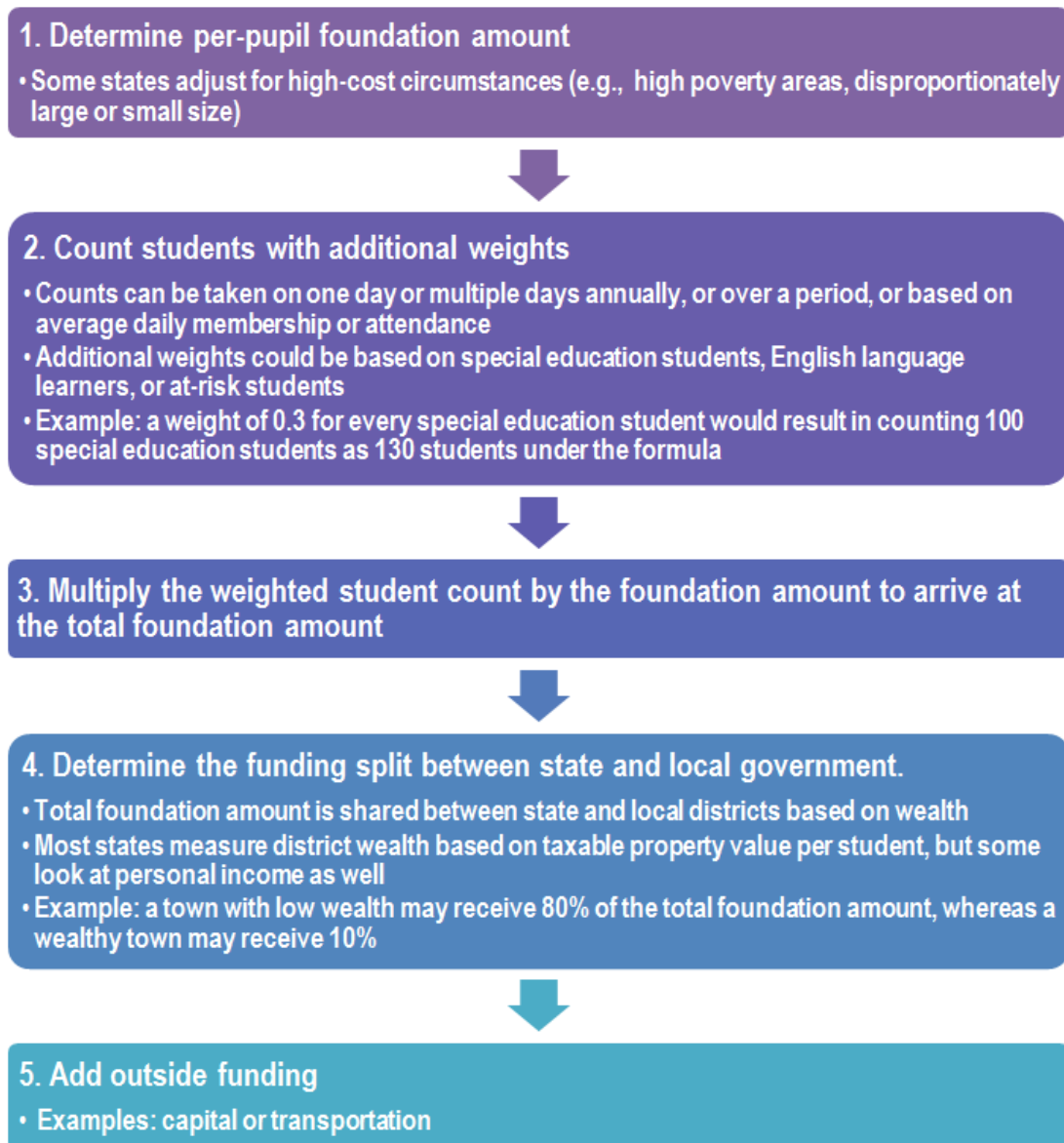
The Commission recently highlighted both Massachusetts' and Maryland's funding formulas as "promising practices." Massachusetts uses a hybrid of the foundation and resource allocation models, while Maryland uses a foundation model.



## FOUNDATION FORMULAS

The Commission reports that nearly three-quarters of the states use foundation formulas to fund their public education systems. Foundation formulas give state money to local governments on a per-pupil basis. To design a foundation formula, states typically follow the steps described below in Figure 1.

Figure 1: Steps for Designing a Foundation Formula



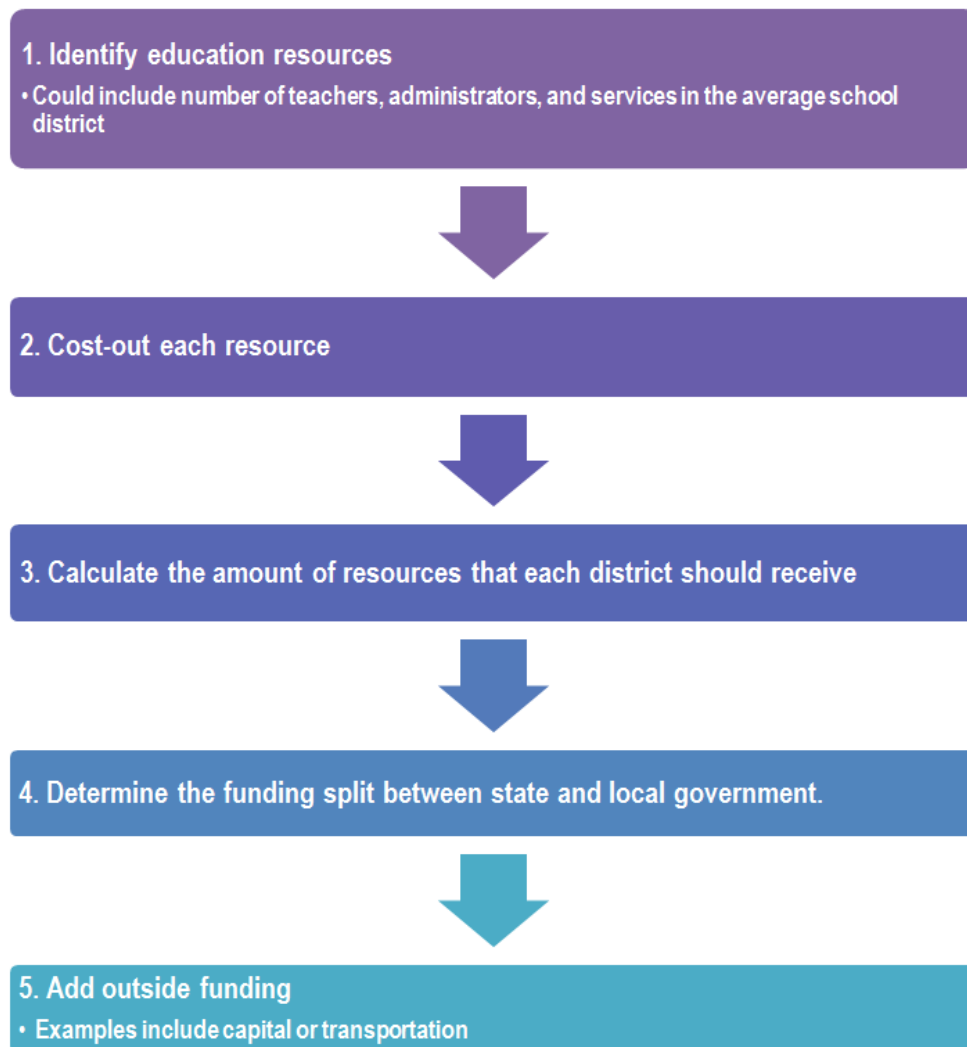
Source: Education Commission of the States

The Commission explains that foundation formulas can be adjusted to meet a state's or districts' educational needs and economic circumstances. Under this formula model, districts have greater autonomy to allocate state funding to educational resources in comparison to the resource allocation models, in which the state has more control.

## RESOURCE ALLOCATION FORMULAS

According to its most recent available research, the Commission reports that seven states use resource allocation formulas to fund their public education systems. Resource allocation formulas give state money to local governments based on the cost of providing educational resources to school districts. To design a resource allocation formula, states typically follow the steps described below in Figure 2.

Figure 2: Steps for Designing a Resource Allocation Formula



Source: Education Commission of the States

Resource allocation system formulas clarify the amount of resources a school district receives from the state, according to the Commission. States can use it to exert more authority over the number of teachers and other resources that should be in a school. The process of calculating the cost of each education resource can be time consuming for both the state and the districts, the Commission points out.

### DETERMINING THE STATE-LOCAL FUNDING SPLIT

In both the foundation and resource allocation models, one formula component determines the share of education funding that the state will provide in comparison to the local government. The Commission explains that states use different measures of wealth in their funding formulas. Figure 3 below, designed by the Commission, provides examples of how states design their component that measures town wealth.

**Figure 3: State Formula Components to Measure Town Wealth**  
**States that Measure Fiscal Capacity with Factors in Addition to Property Wealth**

	Property	Income	Other
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 both 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 students eligible for free/reduced lunch in grades preK-6 compared to the state average 50%
Tennessee	Property Value 50%		Sales Tax Base 50%
Virginia	Property Value 50%	Income 40%	Sales Tax Base 10%

(Sources: All data is derived from state sources.)

\* Maryland uses the following formula to determine a districts relative wealth: (Total real property values x 40%) + (total personal property x 50%) + (100% of public utilities' assessable base) + (100% of net taxable income) = total district wealth.

Source: Education Commission of the States

## HYBRID FORMULAS

The Commission found several states that use a hybrid model, which takes elements from both foundation and resource allocation models. There is no standard model for the hybrid formula. Massachusetts is one example of a state with a hybrid funding formula (see below).

## STATES WITH “PROMISING PRACTICES”

According to a recent presentation by the Commission to the Illinois House Committee on School Finance, both Massachusetts and Maryland use public education funding formulas that are “promising practices.”

### *Massachusetts*

Massachusetts adopted its school funding formula in 1993, the same year that it adopted its MCAS (Massachusetts Comprehensive Assessment System) standardized test that measures student achievement. The Commission considers the formula to be a hybrid because it uses a system of costs per student, which is similar to a foundation formula, but the cost is determined using a resource allocation approach.

The Commission provides an example of how Massachusetts’ funding formula calculates the cost of educational resources for a general education elementary school student in Figure 4 below.

Figure 4

### Massachusetts – Chapter 70 Calculation for a General Ed. Elementary Student – FY2015

	Elementary Student
Administration	\$359
Instructional Leadership	\$649
Teachers	\$2,976
Other Teach Services	\$763
Pro Development	\$118
Instructional Equip & Tech	\$431
Guidance & Psychology	\$217
Pupil Services	\$129
Operation & Maintenance	\$827
Employee Benefits	\$745
<b>Total</b>	<b>\$7,214</b>

## **Maryland**

The Commission also commends Maryland's funding formula as a "promising practice." Adopted in 2002, the formula uses a "two-tiered foundation approach."

The Maryland Equity Project, a nonpartisan policy research project housed at the College of Education at the University of Maryland, explains the two tiers. Under the first tier, the state allocates to public school districts a per-student foundation amount, plus additional funds based on their populations of students who (1) receive special education, (2) have limited English proficiency, or (3) are low-income. This tier also has a wealth-equalizing mechanism built in, which "required that distribution of per pupil state aid be inversely related to a district's per pupil wealth."

Under the second tier of the funding formula, the Geographic Cost of Education Index (GCEI) provides supplemental funding to districts where the cost of educating students is high. The GCEI accounts for (1) the level of wages that must be offered to attract comparable personnel to each locality and (2) differences in costs of non-personnel supplies (e.g., paper products and energy, but not capital expenditures). According to the Maryland Equity Project, 13 of Maryland's 24 school districts are "high cost" and receive GCEI funds. These high cost districts educate around 80% of the state's public school students.

### **ADDITIONAL RESOURCES**

Checovich, Laura. Maryland Equity Project. "[Policy Brief: Financing Public Education in Maryland: A Brief History.](#)" September 2016.

Education Commission of the States. "[Understanding State School Funding.](#)" *The Progress of Education Reform*. Vol. 13, No.3. June 2012.

Education Commission of the States. "[Who Pays the Tab for K-12 Education?](#)" *The Progress of Education Reform*. Vol. 14, No. 4. August 2013.

Griffith, Michael. Education Commission of the States. "[House Committee Meeting on School Finance; Springfield, Illinois.](#)" PowerPoint presentation. April 2015.

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