



## How Are State Education Funding Formulas Structured?

#3 IN THE SERIES • OCTOBER 2021 (updated October 2023)

All states have a formula that determines how state funding is distributed to school districts. Most state formulas anticipate or require that school districts raise some funds locally and adjust state allocations based on that anticipated local share of school funding.

In theory, state funding formulas attempt to provide school districts with the resources needed for a high-quality education while also accounting for differences in student populations and economic conditions from district to district, among other factors. **In practice, few state formulas achieve these goals, resulting in inequitable, inadequate, and inefficient spending.**

To better understand these disparities, it is important to understand how state school funding formulas typically work.

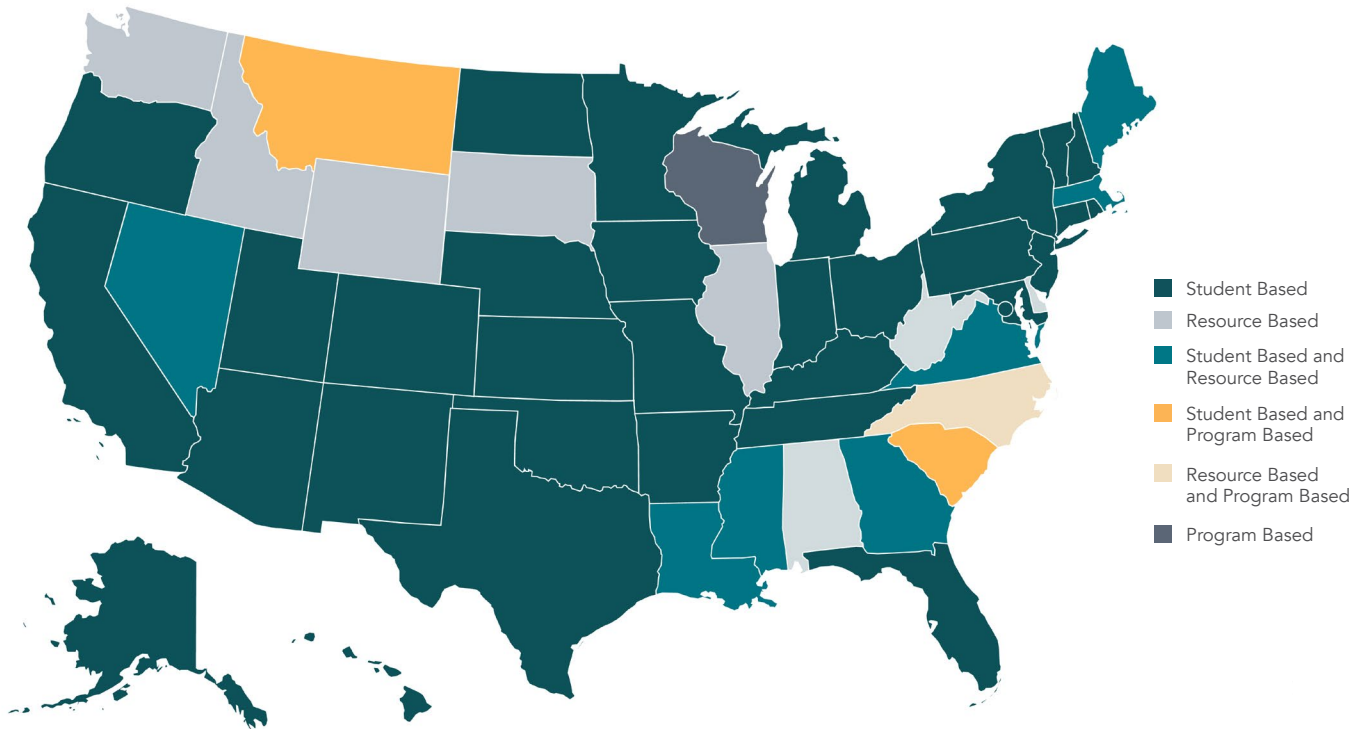
### STANDARD STATE SCHOOL FUNDING FORMULA STRUCTURES

Funding Category	State Spotlight
<p><b>Student based</b><sup>1</sup> (37 states, Washington, D.C., and Puerto Rico)</p> <p>School districts receive funding based on the number of students enrolled or in attendance. Districts may receive additional funding based on certain enrolled student characteristics (e.g., low income, disability, English language learners).</p>	<p>Texas<sup>2</sup> guarantees a Basic Allotment (BA) for each student. In 2020-21, the BA was \$6,160. The state then uses a series of weights and adjustments to determine additional funding based on student and district characteristics (e.g., the number of economically disadvantaged students, the number of English language learners, how rural or spread out the district is geographically).</p>
<p><b>Resource based</b> (16 states)</p> <p>School districts receive funding based on the anticipated cost of resources and inputs, such as staff salaries and instructional materials, adjusted for student enrollment.</p>	<p>Idaho's<sup>3</sup> funding formula has three primary allocation mechanisms—Salary and Benefits Apportionment, Categorical Funds, and Discretionary Funds. The majority of funding (63% in FY2020-21) is tied to Salary and Benefits Appointment, determined by a multi-step calculation considering factors such as attendance, district size, student composition, and staff qualifications, making it the most intricate component of the funding formula. Categorical funding is provided for grade levels, English language learners, students with disabilities, gifted students, CTE program participants, and those in small or remote districts.</p>

**STANDARD STATE SCHOOL FUNDING FORMULA STRUCTURES** (continued)

Funding Category	State Spotlight
<p><b>Program based</b> (four states)</p> <p>This system allocates dollars to school districts based on the cost of educational programs within those districts.</p>	<p>Wisconsin<sup>4</sup> uses two categories to distribute aid — General Aid and Categorical Aid. General Aid is unrestricted funding provided primarily through a formula that distributes money based on a school district’s ability to generate local tax revenue. Categorical Aid is intended to finance specific program costs, including transportation and special education. Categorical Aid is distributed without regard to a district’s property wealth or per-pupil spending.<sup>5</sup></p>

**STATE-BY-STATE LANDSCAPE FOR FUNDING FORMULA TYPES**



Source: EdBuild, "FundEd: National Policy Maps—A National Overview of State Education Funding Policies," 2021.

# The Case for Student-Based Funding

There are several advantages to a student-based state school funding formula.

## Transparency

Parents, advocates, and other community partners can hold the state and districts accountable for resource equity because funding is built directly around student needs and enrollment.<sup>6</sup>

## Flexibility

District leaders can determine what programs and resource allocations are best suited for their students and schools.

## Equity

Districts receive necessary resources to serve each student's learning needs.

Not all student-based funding systems are perfect or equitable, but they are the strongest starting place to ensure equity, especially when the formula includes weights that are adequate and responsive to changes in student populations within and among districts that require schools to respond with different levels of resources and support.

## Questions for Advocates

- *What kind of school funding formula does your state use?*
- *If your state does not currently have a student-based formula, how (if at all) does the existing formula consider students' different learning needs?*

# Endnotes

- 1 "50-State Comparison—K-12 Funding: Funding Mechanism," Education Commission of the States, August 2019, <https://reports.ecs.org/comparisons/k-12-funding-01>; "TISA Quick Guide: Overview," Tennessee Department of Education, 2023, <https://www.tn.gov/content/dam/tn/education/tisa-resources/Overview%20-%20TISA%20Quick%20Guide.pdf>.
- 2 "Texas Public School Finance Overview 2020-2021 Biennium," Texas Education Agency, February 2021, <https://tea.texas.gov/sites/default/files/texas-public-school-finance-presentation.pdf>.
- 3 "FundEd: State Policy Analysis: A Detailed Look at Each State's Funding Policies—Idaho," EdBuild, <http://funded.edbuild.org/state/ID>; Aaron Garth Smith, Christian Barnard, and Satya Marar, *Modernizing School Finance in Idaho*, Reason Foundation, January 2021, <https://reason.org/wp-content/uploads/modernizing-school-finance-in-idaho.pdf>; <http://funded.edbuild.org/state/ID>.
- 4 "State and Federal Aid," Wisconsin Department of Public Instruction, accessed September 15, 2021, <https://dpi.wi.gov/sfs/aid/overview>.
- 5 Brian Pahnke, "Wisconsin School Finance Overview: 2017 WASDA Fall Conference," Wisconsin Department of Public Instruction, September 20, 2017, [https://cdn.ymaws.com/www.wasda.org/resource/resmgr/fall\\_conf\\_2017/17Fall-FinanceOverview.pdf](https://cdn.ymaws.com/www.wasda.org/resource/resmgr/fall_conf_2017/17Fall-FinanceOverview.pdf).
- 6 Rebecca Sibilia, "The Advantages of Student-Driven Funding," *State Education Standard* 18, no. 3 (September 2018): 23-25, <https://eric.ed.gov/?id=EJ1192137>.

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Any errors in fact or analysis are the responsibility of the authors alone.

## ABOUT THE SERIES

Splitting the Bill is a crash course in the essentials of school finance equity for advocates and others interested in reforming state education finance systems. Learn more and read the other briefs in this series [here](#).

## About Bellwether

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

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