Bellwether

Equity-Driven State K-12 Funding

A Policy Guide for Advocates

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Introduction

K-12 education advocates know that money matters. More funding enables better student outcomes, especially when equitably distributed according to student needs. The 20 state- and territory-based advocacy coalitions in the Partnership for Equity and Education Rights (PEER) network share the goal of improving education funding so that every student has access to a well-resourced, excellent public school. Each of these coalitions holds deep expertise on education finance policies, priorities, and needs in their own state contexts. They also aim to improve their states' funding policies by drawing upon research and examples of what has worked elsewhere.

State school funding formulas are complex, with multiple policy components. No state has the perfect formula, but many states have elements worth learning from. This guide compiles evidence on effective state funding formulas across topic areas critically important for resource equity (e.g., funding for economically disadvantaged students and methods for sharing costs between state and local governments). It also documents the range of policy options available to states, presents the pros and cons of various approaches, and offers perspectives from advocates with experience implementing these models in their states.

The goal of this Policy Guide (Guide) is to build and share advocates' knowledge about state funding formula policy design. It is intended for use by state advocates, national groups, and funders who share a commitment to advancing resource equity, and to inspire new policy conversations and inform state strategies.

How This Guide Was Created

In fall 2024, Bellwether facilitated a series of collaborative working sessions on equitable state school funding policy design. To select the topics for these sessions, Bellwether issued a survey to state advocates, with 22 individuals responding, and interviewed 16 advocates to assess their priorities and needs. Based on this information, Bellwether identified five working session topics:

1. Building blocks of state funding formula (including adequacy, enrollment metrics, and base cost)
2. Funding for economically disadvantaged and at-risk students and communities
3. Funding for English learners (ELs)
4. Funding for special education and students with disabilities
5. Local and state cost-sharing policies

Each of these topics is covered in this Guide, along with a few others that advocates uplifted as important. The Guide, however, does not address every policy critical to education resource equity. For instance, the Guide covers operational but not capital funding. It addresses common funding formula features, including weights for student and district characteristics, but does not address other categorical programs a state might layer on top of its primary formula, nor does it address policies that divert state funds to private schools through programs like vouchers or education savings accounts. In addition, while this Guide focuses on how states send money to districts, it does not substantially explore how districts then choose to send funds to schools. It describes a few important federal funding streams at a high level to provide context on how federal funding policies intersect with state funding policies, but it is not a comprehensive primer on federal funding for K-12 schools.

A total of 40 representatives from 31 organizations participated in Bellwether's working sessions. Together, these advocates brought expertise and perspectives on policies affecting Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Maryland, Mississippi, New Hampshire, New Mexico, North Carolina, Pennsylvania, Puerto Rico, Tennessee, Virginia, and Wisconsin (Acknowledgments). Before each working session, Bellwether disseminated a pre-read document that established a shared fact base. Pre-reads drew upon Bellwether's past publications on school finance,[1] team members' experience advising states on school finance reforms, and additional desk research. During

the sessions, advocates discussed the fact base and their perspectives on how these policies did or did not work in their states. Brief exit surveys following each working session shaped the facilitation and pre-read plan for subsequent sessions. After the final working session, Bellwether summarized the pre-reads and working session discussions into this Guide, a draft of which was reviewed by a small number of participating advocates.

The contributions of advocates throughout the process significantly enhanced and shaped this culminating Guide; however, authors did not seek consensus on policy recommendations. Participation in the process by individuals and organizations does not imply any endorsement of the content of this Guide.

The Principles of Strong Funding Systems

There are multiple ways in which advocates might assess the strengths and weaknesses of their states' school funding systems. Aligning on shared principles can be an important step in coalition-building around school funding reform.[2] Bellwether facilitators and participating state advocates grounded discussion in the following principles, adapted from those Bellwether typically uses in its work:

ADEQUACY

There is enough funding in the system to enable every student, regardless of background, to achieve a high-quality education.

EQUITY

The system allocates greater resources toward students with greater educational needs. It factors in local funding capacity in ways that enable the efficient use of limited state dollars to target the greatest needs.

RESPONSIBILITY

The system makes clear the locus of decision-making for funding and budgeting, and it splits local and state responsibilities appropriately.

TRANSPARENCY

It is clear how funding is calculated and distributed. Formulas are only as complex as they need to be. Reporting of revenue and expenditures creates a feedback loop between student needs and state funding.

STABILITY

Funding is reasonably predictable from year to year, with policy safeguards that help districts plan and avoid abrupt decreases in funding due to economic volatility, enrollment shifts, or policy changes.

Three Essential Questions

A funding system consists of multiple policies that work to achieve the principles described above. These policies together answer three essential questions:

1. **How much does the state spend on education?**
2. **How is funding allocated to districts?**
3. **How do state and local governments share the cost?**

This Guide includes a section devoted to each of these essential questions. Some sections are further divided into chapters that take a deeper look at specific elements of the broader question.

SECTION I: How Much Does the State Spend on Education?

State funding systems usually include two main formulas. The first determines how much state money should be available for K-12 public education (Section I). The second determines how that money is allocated to districts (Section II).

***A note on definitions**: For simplicity and brevity, this Guide uses the term "states" to refer to all U.S. states and territories, including the District of Columbia and Puerto Rico, unless otherwise stated. When referring to "districts," the Guide typically means all local education agencies (LEAs) including charter school LEAs where applicable, unless otherwise stated. States vary in their funding rules for charter schools.*

Many states have formulas, adequacy targets, or a combination of the two that determine how much money the state should spend on education. However, unlike the federal government, states are required to balance their budgets, which means the question of "how much" is often a political decision shaped by the state's economic circumstances and the willingness of elected officials to prioritize education among competing policy issues and costs. The decisions policymakers make about total education funding levels are critical in determining whether funding is sufficient to provide a high-quality education. Without adequate funding, even the best student-centered allocation systems will be insufficient to help schools and districts achieve state goals.

> *"There's a lot of good work that went into the formula, but it's a matter of getting it funded, and that's where we're always falling short here in our law."* —MARYLAND ADVOCATE

> *"Illinois is struggling with persistent underfunding of our Evidence-Based Funding Formula, which makes it difficult to assess the efficacy of all elements of our formula."* —ILLINOIS ADVOCATE

Defining and Quantifying Adequacy

School funding adequacy means allocating sufficient resources to ensure all students can meet academic standards and achieve successful outcomes, as defined by each state. There are two main ways advocates can assess adequacy:

- **Legal basis**: Meeting state constitutional or legal obligations for education, as states want to fulfill their responsibilities and reduce the risk of lawsuits due to insufficient funding.[3]

- **Educational basis**: Supporting the needs of all students and enabling them to achieve state standards, contributing to broader goals for societal and economic well-being.[4] This is a much higher bar, and current student outcomes suggest most states are not meeting it.

Legal and educational adequacy approaches are mutually reinforcing. If the state is falling short of funding its adequacy targets or persistently failing to meet its educational goals, advocates can bring legal action. Conversely, it could be legal action that spurs an adequacy study and the establishment of an adequacy target in the first place. Neither approach, however, guarantees that the state will meet its funding obligation — one of the many reasons that concurrent political, policy, and legal strategies may be needed.

> *"Our state had a very favorable ruling in a school funding lawsuit, and in response, the legislature worked to create an adequacy formula. But the big issue right now is getting them to fund it."* —PENNSYLVANIA ADVOCATE

Not all states establish specific adequacy targets. When they do, states employ various approaches to define and assess adequacy. One common approach to quantifying adequacy is through cost studies (i.e., adequacy studies). There are four main types of "costing out" methods.[5]

- **Cost-function studies** that link educational spending with student needs, district size, efficiency, and educational outcomes.
- **Professional-judgment studies** that include panels of educators, researchers, and other experts who specify the resources required to achieve adequate outcomes.
- **Successful school and district studies** that examine spending in high-performing districts to identify funding levels associated with school and district success.
- **Evidence-based studies** that rely on literature to determine needed resources (although they do not always align with local contexts or district characteristics).

Cost studies can be informative but rarely point to a clear solution. This is, in part, because conclusions vary considerably based on what specific assumptions and data the study uses. For example, a recent report commissioned in Delaware used cost-function and professional-judgment approaches; both methods pointed to substantial gaps in funding adequacy, but the recommended spending target for each method differed by about $3,000 per pupil.[6] Further, while cost studies *may* be a helpful advocacy tool for advocates and policymakers, they do not guarantee that the state can or will invest that level of funding into its schools.

In addition to or instead of using cost studies to define adequacy and inform state spending, some states have established legislative guardrails to protect education funding and help sustain adequate funding levels over time. These guardrails may not be binding, however, since in most states, the final decision about education funding levels rests with the governor and legislative budgeting processes.

Perspectives from Advocates: Setting a Higher Bar for Adequacy

Many advocates say the bar for "adequacy" should be higher than their state currently defines it and should reflect a broader vision for well-funded education system. Defining adequacy is inherently complex because there is no definitive way to determine how much money is required given the highly varied and constantly evolving needs, goals, and circumstances of districts, schools, and individual students. Further, policymakers are incentivized to be more conservative in their definitions to avoid legal challenges and adjust to budgetary constraints, while advocates tend to push for ambitious, enforceable standards for minimum school resources.

Different organizations and experts offer different thoughts on how to define adequacy. For instance, Bruce Baker of the University of Miami and the Education Law Center define adequacy as the amount of spending necessary to achieve national average test scores. Some people might assess adequacy based on total state spending, while others might look at per-pupil averages or a per-pupil minimum. Many advocates use the term "fully funded" when talking about adequacy, although this means different things in different states and contexts. Some advocates say an education system is "fully funded" when the state legislature appropriates the total funding called for by the formula. Some refer to a system as "fully funded" when it meets the needs of students and educators, a level that may or may not be defined in law. The upshot is that there is no consensus definition for adequacy or full funding. The one unifying perspective may be this: more money for schools can set the foundation for better opportunities and outcomes for students.

> *"Tying adequacy to state standards alone is too low a bar when we consider schools are providing a lot more than just reading and math instruction."* —NATIONAL ADVOCATE

> *"We need to pay more attention to a human rights framework when discussing adequacy, especially in states that don't have education funding in their constitution."* —MISSISSIPPI ADVOCATE

Examples of how states have established adequacy targets or funding guarantees:

California
In 1988, California voters passed Proposition 98 to protect K-12 and community college funding by guaranteeing them a minimum share of the state budget. The state uses several "tests" to calculate this minimum, ensuring schools receive a baseline level of funding, usually about 40% of General Fund revenues.[7] While Proposition 98 provides some safeguards for education funding, it is not the same as adequacy, since it establishes a funding floor rather than a target. Further, the legislature can vote to suspend the guarantee, which it has occasionally done during economic downturns.

Maryland
In 2016, Maryland commissioned an adequacy study by Augenblick, Palaich and Associates using both a professional judgment approach and an evidence-based approach. This study informed, but did not determine, the recommendations that eventually passed into law as the Blueprint for Maryland's Future in 2021. The base cost originally informed by the adequacy study is meant to increase each year on a preset schedule until school year (SY) 2032-33.[8]

Oregon
Oregon's Quality Education Model (QEM) uses a modified professional judgment method to estimate the cost of a quality education.[9] This includes 1) a "current service level" estimate of what it would cost the state to sustain current services, based on school expenditures, prior state spending, and enrollment and inflation projections; and 2) a "fully implemented QEM" of what it would cost the state to fund various best practice inputs (e.g., class sizes, teachers, administrators, technology), adjusted for student need, to improve student success. Both these numbers inform the state's budget request and legislative decision-making. Since its adoption in 2001, state funding has never met the QEM benchmarks.[10]

Pennsylvania
The state has commissioned multiple adequacy studies, including a 2007 professional judgment study by Augenblick, Palaich and Associates and a 2023 successful districts study, shared in testimony by Pennsylvania State University professor Matthew Kelly. In February 2023, a Commonwealth Court judge ruled that the state's current funding system was unconstitutional because it did not provide adequate resources to economically disadvantaged students. The decision did not include specific remedies but did pressure lawmakers to act. The legislature has responded by making "adequacy payments" but has not reformed its funding system.

SECTION II: How Is Funding Allocated to Districts?

Chapter 1: Building Blocks of State Funding Formulas

State policy choices about how to structure formulas, define student counts, address enrollment changes, and establish base grants ripple through the entire school funding system, collectively influencing resource equity..[11]

Funding Formula Structures

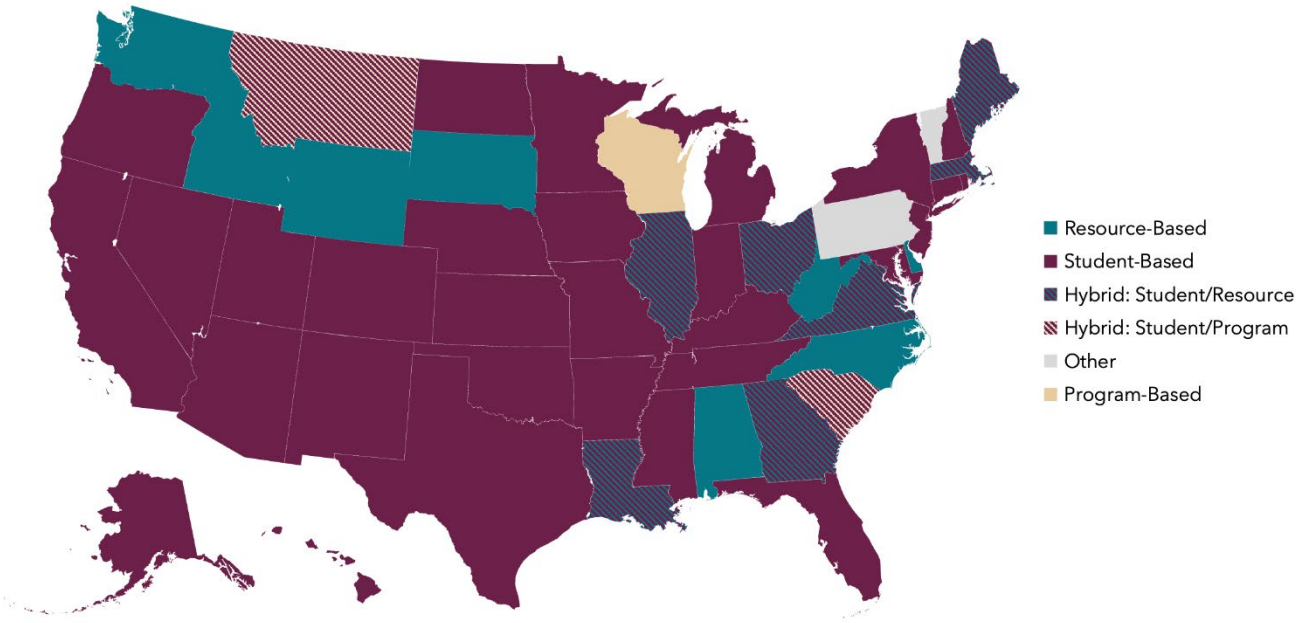
Every state uses a formula to distribute funding to school districts in three main ways: 1) student costs, 2) resource costs, or 3) program costs (Table 1). Most states use a student-based school funding formula, with several states having revised these formulas in the past few years. Some states take a hybrid approach, using elements of more than one of these structures (Figure 1). In addition, most states have one or more funding streams outside the primary formula (e.g., most states fund transportation outside the state funding formula)..[12]

Table 1: Types of K-12 Funding Formula Structures

Funding Formula Structure	Overview	State Example
Student-Based Formula (31 states, District of Columbia, and Puerto Rico)	In these states, school districts receive funding based on the number of students enrolled or in attendance. Districts may receive additional funding based on certain student characteristics or anticipated learning needs (e.g., low income, disabled, ELs).	The **Tennessee** Investment Achievement Act (TISA) formula includes a base amount for each student and weighted allocations for economically disadvantaged students, unique learning needs, concentrated poverty, small districts, and spare districts..[13]
Resource-Based Formula (8 states)	In these states, school districts receive funding based on the anticipated cost of resources and inputs, such as staff salaries and instructional materials, adjusted for student count.	**Alabama's** funding model, the Foundation Program, is a resource-based formula that determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so..[14] It provides some additional funding for students with specific needs, such as low-income students, ELs, and students with disabilities..[15]
Program-Based Formula (1 state)	In these states, school systems allocate dollars to school districts based on the cost of educational programs within those districts.	**Wisconsin's** General Equalization Aid funding model relies extensively on program-based allocations. It does not use a base amount, but does provide additional support for students from low-income households, students in high-poverty districts, bilingual students, students with disabilities, gifted students, career and technical education (CTE) students, and students in sparsely populated areas.

***Source**: Bellwether analysis of state policies. This information is current as of 2024; states with hybrid systems are counted twice.*

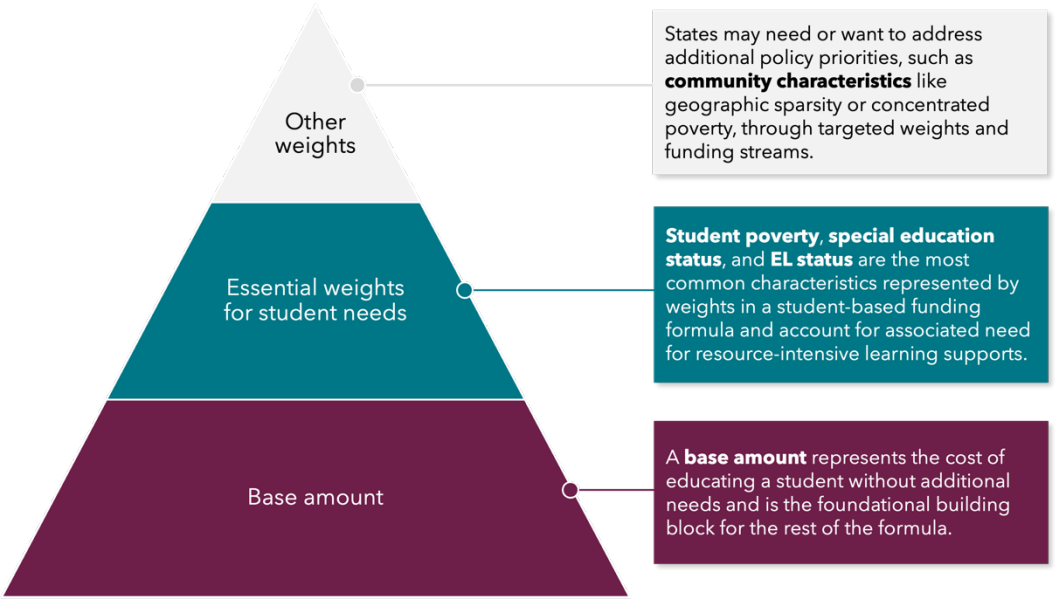
Figure 1: Funding Formula Structures by State (2024-2025)



Source: *Bellwether analysis of state policies.*

Student-based funding formulas are by far the most common approach. These models begin with a base grant, discussed in more detail below, which typically represents the foundational cost of educating a student. These funding models add weights to address individual student needs and common characteristics that require more intensive support, such as poverty, special education status, and EL status. Additionally, many states choose to include other weights that address specific policy priorities or community characteristics, such as rurality, cost of living, concentrated poverty, and support for charter schools (Figure 2).

Figure 2: Funding Formula Components



Student Count Methods

A state's student count — the total number of students per district who qualify to receive state aid — is a primary input in funding formulas.[16] State school funding formulas rely on either student enrollment or attendance to determine the student count and may use data collected from a single day or averaged across multiple days or the entire school year (Table 2). Advocates and policymakers should be mindful that attendance-based student counts disadvantage districts with higher absenteeism,[17] and these are often districts serving higher-need student populations (e.g., economically disadvantaged students). Most states have moved away from attendance-based count policies.

Table 2: Types of Student Count Approaches (November 2023)

Student Count Approaches	Overview
Average Daily Attendance (ADA) (5 states)	This approach counts the number of students **in attendance** districtwide, recorded and averaged over many days throughout the school year.
Average Daily Membership (ADM) (24 states)	This approach counts the number of students **enrolled** districtwide, recorded and averaged over many days throughout the school year.
Seat Counts (22 states and the District of Columbia)	This approach counts the number of students **in seats** on a single "count day" or averaged across a few "count days" each school year.

***Source**: Categorization of student count approaches adapted from EdChoice, "How States Protect Funding for Public Schools" and Allovue, "How States Count Students to Determine Funding: A Call for Change."*

Enrollment Change Hold Harmless Policies

States may enact policies that temporarily override or adjust student counts to help stabilize funding and mitigate the short-term financial effects of declining enrollment. As many school districts have experienced significant enrollment decline in recent years, more states have enacted or revised these "hold harmless" policies (Table 3).[18]

Table 3: Types of Hold Harmless Policies

Hold Harmless Policy	Overview	State Example
Prior-Year Funding	This policy guarantees that districts receive at least the same amount of funding they received in some prior year.	**California** guarantees that districts receive at least as much funding on a per-ADA basis as they received in SY12-13.[19]
Count Year Adjustments	This policy calculates average student counts over multiple years or chooses the highest student count of recent years to cushion funding losses due to enrollment changes and protect against short-term fluctuations.	**Oklahoma's** school funding formula uses the highest single-year enrollment count from the previous three years.[20]
Stop-Loss Provisions	This policy prevents districts from losing more than a certain proportion of their state revenue year over year.	**Tennessee** guarantees that school districts lose no more than 5% of their state funding from one school year to the next.[21]
Transitional Funding	This policy allocates funding to districts for a portion of prior enrollment to mitigate the impact of declining enrollment on revenue.	**Minnesota's** declining enrollment revenue stream provides districts with 28% of the per-pupil funding they lost due to enrollment decline in the previous year.[22]

***Source**: Bellwether analysis of state policies, informed by EdChoice, "How States Protect Funding for K-12 Public Schools: A Summary of State Policies" and Education Commission of the States, "Student Counts in K-12 Funding Models."*

When considering whether to implement hold harmless measures, states should be cautious that permanent hold harmless policies can allocate state resources to districts based on past trends rather than current needs. This could, in some cases, solidify inequities.

> *"California's hold harmless guarantee was the bargain made to pass [its Local Control Funding Formula, or LCFF] over the objection of suburban and wealthier districts that were worried about being harmed by an equitable, weighted student funding formula. And now [the hold harmless policy] seems anachronistic; it's a baked-in inequity."* –CALIFORNIA ADVOCATE

Base Grants

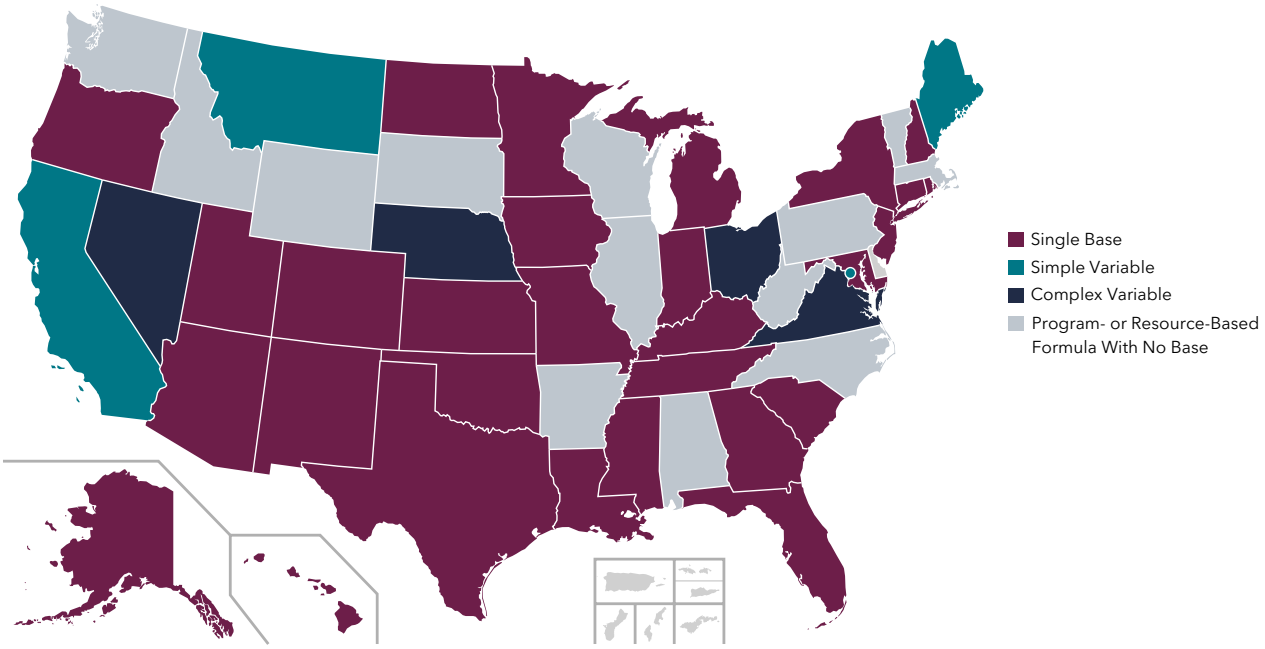
In a student-based funding formula, the base grant (also called a base or foundation amount) is the guaranteed funding per student. Under ideal conditions, it represents the cost of adequately educating a student with no special needs or disadvantages. There are three main ways states structure and revise these amounts (Table 4; Figure 3).[23]

Table 4: Types of Base Grants (2024)

Base Type	Overview	Pros	Cons	State Example
Single Base (30 states)	These states assign a fixed per-student base funding amount, and every district receives the same starting amount per student.	• Adjustable. • Predictable. • Easy to understand.	• May not capture nuance or cost pressures outside of weights.	**Georgia** has a single base, which in fiscal year (FY) 2024 was $3,022.45.[24]
Simple Variable Base (4 states and the District of Columbia)	These states assign per-student base funding amounts that can vary based on factors (e.g., grade level distribution or school/district size). These states use simple, easy-to-follow guidelines for determining the base amount for each student or district.	• Nuanced.	• More difficult to understand and explain. • Can introduce unintended incentives (e.g., breakaway districts).	**California** determines a district's base funding amount by allocating different per-student base amounts based on grade levels (using four "grade spans": K-3, 4-6, 7-8, and 9-12). In FY24, base amounts ranged from $9,919 to $12,015.[25]
Complex Variable Base (4 states)	These states assign per-student base funding amounts based on complex and/or highly individualized calculations. These states might use a "formula within a formula" to determine the base amount for each district on a periodic basis.	• Potential to recognize and adjust for real cost driver differences among districts that cannot be captured in student weights (e.g., localized labor costs).	• More difficult for the public to understand and legislators to adjust. • At times, unpredictable and unsustainable.	**Nebraska** determines a district's base funding amount by calculating the average per student expenditure within a comparison group of 20 districts of similar size, with the highest- and lowest-spending districts excluded. Rather than using each district's individual base to calculate funding for some special needs categories, Nebraska uses a separate, statewide base amount ($11,323 in FY22) to which multipliers are applied.[26]

***Source**: Base type categorization and pros/cons analysis by Bellwether, using policy summaries in EdBuild's FundEd website; Puerto Rico is not included, absent a reliable source with sufficient information on its formula to accurately categorize the base type.*

Figure 3: State-by-State Landscape of Base Grant Types



***Source**: Bellwether analysis of state base grant policies summarized by EdBuild's FundEd website.*

Setting and Revising the Base Grant

Base grant amounts vary significantly from state to state. For example, Georgia's base amount in FY24 was about $3,000, while New Jersey's was more than $12,000. The base amount is far from the sole determinant of school resources: New York has the highest state expenditure per pupil, but the base grant is in the middle of the range, at about $7,800. A larger base sets a higher minimum level of resources for all districts, but it can also limit how much money the state can invest in weighted approaches that prioritize student and community needs.

States take different approaches when setting a base for the first time or adopting a different type of funding formula. Some states derive a base from past spending; this can prioritize funding stability but does not ensure adequacy unless prior funding levels are already sufficient. Others commission cost studies to inform their choice of a base amount.

Once states have a base, they may revise it in similar ways, with the legislature typically having the final say over budgetary allocations. To provide guardrails against underfunding, some states mandate automatic adjustments to the base, such as cost-of-living or inflationary increases, or require periodic cost studies to inform the budgetary process every three to five years (e.g., in Minnesota, recent legislation includes a provision that increases the state's base amount each year to match the rate of inflation, limited to a band of not less than a 2% increase over the previous year and not more than a 3% increase over the previous year).[27]

> *"Tennessee's base is reasonable for now, but there is no legislatively required increase. The General Assembly has to come back and revisit the base every year to appropriate additional revenue. [The base] is fine for now, but there are no protections for what happens if state revenues decline."*
> —TENNESSEE ADVOCATE

Adjusting for Regional Differences

To ensure equal purchasing power in different regions of the state, some states make regional cost adjustments (RCAs) to the base. These adjustments are intended to put regions on a level playing field when it comes to recruiting and retaining educators, since personnel is the main cost driver in district budgets. The general premise is that districts in high-cost areas or in areas with few amenities must pay higher wages to attract and retain teachers.

One of the unintended consequences of RCAs is that they often drive more funding to areas with higher property tax bases and greater fiscal capacity, because areas with high cost of living also tend to have wealthier residents. Small, rural districts may be disadvantaged by these policies because of their relatively low cost of living but high costs in other areas. Rural districts may have higher per-pupil transportation costs or more difficulty recruiting teachers, but these higher costs are often not considered in cost-of-living calculations.[28] Due to these issues, Colorado's 2024 school finance legislation greatly reduced the influence of the state's cost of living factor in school funding and added a "locale factor" benefiting rural districts.[29]

Bellwether recommends that states avoid broad regional cost-of-living adjustments and instead consider district-specific factors like local fiscal capacity, sparsity, and concentration of student need. If a state prioritizes cost-of-living adjustments, it should also consider other cost factors in rural areas, as well as variations within regions.[30]

Chapter 2: Funding for Economically Disadvantaged Students and Concentrations of Poverty

Across the country, K-12 schools and districts are striving to provide economically disadvantaged students with the resources they need. Data show that more than 15% of school-aged children (aged 5-17) live in poverty, and half of all U.S. students attend public schools where a majority of the population is economically disadvantaged.[31] Economic disadvantage is a major factor influencing educational outcomes and is often linked to disparities in standardized test scores, academic performance, and overall educational attainment.

A substantial body of research highlights the positive impact of increased funding on student outcomes, with additional resources especially beneficial for students from economically disadvantaged backgrounds.[32] As of 2023, 44 states and the District of Columbia include extra weights or allocations for economically disadvantaged students in their school funding formulas.[33] States may choose different terms to refer to this student group, a common one being "low-income." Several states aim to be more inclusive either in their language, such as Maryland, which uses "at-promise," or in their definitions, including Tennessee, which uses "economically disadvantaged" as a broad category for both low-income and other "at-risk" students.

Many states also provide additional funding for districts serving high concentrations of students living in poverty.[34] Research suggests that in communities or schools with concentrated poverty, students have lower overall student achievement unless mitigated by greater access to comprehensive supports, services, and high-quality staff — all of which require additional funding.[35] This is, in part, because students in areas with concentrated poverty often face additional challenges, including worse air and water quality and less access to high-quality school facilities, all of which can impact educational outcomes.[36]

A growing subset of states also incorporate a broader range of risk factors in their school funding formulas, including dedicated state funding for students experiencing homelessness, students in migrant families, and students in foster care.

How Is "Economically Disadvantaged" Defined by States?

Before allocating funds to economically disadvantaged students, states must first determine baseline eligibility criteria. While certain methods of determining economic disadvantage, such as eligibility for free and reduced-price meals (FRPM), are more common among states, there is no consensus across all states (Table 5). In fact, many states use a combination of definitions across one or multiple funding streams.[37] This can result in vast differences in funding distribution among states and even between districts.

Table 5: Metrics and Definitions of Economically Disadvantaged

Economic Disadvantage Metric	Overview	Pros	Cons
Individual Student Measures: 44 States and the District of Columbia			
FRPM *(most common)*	Students qualify for funding if they are FRPM-eligible, with family income at or below 185% of the federal poverty level. In some states, students who qualify for FRPM are only eligible with family income at or below 130% of the federal poverty level.	• FRPM data is available and well understood.	• FRPM may be a poor proxy for poverty.[38]
Direct Certification[39]	Students qualify for funding if their families participate in means-tested programs such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Medicaid. Students may also qualify if they are experiencing homelessness or are in foster care.	• More precise and targets a higher-need population than FRPM.	• Requires reliable data sharing among state agencies. • Risks undercounting students who might meet other poverty definitions or face barriers to accessing social services. • May be subject to federal decisions outside of states' control.
Self-Certified[40]	Students qualify for funding by self-certifying as low-income, either by completing a survey or a questionnaire.	• Identifies low-income families not participating in other forms of assistance.	• May be administratively burdensome. • Might be unreliable.
Community/Concentrated Poverty Measures: 25 States			
Census Community Poverty Rates	Districts qualify for funding based on estimates of concentrated community poverty according to U.S. Census poverty data.	• Draws from reliable federal data sources. • Measures community need.	• Poverty levels are determined by geography, which could lead to erroneous estimates. • Accuracy of data is dependent upon census timeline. • May be unreliable for small or rural districts.
Concentrations of Students or Title I Eligibility	Districts qualify for funding if a large percentage of their students are classified as economically disadvantaged, based on individual measures like FRPM eligibility or other assistance programs. Districts may also qualify for funding if their school is eligible for Title I funding, with at least 40% of students from low-income families.	• Funding is directly correlated to individual student need. • Data is already required by the federal government and readily available.	• Title I formula is subject to federal decisions outside of states' control.

Source: *Metric categorization and pros/cons analysis by Bellwether.*

Advocates note that choosing the right metrics for economically disadvantaged funding can become a highly politicized issue, as policymakers tend to weigh the financial implications of each metric alongside considerations of student need.

> *"[Economically disadvantaged definitions] become political, as certain metrics cost the state more money. It often depends on the values of legislators — are they looking at student need or the budget?"* —NATIONAL ADVOCATE

> *"Pennsylvania recently made the decision to use [U.S.] Census data for our economically disadvantaged funding, instead of school-based figures. Policymakers realized they could save money by using a different metric, and schools lost money as a result of that decision."* —PENNSYLVANIA ADVOCATE

Additionally, advocates emphasized the need for caution when using methods that rely on families or students to self-identify as economically disadvantaged. While these approaches can be more inclusive by allowing individuals to define their own needs, they also risk leaving out those who may hesitate to participate due to fear, stigma, or mistrust.

> *"Folks may be averse to calling themselves something to get funding. How poor do you have to be to get what you need?"* —MARYLAND ADVOCATE

> *"Multilingual learners are often underrepresented in data because concerns around immigration status or data privacy deter some families from filling out forms. States may be undercounting these student groups or may have insufficient data."* —MARYLAND ADVOCATE

How Can States Account for Other Categories of Student Risk?

Some states allocate funding for other risk categories distinct from economically disadvantaged. This includes funding for historically marginalized student groups, students experiencing homelessness, students in migrant families, and students in foster care. Students in these situations are likely to experience more barriers to educational success than those experienced by other economically disadvantaged students.[41]

To date, funding streams for these special populations are not common in state education funding formulas. States might include these categories as a type of direct certification that qualifies students as economically disadvantaged or more broadly at-risk. However, that approach may fail to acknowledge the compounding effect of multiple risk factors on student needs.

Several barriers hinder advocates' efforts to expand the definition of at-risk in state funding formulas or to provide additional weighted funding for students in particularly vulnerable circumstances.

- **The small size of these student populations** in many states may make policymakers hesitant to allocate additional resources; with fewer students impacted, policymakers may perceive the financial investment as having a limited return.

- **Overlap with existing categories** may discourage policymakers from explicitly including groups like pregnant or incarcerated students in at-risk definitions, assuming their needs are already covered under the umbrella of economic disadvantage. Additionally, there are trade-offs between adding more funding categories or weights and prioritizing simplicity in the formula.

"The feedback we received from D.C. education agencies emphasized that expanding our definition of at-risk to include groups like pregnant students or incarcerated students may not be necessary, as these students likely overlap with characteristics already covered by the existing definition." —DISTRICT OF COLUMBIA ADVOCATE

"California theoretically funds foster and homeless youth, but this funding is not duplicated — they are counted as economically disadvantaged, which they would be anyway." —CALIFORNIA ADVOCATE

- **The existence of dedicated federal funding streams** for economically disadvantaged students, students experiencing homelessness, students in migrant families, and students in foster care may reduce the perceived need for additional state-level funding.

- **Logistical and data challenges** associated with accurately identifying, tracking, and forecasting the needs of students in these smaller at-risk categories can complicate implementation and may make state policymakers cautious about introducing changes to existing funding formulas.

- **Legal constraints** that may prevent explicit consideration of race or other characteristics in funding formulas, complicating efforts to address the specific needs of students of color and limiting how states can direct funding toward these groups.

  "In some ways, California is ahead of other states in recognizing diverse student groups within the at-risk definition, but challenges remain. For example, due to Prop[osition] 209, race cannot be explicitly included in funding formulas, and efforts to direct funding to address the specific needs of Black students, whom we see as particularly underserved, have fallen short as a result." —CALIFORNIA ADVOCATE

  "During the development of Maryland's Blueprint funding system, there was debate about including specific groups, like students of color, in the at-risk definition. Although the Attorney General ruled that the [Kirwan] Commission could vote on it, it ultimately never made it back to the Commission for consideration." —MARYLAND ADVOCATE

How Do States Structure Funding for Economically Disadvantaged and At-Risk Students?

In addition to determining which students qualify for economically disadvantaged or at-risk funding, states must decide the best way to allocate those funds (Table 6). States need to balance stability, flexibility, and equity when designing their funding formulas. Categorical funding tends to be more rigid, providing specific amounts for designated purposes, while weighted approaches offer district leaders greater flexibility in addressing local priorities and varying needs across districts. The flexibility that comes with weighted funding approaches can introduce tensions related to transparency and accountability, which many advocates discussed in Bellwether working sessions (Sidebar 1).

Sidebar 1: Perspectives from Advocates — Accountability and Transparency

While many advocates interviewed for this Guide expressed appreciation for the flexibility weighted funding formulas provide, they also pointed out that this flexibility can complicate efforts to track how funds are used. Many expressed the need for greater transparency into how districts are using weighted funds to support the specific student groups generating them. Without a clear understanding of where the money goes, it is difficult for stakeholders to know whether resources are being effectively directed to the schools or students who need them most, or to determine which strategies are yielding positive results.

School-level expenditure reporting
Advocates pointed to school-level expenditure reporting as a strategy to strengthen transparency without introducing further complexity to the budgeting process. When states require clear, accessible reporting of per-pupil expenditures at the school level, stakeholders can better track how funds are being used, make inferences about the effectiveness of spending, and determine whether resources are reaching the intended students.

School-level allocations and accountability
Some advocates have explored the idea of allocating a portion of funding directly to school sites rather than sending all resources to the district. This approach aims to ensure that the resources meant for students in need reach the schools serving them directly. Some states have already implemented school-site level funding allocations.

- **Maryland's** Concentration of Poverty Grant provides funding directly to schools with concentrated poverty rates of 55% or more (once fully phased in), bypassing district-level control.[42] The grant consists of two main components: 1) personnel funding, with each eligible school receiving funding for a community school coordinator and a health care practitioner to address students' social, academic, and health needs; and 2) per-pupil funding, with schools receiving additional funding based on their poverty rate, with higher rates resulting in more per-student funding.

  "When The Blueprint for Maryland's Future was passed, it mandated that funds for concentrated poverty go directly to the site that generated them." —MARYLAND ADVOCATE

- In **California**, starting in SY24–25, the LCFF provides targeted funding to the highest-need schools.[43] This extra funding, called the "Equity Multiplier," goes to schools that have over 70% socioeconomically disadvantaged students and a non-stability rate above 25%, meaning students frequently transfer schools. Funding is determined using a statewide multiplier rate based on each qualifying school's enrollment, with a minimum allocation of $50,000 per school. These funds are designated for evidence-based services that directly support students in high-poverty, high-mobility settings and must supplement — not replace — existing funding. Districts are required to document the impact of these funds.

  "The Equity Multiplier was our first victory in getting more money down to the school site, though it is only $300 million in an $86 billion budget." —CALIFORNIA ADVOCATE

While school-level reporting, allocation, and expenditure policies may improve accountability and transparency, there are trade-offs to consider. Allocating or tracking funds at the school level can lead to administrative challenges and inefficiencies, as managing funding at this level often requires increased oversight, complicates budgeting, and may reduce the flexibility districts need to address broader needs effectively. Thoughtful consideration of these trade-offs is crucial to ensuring that all students receive the support they need while maintaining an efficient and responsive funding system.

Table 6: Common Structures for Allocating Funding for Economically Disadvantaged Students

Structure	Overview	Pros	Cons	State Example
Categorical Funding	In this structure, each district receives a specific amount of money, often set aside for each economically disadvantaged or at-risk student, determined by set categories of spending or programs.	• Simple option with predictable funding amounts. • Targets or restricts funding use, which could enable more intensive interventions. • Clear funding streams make it easy to track spending on discrete student populations.	• Inflexible funding could limit districts in choosing effective interventions. • Greater risk of budget cuts and inadequate funding.	Through two separate state aid programs, **Wisconsin** provides school districts with a flat dollar amount per low-income student in grades K-12, and also provides a flat dollar allocation to school districts where at least 50% of students come from low-income households.
Flat Weight	In this structure, every district receives the same amount per economically disadvantaged student, calculated as a percentage of the base regardless of the level of poverty in the district.	• Easy to administer and understand. • As the base rises, so does targeted funding.	• May not provide sufficient resources to higher-poverty districts. • Weighted models make it harder to track spending on specific student populations.	**Oklahoma** provides additional funding for students from low-income households based on FRPM eligibility. It does so by applying a multiplier of 1.25 to the base per-pupil funding amount for these students.
Tiered Weight	In this structure, a stepwise or linear increase in weights is assigned to economically disadvantaged students, based on the level of concentrated poverty in a district. It categorizes districts into multiple tiers, such as lower- and higher-poverty, with each tier assigning a different weight to economically disadvantaged students.	• Supports higher costs of concentrated poverty.	• Economically disadvantaged students may generate different funding depending on the district. • Stepwise tiers can create funding cliffs, where minor changes in poverty levels lead to significant funding changes.	Under a tiered system approved by its legislature in 2023, **Michigan** provides additional funding for students from low-income households, with these students generating at least 11.5% more than the base amount for the district. The added funding escalates as the poverty level of the district rises.
Escalating Weight	In this structure, each economically disadvantaged student generates a base amount, which increases progressively as the level of district poverty rises beyond a certain threshold.	• Gradually adjusts for increased poverty without sharp cutoffs.	• Challenging to explain or predict. • Complex to administer.	**Arkansas** provides funding for every student eligible for FRPM, with the precise award based on the concentration of such students in the district. Per-student awards ranged from $532 to $1,594 in FY22.

***Source**: Structure categorization and pros/cons analysis by Bellwether. All state examples are from EdBuild's FundEd website.*

Where Does Federal Policy and Funding Fit In?

The federal government provides some support and funding to states for economically disadvantaged and at-risk student populations through several programs and policies, the largest of which is Title I (Table 7). Title I funds and numerous other federal grants must be used to "supplement not supplant" state and local funds (Sidebar 2). Federal funding is not only meant to be supplemental — it is also, on its own, insufficient to support student success for at-risk populations. For example, the federal McKinney-Vento Homeless Assistance Act of 1987 funding for students experiencing homelessness remains very low, averaging just $79 per identified student, with fewer than 24% of districts nationwide receiving any funding from the program..[44]

Table 7: Federal Funding Programs and Policies for At-Risk Student Populations

Student Population	Overview of Key Program(s)
Economically Disadvantaged Students	**Title I, Part A of the Every Student Succeeds Act (ESSA)**: Provides funds to schools and districts with high percentages of students from low-income households, aiming to help students meet challenging academic standards. Funds can be used for additional staff, tutoring services, professional development for teachers, and supplemental instructional materials. **FRPM**: Offers free or reduced-price meals to eligible students to ensure adequate nutrition via the Department of Agriculture.
Students Experiencing Homelessness	**McKinney-Vento Homeless Assistance Act (Title IX, Part A of ESSA)**: Ensures that students experiencing homelessness have access to public education and services regardless of their living situation. Schools must provide transportation, immediate enrollment without proof of residence, and access to special programs. McKinney-Vento grants are also available to schools to help provide the necessary services and remove barriers to education for students experiencing homelessness..[45]
Students in Migrant Families	**Migrant Education Program (Title I, Part C of ESSA)**: Provides financial support to schools and districts serving students in migrant families. The program offers academic tutoring, bilingual education, health services, and other services to reduce the impact of frequent moves. The program aims to help students in migrant families overcome educational disruption, cultural and language barriers, and health-related concerns.
Students in Foster Care	**Foster Care Provisions (ESSA)**: Under ESSA, schools are required to collaborate with child welfare agencies to ensure students in foster care have educational stability. This includes guaranteeing transportation to and from the school of origin, immediate enrollment when students enter foster care or change placements, and the right to remains in a student's original school if it is in their best interest. Title I, Part A funds can be used to implement these educational stability requirements..[46]

***Source**: Bellwether analysis of federal policies.*

Sidebar 2: Supplement, Not Supplant

The "supplement, not supplant" requirement in federal law ensures that federal grants are used to *enhance* educational services, rather than *replace* state and local funding. This means that federal dollars should provide additional resources to support specified student groups beyond what is already provided through state and local sources. The goal is to ensure that federal assistance is used to support intended populations and is not to fund the basic education that districts are expected to provide in the absence of federal funds. Federal sources, therefore, cannot allow state and local agencies to reduce their own financial commitments. Learn more about the history of "supplement, not supplant" and current federal law in this resource from New America.

How Much More Funding Should States Provide for Economically Disadvantaged Students?

Research on the level of funding required for schools and districts serving economically disadvantaged students varies widely depending on local needs and definitions of adequacy. For example, one 2022 Economic Policy Institute report estimates that the highest-poverty districts need to spend more than *twice* as much per student as do the wealthiest districts to achieve national average test scores and provide an adequate education.[47] That same report found, however, that these high-poverty districts are spending about 30% less per student than is needed to provide an adequate education.[48] Other research suggests that even a smaller increase in per-pupil spending — about 22% over the 12 school-age years — was enough to close the educational attainment gap between low-income students and their wealthier peers and raise graduation rates by 20 percentage points.[49] Many states conduct their own adequacy studies and may arrive at different figures. There is no single answer about how much more funding is needed, but there is a strong consensus that current levels are inadequate.

Due to differing needs, estimates, and cost pressures, there is a great deal of variation in how states allocate additional funding for economically disadvantaged students. Arizona, for example, provides a modest 2.2% additional weight, while Maryland allocates a much larger 86%.[50] A popular choice for many states is 20-30% of the base funding amount they provide to all K-12 students.[51]

Chapter 3: Funding for ELs

ELs are one of the fastest-growing student populations in the United States, making up approximately 10% of the total K-12 public school enrollment.[52] With more than 400 languages spoken, ELs bring a wealth of linguistic and cultural diversity to their schools and communities.[53] While their unique backgrounds contribute to a more vibrant learning environment, ELs need more resources to build their language skills, access grade-level academic content, and thrive in their schools.

As of 2024, 49 states and the District of Columbia provide dedicated funding for ELs through state formulas, with most using weighted funding models to allocate resources based on EL enrollment. However, state and federal funding levels have not always kept pace with demand or costs of services and supports, and many schools struggle to provide the essential resources needed to help ELs reach their full academic potential.

Who Are ELs, and Why Do They Need Additional Funding in School?

At the simplest level, ELs are students whose primary language is not English and who require additional support to achieve English proficiency and succeed in school.

Seventeen states and the District of Columbia reference the federal definition for ELs when crafting policy, while other states choose to develop their own criteria.[54] These state-specific definitions generally align with federal guidelines but may include more specific or inclusive elements tailored to local needs. The federal definition classifies ELs as individuals aged 3-21 whose primary language is not English and whose limited proficiency affects their ability to meet academic standards, succeed in English-speaking classrooms, or fully participate in society.[55]

ELs face unique challenges because they must develop English language proficiency while simultaneously learning academic content. This population is diverse, encompassing a range of students from newcomers to the U.S. to U.S.-born as well as short- and long-term ELs, each with varying levels of proficiency and differing language backgrounds.[56] These characteristics influence the type and intensity of EL support needed, yet most state funding systems fail to account for this diversity, often applying a single funding weight for *all* EL students without considering their specific needs (Sidebar 3).

To better support ELs, schools need additional funding to provide specialized services that address language development needs and give students the tools to succeed academically. Some examples of extra supports that can benefit ELs include:[57]

- **Bilingual or dual-language instructional models**, such as co-teaching with both English and home-language instructors.
- **Instructional materials with embedded multilingual options** to ensure that academic content is accessible to ELs.
- **Professional development for teachers** to equip them with strategies to support language learners.
- **Tutoring programs** that provide targeted support in both English language development and subject-specific learning.
- **Linguistically and culturally inclusive parent engagement**, ensuring that families are involved and informed in their native language.

In fall 2021, about 93% of eligible ELs across the country received some type of services through English language instruction programs in their K-12 schools.[58] Providing these supports requires additional resources, including more staff, specialized materials, and targeted interventions, all of which necessitate funding beyond the base per-pupil allocation.

How Do States Determine Who Qualifies for EL Funding?

To determine which students are classified as ELs, making their district eligible for additional funding, states may use one or more approaches:[59]

- **Home language surveys**, which are used by at least 21 states and typically completed by families during the enrollment process to identify the student's primary language and/or the language spoken at home. This tool is often the first step in determining whether further assessment is necessary to evaluate a student's language needs.

- **English Language Proficiency (ELP) assessments**, which are used by 27 states to measure students' skills in listening, speaking, reading, and writing in English. These assessments are crucial for identifying students who need additional language support.

- Some states also incorporate additional methods, such as **teacher observations**, **academic performance reviews**, or **home interviews**, to gather a more comprehensive understanding of a student's language abilities.

Advocates note that accurately identifying and classifying ELs can be complicated by a reluctance to self-identify due to stigma or privacy concerns. This may create data gaps and lead to underfunding or inadequate support for ELs.

> *"In California, there is a home language survey that people fill out. There is a reluctance to fill out that survey because of questions about what types of services they may receive — families may not be forthcoming to share personal information with government agencies."* —CALIFORNIA ADVOCATE

Students remain classified as ELs, and their districts continue receiving funding until they demonstrate English proficiency, typically through ongoing assessments such as the ELP, which nearly half of all states require for reclassification.[60] In addition to these tests, states may consider academic performance, statewide assessment scores, and teacher input. After reclassification, many states monitor students for a set period to ensure they maintain academic progress, and some may provide transitional funding for recently reclassified students, typically for up to two years, to support their continued success during the transition. This is an important and often overlooked funding decision that can help prevent funding cliffs, as state and federal funding typically ends after reclassification despite students needing additional support.

Sidebar 3: Perspectives from Advocates – Each EL Has Different Needs

Tennessee provides transitional funding for ELs.[61] The state's TISA formula groups ELs into tiers based on proficiency levels, years in EL services, and the type of support needed, with each tier assigned a specific funding weight.

- **Tier I ELs (20% additional funding)**: Students with higher language proficiency who still need targeted support. This includes those transitioning out of EL services or long-term ELs who have not met exit criteria after seven or more years.
- **Tier II ELs (60% additional funding)**: Students with intermediate proficiency, requiring ongoing language support to succeed academically.
- **Tier III ELs (70% additional funding)**: Students needing intensive language and academic support, such as newcomers or students with limited formal education.

While Tennessee's new funding model was a significant win for EL advocates, some note that the formula still has areas for improvement:

> *"TISA includes a feature where ELs transitioning out of services are classified as 'Tier I' – the lowest tier – for the EL weight, allowing them to continue receiving some funding for up to two years. … Unfortunately, our long-term ELs – those in their seventh year or beyond of EL services who have not yet met exit criteria – are also classified as Tier I, even though we know these students need additional support."* –TENNESSEE ADVOCATE

How Do States Structure Funding for ELs?

State funding streams make up most of a district's EL program funding. As of September 2024, 49 states and the District of Columbia allocate additional state and local funding specifically for ELs through their state funding formulas; Montana is the only state that does not.[62]

There are five primary policy structures through which states allocate funding to ELs (Table 8).[63] Some states use a combination of these mechanisms. As with funding structures used for other student characteristics, such as economic disadvantage, weighted funding tends to be more flexible, allowing districts to allocate funds as they see fit, while categorical and reimbursement-based funding tends to come with greater restrictions and trade-offs.

> *"In California, we have the district Local Control Accountability Plan, but it can be hard to interpret and understand how ELs are being served. Many advocates wanted stricter accountability, but we ended up with a flexible approach. Districts do have to demonstrate how the funding is used. Overall, accountability has been tough, but we've made some improvements, like adding effectiveness requirements and closer tracking of funds."* –CALIFORNIA ADVOCATE

Table 8: Common Funding Structures for State EL Funding

Policy Structure	Pros	Cons	State Example
Weighted Student Funding: Single Flat Weight *(most common)*	• Clearly tied to enrolled student need. • Predictable for districts. • Easily adjusted by policymakers if needed.	• Does not differentiate within the EL student subgroup or consider additional needs for districts with low or high concentrations of ELs.	In **Florida**, ELs generate 20% of the base amount.
Weighted Student Funding: Variable EL Weights *(second-most common)*	• Clearly tied to enrolled student need. • Differentiates needs within the EL student subgroup.	• May necessitate new data collection processes. • Complicated to predict or adjust.	**Tennessee** uses three factors (EL status, English proficiency scores, and years of services received) to create a three-tiered system of weights that ranges from 20% to 70% of the base funding amount.
Categorical Grant Program	• Might require that grant funds be spent exclusively on supports for ELs.	• Not differentiated by EL need. • More vulnerable to cuts and underfunding. • Less flexible for districts.	**West Virginia** provides a set dollar amount per EL student. The state calculates the amount per EL by dividing the total funds appropriated by the legislature for the program by the number of ELs from the previous academic year. For SY23-24, the state allocated $96,000 in total funds.
Resource-Based Funding	• Typically linked to averages for some of the biggest cost drivers for EL support, including the cost of staffing, which ensures that funding allocations are based on realistic, data-driven estimates.	• Not clearly differentiated or aligned with enrolled student needs. • Complicated to adjust. • Might not anticipate all relevant cost drivers or intervention strategies.	**North Carolina** provides funding for EL staff positions and an additional allocation based on the number and concentration of ELs in each district. As a result, districts that serve higher concentrations of ELs receive a larger funding allocation.
Cost Reimbursement	• Tied to actual costs unique to each district.	• Administratively burdensome. • Provides districts with less flexibility in responding to student needs — especially when reimbursement rates are set too low.	**Wisconsin** districts are partially reimbursed for the cost of providing bilingual and bicultural education programs that serve ELs. In SY23, the reimbursement rate for districts was 7.65%. The state also has a small categorical grant for bilingual education.

***Source**: Policy structure categorization, pros/cons, and state examples based on analysis by Bellwether.*

Where Does Federal Policy and Funding Fit In for ELs?

Federal funding for ELs is primarily provided through Title III of ESSA.[64] Title III aims to help ELs and students who are immigrants acquire English proficiency and meet state academic standards. States receive formula-based grants, with 80% of the student allocation based on the number of ELs and 20% based on the population of immigrants.[65] States can reserve a small portion of the funds they receive (up to 5%) for developing standardized entrance and exit procedures, providing teacher and principal training, managing subgrants, offering technical assistance, and recognizing schools that significantly improve the academic progress of ELs.[66] The remaining funds must be distributed to districts via subgrants, which come in two forms:[67]

- **EL Subgrants**: Most Title III funding is allocated to districts through EL subgrants. Districts qualify by serving a minimum number of ELs, or they can form consortia to meet the threshold. Funds must be used for language instruction programs, professional development, and/or engaging families and communities to support ELs' achievement.
- **Immigrant Education Subgrants**: States can reserve up to 15% of Title III funds for subgrants to districts with a "significant increase" in students who are immigrants, though what qualifies as "significant" varies by state, making it challenging for some districts to secure needed funding.

Title III funds must supplement rather than supplant, or replace, state and local funds, ensuring that federal contributions enhance services already funded at the state and local levels. Districts must also report on ELs' progress, and states are responsible for monitoring compliance.

Federal funding for ELs has remained stagnant since the early 2000s despite a significant increase in the EL population and in the cost of providing services.[68] Adjusted for inflation, Title III funding decreased by 12.3% from 2010 to 2021, leaving funding at less than $200 per student — far below what is needed to provide adequate support.[69]

Inadequate federal funding forces many states to cover a significant portion of the costs for EL programs and leads to disparities in how well ELs are served across different regions.[70] In response, advocates have suggested doubling or tripling Title III funding to properly meet EL students' needs. [71] The federal government has passed notable increases in Title III funding in the last few years, making some headway toward closing the gap, but more funding is still needed at both the federal and state levels to support the success of ELs.

Chapter 4: Funding for Special Education Students

Special education in the U.S. operates within a complex system that lacks sufficient resources to keep pace with the rising needs of students with disabilities. Over the past decade, the number of pre-K through grade 12 students receiving special education services has risen nationally by more than 1.1 million, from 6.4 million in SY12-13 to 7.5 million in SY22-23; trends in some states show even more pronounced increases.[72] Students with disabilities now make up roughly 15% of the total public school student population, with percentages varying significantly among states.[73] In SY22-23, Hawaii and Idaho had the lowest proportions of students with disabilities (12%), while Maine, New York, and Pennsylvania reported the highest proportions (21%).[74]

As required by the federal Individuals with Disabilities Education Act (IDEA), schools must provide a Free Appropriate Public Education (FAPE) tailored to meet the individual needs of pre-K through grade 12 students with disabilities. Yet the financial burden of meeting these requirements continues to outstrip available resources, leaving federal, state, and local governments to grapple with how to support special education services.

How Does the Federal Government Fund Special Education?

Originally passed in 1975 as the Education for All Handicapped Children Act, IDEA is a foundational federal law that protects and advances the educational rights of children with disabilities.[75] Importantly, the law also directs the allocation and use of federal funding to support special education (Table 9). This landmark legislation ensures access to a FAPE tailored to each child's unique needs, protects the rights of students and their families, and assists various agencies in meeting the educational needs of students with disabilities.[76] IDEA supports early intervention for infants and toddlers with disabilities, provides tools for educators and families to improve educational outcomes, and assesses the effectiveness of services that support children with disabilities.[77]

Table 9: Overview of IDEA Pre-K Through Grade 12 Special Education Funding (FY22)

Part of IDEA	Overview	Funding Amount and Percentage
Part B: Assistance for Education of All Children with Disabilities	Provides funding for children aged 3-21 with disabilities.[78] Part B includes two grant programs: • **Grants to States (Section 611)**: The largest component of IDEA, which drives more than 90% of federal funding for students with disabilities. Grants are allocated using a formula based on base payments, student population, and poverty levels. States can set aside up to 10% for administrative costs, while the rest must be passed to LEAs. • **Preschool Grants (Section 619)**: Provides additional funding to support children aged 3-5 with disabilities, focusing on early identification and intervention services.	$13.3 billion (92%)
Part D: National Activities to Improve Education	Authorizes competitive grants aimed at enhancing special education through activities like personnel development, technical assistance, and support for state-level initiatives.	$238.6 million (2%)

Source: *Bellwether, Splitting the Bill series, "What Are the Major Policy and Funding Components of the Individuals With Disabilities Education Act (IDEA)?"*

Federal IDEA funding falls significantly short of covering the costs associated with special education. When Congress passed the original legislation in 1975, the federal government's goal was to cover up to 40% of the average per-pupil expenditure (APPE) for special education. However, the federal contribution has consistently remained far below this goal.[79]

In FY22, Congress allocated nearly $14.5 billion for IDEA, covering only about 12% of the APPE, or an average of $1,812 per eligible student.[80] When adjusted for inflation, federal special education funding has *decreased*, particularly in Part B allocations. From FY16 to FY22, the purchasing power of Part B funding diminished by $470 million, while the number of students in need of services surpassed 600,000. This gap between rising demand and stagnant funding has increased financial strain on states and LEAs.

The allocation formula for federal IDEA funds has also been criticized for reinforcing disparities among states. For example, in FY20, Wyoming received $2,826 per special education student, compared to just $1,384 in Nevada.[81] These disparities stem from an outdated formula that relies on 1999 base costs and does not account for differences in state costs of living, student disability types and service needs, or local funding capacities. As a result, some states are far better positioned to support students with disabilities than others, contributing to uneven service levels in school systems across the country.

How Do States Structure Funding for Students With Disabilities?

Amid federal funding shortfalls, most special education costs are borne by state and local governments. Nearly every state and the District of Columbia provides additional state funding for students with disabilities.[82]

The needs of students with disabilities are diverse, and states must account for several factors when determining how to allocate special education funding, including the type of disability, the level and scope of services required, and the associated costs. For example, in FY22, 32% of students aged 3-21 who received special education services had a specific learning disability, 19% had a speech or language impairment, 15% had other health impairments, and 12% were diagnosed with autism.[83] This diversity creates significant variation in the cost of services needed to support these students. A report from California revealed that while periodic speech therapy for a student costs about $1,000 per year, providing services for a student with severe emotional challenges in an out-of-state, nonpublic school can cost $100,000 annually.[84] LEAs are obligated to provide the services outlined in a student's individualized education program, regardless of their costs. Additionally, costs can vary regionally, even for students with similar disabilities.

States typically adopt one of several models for special education funding, each with its own advantages and drawbacks (Table 10). The most common models include weighted student funding formulas, U.S. Census-based models, and reimbursement systems. The choice of approach could affect not just how money flows, but also the quality of educational services offered. For instance, some research suggests that integrating special education funding into the core funding formula rather than treating it as a separate, categorical-style system leads to greater inclusion of special education students in the regular school day as well as more coherence in academic programming.[85]

Table 10: Common Structures for Special Education Funding

Structure	Overview	Pros	Cons	State Example
Single Student Weight (10 states)	This single formula weight structure provides LEAs with the same degree of incremental funding for each student with a disability, regardless of the type or severity of the disability.	• Tied to enrolled students. • Predictable for LEAs. • Easy for policymakers to adjust.	• Does not differentiate funding based on specific disability types or services and fails to account for the variability in the cost of providing necessary services to students.	**New York** provides an additional weight of 41% to its per-pupil base amount for each student with a disability.
Multiple Student Weights (18 states and the District of Columbia)	This multiple weight structure provides LEAs with different levels of funding for different categories of students with disabilities, typically by disability type or services provided.	• Tied to enrollment. • Differentiates funding based on different disability types and needs.	• May be complicated for policymakers to adjust over time. • More complex for LEAs to project relative to a single-weight system. • More complex data and reporting.	**Ohio** provides six possible weights based on student disability types applied to the per-pupil base amount. Weights range from 22.4% to 395.5%.[86]
Resource-Based (6 states)	This resource-based formula determines the cost of delivering special services in a district based on the cost of required resources (e.g., staff salaries or course materials).	• Tied to average costs for supporting students with disabilities, including staffing.	• Not differentiated to align with the needs of all students. • Often complicated for policymakers to adjust over time. • May not capture all cost drivers.	**Mississippi** funds special education based on the cost of required staff positions.
Cost Reimbursement (8 states)	This cost reimbursement structure requires LEAs to report special education expenses to the state and receive reimbursement for some portion of expenses. Among the eight states with a reimbursement-based funding system, reimbursement levels vary from 28% to 100%.	• Tied to the actual costs for each district.	• Administratively burdensome. • LEAs must fund special education services up front to be reimbursed. • Reimbursement rates may be too low to enable successful implementation of services.	**Michigan** reimburses LEAs for 28.6% of the total approved costs of special education and 70.4% of special education transportation costs.
Block Grant (3 states)	This block grant special education structure is based on a fixed amount or, often, the previous years' allocation.	• Provides more flexibility to the district in how they can allocate funds. • Reduces administrative burden.	• Not necessarily aligned with student needs. • More vulnerable to cuts and underfunding.	In **Hawaii**, each school receives a block grant of $66,000 to support special education services. An additional weight of 10% is applied to the per-pupil base for each student with a disability beginning with the fifth student.
U.S. Census-Based (10 states)	This U.S. Census-based formula determines the state's distribution of special education funding based on each district's full enrollment count and then assumes a set percentage of students in each district who will require special education services. Funding is provided based on the assumed population through some type of formula or grant mechanism.	• Predictable for LEAs. • Easy to understand. • May encourage services to be delivered in a cost-efficient way.	• May vastly underestimate the number of students with disabilities and discourage identification of students qualifying for special education services. • Does not account for differences in student needs.	**North Dakota** multiplies the LEAs' total enrollment by 1.082, then provides the state's regular per-pupil funding based on this assumption (rather than the number of students identified for special education services).

Source: *Structure categorization, pros/cons, and state examples based on analysis by Bellwether, informed by policy summaries from EdBuild's FundEd website and policy summaries from the Education Commission on the States' "50-State Comparison of K-12 Funding.*

What if Federal and State Funding Are Insufficient?

As detailed in a 2024 Bellwether report, LEAs, facing inadequate federal and state funding for special education, must rely heavily on local funds to cover the costs of educating their students with disabilities.[87]

In FY20, districts spent an average of $13,127 per student receiving special education services, totaling $38.8 billion across the nation. However, dedicated state and federal special education revenues covered only a portion of these costs. Districts received $10 billion in state funding, averaging $3,388 per special education student, and an additional $4.6 billion in federal funding, averaging $1,578 per student. This left a significant funding gap of $24.1 billion – or $8,160 per student – that districts had to fill through local sources (Figures 4a, 4b).

On average, 62% of special education costs are covered by local funds, compared to 46% for general education, indicating that special education funding disproportionately relies on local revenue. To cover their local responsibility, districts use flexible revenue generated from local taxes and state funds, including those intended for other purposes. While overlapping educational needs may enable districts to draw funds from multiple sources to meet their local special education responsibility, this practice can conflict with the intended purpose of those funds. It can also dilute those resources' impact in addressing the full range of student needs.

Special Education and Total Education Expenditure by Source (Figures 4a, 4b)

Figure 4a: K-12 Special Education Expenditure Percentage by Source, Fiscal Year 2020

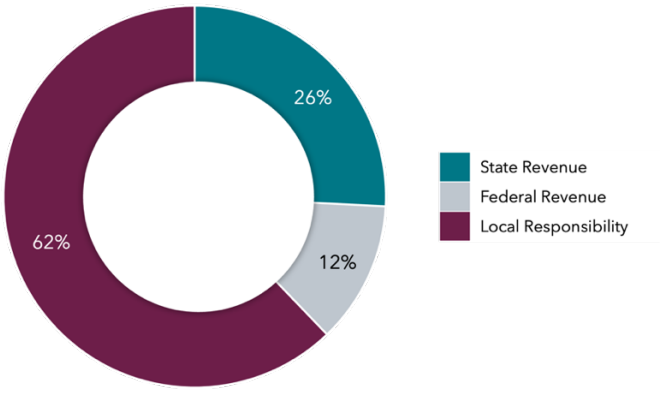
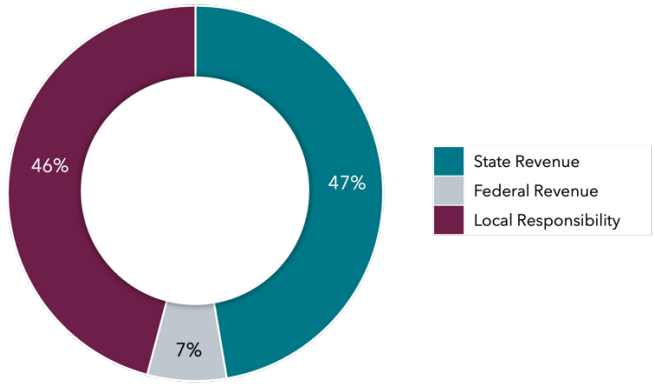


Figure 4b: K-12 Total Education Expenditure Percentage by Source, Fiscal Year 2020



***Source**: Bellwether analysis of National Center for Education Statistics Common Core of Data, FY20, as reported in "Who Pays for Special Education? An Analysis of Federal, State, and Local Spending by States and Districts."*

Reliance on local funds also exacerbates inequities, as districts in lower-income areas have fewer resources to draw from, impacting the quality and scope of special education services available to students with disabilities across different regions.

> *"In Wisconsin, the reimbursement model covers only about 32% of special education costs, forcing districts to use general education funds to cover the difference. This reimbursement approach deepens inequities in our state's already unequal funding system. Over a billion dollars in special education costs are left to be covered by general funds, putting additional strain on our schools. Advocacy has gained traction, with special education funding becoming a top budget priority for many education partners, though the challenge remains in moving away from the reimbursement model."*
> —WISCONSIN ADVOCATE

> *"The state has a duty to ensure that every student with a disability receives a FAPE. Relying too heavily on local districts undermines this duty, especially in under-resourced areas."* —MARYLAND ADVOCATE

It also places pressure on districts to make difficult choices in managing limited budgets. Advocates have pointed out that this underfunding can incentivize negative behaviors, such as under-identifying students who require special education services to avoid additional financial strain.

> *"Pennsylvania's $1.5 billion allocation falls short of the actual need, putting intense pressure on local communities to cover the gap, which can lead to under-identification of students requiring services due to funding constraints."* —PENNSYLVANIA ADVOCATE

> *"North Carolina uses a single-weight model that assigns a fixed funding amount per special education student, regardless of individual needs. However, the state caps the number of students eligible for funding at around 13% of the district's total enrollment, which presents a major limitation for districts with higher needs. There is a real risk that districts under-identify students with disabilities to avoid surpassing the cap, which ultimately harms students who need services but may go uncounted."*
> —NORTH CAROLINA ADVOCATE

Chapter 5: Funding for Other District or Student Characteristics

Most states that use a weighted, student-based K-12 funding formula include specific weights or funding mechanisms to allocate additional funding for students in poverty, students with special education needs, and ELs.[88] These heavily student-based weights are powerful tools for advancing equity and directing resources to students with the greatest needs.

Beyond these essential weights, many states incorporate funding adjustments for other district or student characteristics to address unique needs or promote specific policy priorities. CTE funding, rural and sparsity funding, and gifted and talented funding are among the most common additional characteristics included in state funding formulas. These areas were also identified by advocates interviewed for this Guide as priorities for better understanding and consideration.

While including funding for these characteristics can enhance support for targeted groups and key programs, it must be approached with caution. Without thoughtful planning, such provisions may lead to unintended consequences that undermine equity goals (Table 11).

Table 11: Additional Funded Student and Community Characteristics

Funding Stream	Overview	Pros	Cons	State Example
CTE Funding (44 states)	This funding provides additional resources for programs that prepare students for careers by equipping them with industry-relevant skills and knowledge. CTE programs often require specialized equipment, qualified instructors, and partnerships with industries or higher education institutions, contributing to higher program costs.	• Recognizes the importance of career readiness. • Provides additional funding for specialized programs. • Encourages partnerships with industries and higher education.	• Needs to be approached with equity in mind, as some students, particularly Black and Hispanic students, are often placed in low-quality CTE tracks. • High costs can limit the availability of quality programs in all districts. • Requires ongoing evaluation to ensure alignment with industry demands.	**Virginia** provides CTE funding via a categorical grant that may be used on CTE program administration, contracts, instruction, equipment, and credentials.[89]
Rural and Sparsity Funding (20 states)	This funding is intended to address the unique challenges faced by small and rural school districts, such as higher per-pupil transportation costs and difficulty in recruiting teachers.	• Provides additional funding to offset costs unique to rural areas. • Supports districts in maintaining essential services despite declining enrollment.	• Broad cost-of-living adjustments may disproportionately benefit affluent areas or those with high property values. • Recruitment and retention challenges may persist despite additional funding. • Funding formulas may not fully capture the diverse needs of rural districts.	**Florida** applies a weight of 1.75 to students in schools that qualify as small and isolated.[90]
Gifted and Talented Funding (37 states)	This funding supports students identified as having advanced learning needs that require specialized educational programs or services.	• Ensures that high-potential students across districts have access to quality programming. • Promotes specialized curricula and enrichment activities. • Encourages professional development for teachers working with gifted students.	• Lower-income, Black, and Hispanic students are often underrepresented, leading to inequitable funding distribution. • Identification processes can be biased, limiting access for underrepresented groups. • Funding may not be sufficient to support all identified gifted students.	**Mississippi** provides a 5% weight for gifted students, assuming 5% gifted and talented enrollment across all school systems.[91]

Source: *Funding stream categorization and pros/cons analysis by Bellwether, informed by State of CTE, "Secondary CTE Funding Basics" and "State-by-State Funding Table;" Education Commission of the States, "K-12 Funding 2024: Small Size or Rural Funding Adjustment;" and Education Commission of the States, "K-12 Funding 2024: Gifted and Talented Funding."*

SECTION III: How Do State and Local Governments Share the Cost?

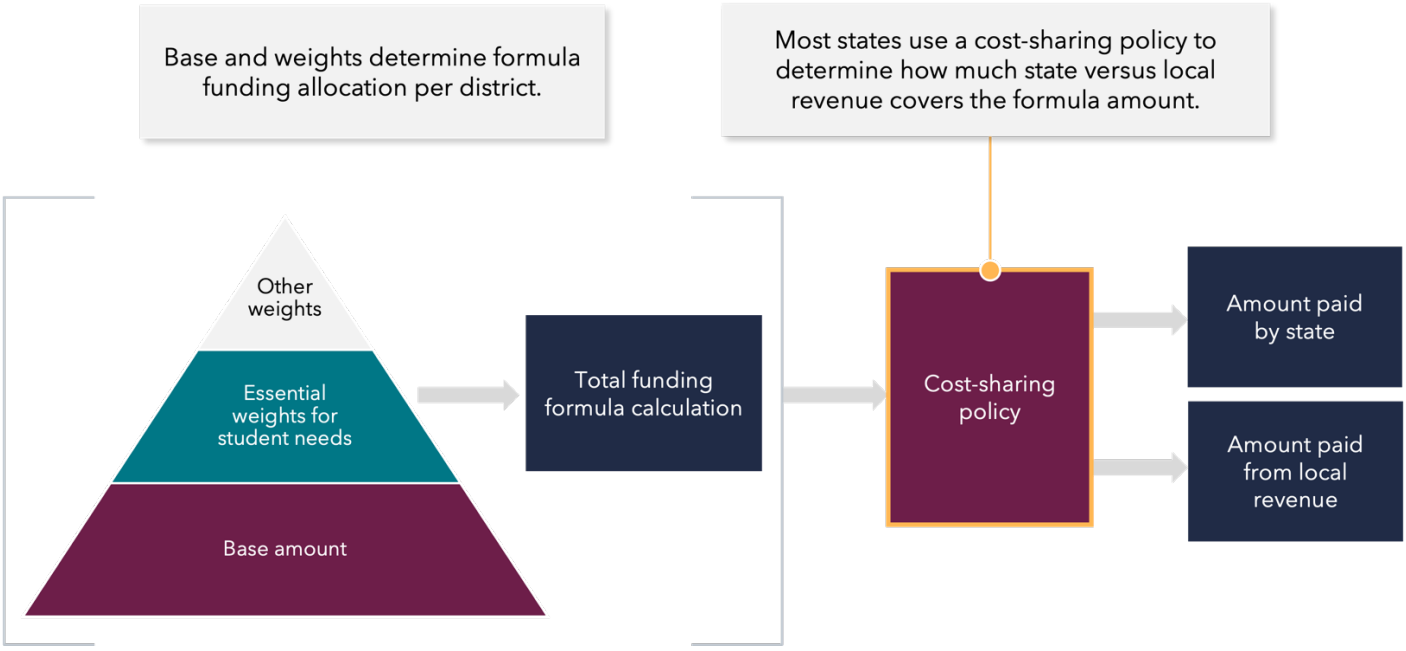
K-12 education is funded from a combination of local, state, and federal sources, with state and local contributions comprising more than 90% of total funding.[92] Nationwide, approximately 47% of K-12 funding comes from state sources, while 45% comes from local sources..[93] The proportion of funding from each source varies both across and within states, as each state employs different policies to determine how costs are shared between state and local governments.

For example, New York receives a large portion of its funding from local sources, primarily due to high property values and a heavy reliance on property taxes, which enable local districts to contribute significantly through property taxes. Vermont relies mostly on state funding, which reflects its unique statewide property tax system. Hawaii funds education almost entirely through state-level sources, given its single, statewide school district.

What Are Cost-Sharing Policies?

Much of the conversation in K-12 finance centers on funding formulas, which calculate how much funding each district should receive based on base grants and other allocations. However, designing an effective formula is only half the equation; it is equally important to determine *who will pay* for the "target" or "entitlement" amount calculated by the formula. Cost-sharing policies, often established alongside funding formulas, determine how this responsibility will be shared by state and local governments (Figure 5; note this figure shows how this works for a student-based funding formula, although most states, regardless of formula type, have some form of cost-sharing policies).

Figure 5: Overview of Cost-Sharing Policies in K-12 Student-Based Funding Formulas



Cost sharing policies include several elements, which:

1. **Decide the portion of the total funding each level of government contributes**, balancing the load between state and local sources.

2. **Tailor the state share based on a district's fiscal capacity** to provide local funding.

3. **May define how much revenue-raising authority districts or other local governments have** and set limits or guidelines to prevent the deepening of existing inequities.

Cost-sharing policies play a crucial role in ensuring adequacy in education funding by determining the level of state support each district receives, specifying allowable local funding sources, and influencing the amount of local revenue that can be raised to support education. These policies are equally important for promoting equity, as they establish mechanisms (or, in some cases, fail to do so) to level the playing field, helping to reduce disparities in funding and educational opportunities that are often tied to local wealth.

It is worth noting that, in several states, the cost-sharing policy is effectively a *non-cost-sharing* policy. For example, both Delaware and Indiana provide funding without regard for local capacity or local requirements, and local districts in each state add whatever they can. In these cases, the absence of cost-sharing mechanisms means that the state does not adjust its funding based on local wealth or needs, potentially leading to greater disparities among districts.

In every state except Hawaii, local communities contribute a portion of tax revenue, typically through property taxes, to support K-12 education.[94] Given the significant variation in wealth and resources across districts, most states adjust the "state share" based on each district's fiscal capacity.[95] This approach ensures that wealthier districts contribute more locally, while districts with lower fiscal capacity receive a higher share of state funding to meet minimum funding levels (Sidebar 4).

While state aid is crucial for equalizing resources, heavy reliance on it can make districts vulnerable to funding cuts, as state revenues are more susceptible to economic fluctuations. When cuts are necessary, the way they are structured can significantly impact high-need schools and communities.

Cost-sharing policies vary in complexity across states and must be tailored to the specific context of each state. For example, states with fewer districts, like Maryland and Florida, experience less variation in local wealth, which simplifies efforts to equalize funding. In contrast, states with many small districts, such as California, New Jersey, and several Northeastern states, face greater disparities in wealth across district lines, making equitable distribution of state funding more challenging.

In addition to determining how funding is split between state and local governments, cost-sharing policies may also define how much revenue-raising authority districts or other local governments have. This can influence the extent to which districts can generate additional local funds for education.

Sidebar 4: Perspectives from Advocates – District Lines Can Exacerbate Fiscal Inequities

Advocates interviewed in this Guide emphasize that in states with many small districts, local property wealth disparities can exacerbate funding inequities. This makes it crucial for state funding policies to adjust based on local fiscal capacity to help ensure all districts can provide adequate support for their students.

> *"A general trend, especially in the Northeast, is vast inequities between districts, partly due to the large number of districts in some states. When states are divided into many small districts, it often leads to wealthy enclaves next to low-property-wealth areas, creating significant funding disparities. This setup contributes to inequities, as low-wealth districts can't raise as much local revenue as their wealthier neighbors."* –NATIONAL ADVOCATE

Connecticut, for example, has 169 separate school districts, with wide variations in property wealth across districts. For instance, Bridgeport has taxable property wealth per pupil of just over $500,000, while neighboring Fairfield has nearly $2 million per pupil – more than *three times* that of Bridgeport. To generate comparable funding per student, Bridgeport must impose much higher taxes. Even with a tax rate (called a mill rate) of 43.45 compared to Fairfield's 27.42, Bridgeport's revenue falls short, underscoring the difficulty that less wealthy districts have in raising the funds they need for education.

How Do States Determine Who Pays?

Most states and the District of Columbia use some measure of local fiscal capacity to determine how much revenue districts can contribute. This measure determines how much of the total cost of education a local community should fund (the "local share"), leaving the remainder for the state to fund.

States use five main metrics to calculate the local share a district is expected to contribute; many use hybrid systems that combine several metrics (Table 12).

Table 12: Metrics Used to Calculate Local Share

Local Share Calculation	Overview	Pros	Cons	State Example
Property Valuation *(most common)*	This metric applies a minimum state-specified property tax rate (also known as a millage or "mill rate") to the total valuation of local, taxable property, indicating the capacity of the local tax base to generate revenue.	• Ties into a reliable, relatively stable revenue stream (property taxes are fairly consistent year to year).	• May perpetuate inequities, as districts with higher property values can raise more revenue than low-wealth districts, even with the same mill rate. To address this, some states cap rates.	In **Alaska**, each district is expected to contribute at least $2.65 for every $1,000 of assessed local property wealth.
Income or Wealth	This formula or metric is used to assess local income or wealth as a proxy for the community's ability to pay.	• Offers an alternative to property valuation that may better reflect fiscal capacity; • May be more effective in communities with lower property values but higher incomes.	• May result in greater volatility as income-based measures are more sensitive than property measures to economic fluctuations.	**Nebraska** uses a hybrid system based on property valuation and income. Each district is expected to contribute $10 per $1,000 of assessed property value for school funding. Additionally, 2.23% of the state income taxes collected from a district's residents are applied to its expected local contribution.
Other Local Receipts	This metric reflects actual revenue a district receives from local, non-property taxes, showing revenue sources outside of property tax systems.	• Offers additional revenue sources, reducing overreliance on property taxes.	• May result in greater volatility if economically sensitive sources like sales taxes are used. • These sources may be more regressive non-property measures.	In **Louisiana**, the state shoulders 65% of the cost of education and local school districts are responsible for 35% of the cost. The state computes expected local property tax rates and sales tax rates for each district to maintain this ratio. In FY19, local sales taxes contributed 21% of total funding for independent school districts; property tax revenue contributed about 19% during the same time frame.
Share of Costs	This metric establishes an expected local contribution share, regardless of local fiscal capacity.	• Ensures consistency across districts.	• Fails to reflect the true capacity of local districts to contribute. • If not combined with other measures, may disadvantage lower-wealth districts.	In **South Carolina**, school districts are expected to contribute approximately 30% of the total cost of public education. For each district, this local share percentage is multiplied by a district-specific index of taxpaying ability (based on the district's property wealth relative to the state average) to determine the share of funding that each district is expected to raise locally.
Historical Levels *(least common)*	This metric calculates local revenue based on past contributions to education, reflecting legacy fiscal capacity.	• Provides a sense of continuity in budgeting for districts and state.	• Perpetuates historical inequities, as districts underfunded in the past may remain so. • Fails to account for changes in district needs or economic shifts.	In **Colorado**, the amount each district must raise through property taxes depends on factors including its past contributions. The required tax rate is calculated based on whichever is lowest among the following: 1) $27 per $1,000 of property value, 2) the tax rate needed to fully fund the district's budget for the current year, 3) the lowest tax rate that fully funded the district since 1994, or 4) the highest tax rate ever approved by voters since 1994.

***Source**: Categorization of local share calculations and pros/cons analysis by Bellwether. State examples informed by policy summaries in EdBuild's FundEd website and Lincoln Institute of Land Policy, "Rethinking the Property Tax-School Funding Dilemma."*

Cost-sharing policies in school funding ensure districts receive a minimum level of financial support, but they do not guarantee equal or equitable funding. In states where local property taxes play a central role (e.g., Arizona, Colorado, Wisconsin), districts with high property wealth can often raise significantly more revenue and better fund their schools..[96] Even without state funding, wealthier districts can often generate large sums with relatively low tax rates. In contrast, districts with lower property values must tax residents at much higher rates to raise sufficient funds, which often fall short of what wealthier districts raise with ease..[97]

These funding disparities are compounded by differences in student populations and district boundaries. Lower-wealth districts typically serve higher-need students, which increases the demand for resources in areas that already struggle to generate adequate funding. School district boundaries are frequently drawn along lines of economic and racial segregation, deepening the divide between wealthy and less wealthy districts and producing disparities in educational opportunities for students of color and students from low-income families. It is usually easier to achieve equitable school district funding in states with fewer districts, each with a larger and more diverse tax base.

How Can States Address Local School Revenue Disparities?

To address the disparities described above, many states implement funding mechanisms that direct additional state resources to districts serving students with the highest needs (Chapter 2).

States can also implement policies that limit excessive local taxation in wealthier districts, compensate for local revenue differences with state funds, and/or redistribute resources to create a more balanced funding system. These efforts are part of a broader strategy to "equalize" K-12 funding and promote more equitable educational opportunities across districts (Table 13; Sidebar 5).

> *"We let local districts contribute as much as they want, but there's no transparency about how much each district actually needs. There's zero political will in Pennsylvania for capping local contributions, but I know other states have had success building support for similar policies."*
> —PENNSYLVANIA ADVOCATE

Table 13: Policy Mechanisms to Address Local Revenue Disparities in K-12 Funding

Policy Structure	Overview	Pros	Cons	State Example
Local Revenue Caps (21 states)	This mechanism enables states to cap the amount of local revenue that districts can raise, limiting wealthy areas from out-raising others.	• Prevents wealthier districts from outspending their lower-wealth counterparts.	• Limits resources for schools in high-wealth areas.	In **Michigan**, local revenue for school districts is capped at $18 per $1,000 of non-homestead property value.[98]
Revenue Power Equalization	This mechanism enables states to equalize local tax efforts by providing additional state funding to ensure similar tax rates generate similar per-pupil revenue.	• Equalizes funding across communities with varying wealth, promoting equity.	• Disincentivizes wealthier districts from raising local taxes beyond a certain point.	In **Arizona**, if a district lacks the fiscal capacity to cover their anticipated local share through local tax effort alone, then they receive equalization assistance in the form of revenue derived from a statewide property tax or direct state appropriations.[99]
Revenue Recapture	This mechanism enables states to set a revenue threshold that, when exceeded by wealthier districts, requires excess funds to be recaptured by the state and redistributed to lower-wealth districts.	• Redistributes "excess" funds to help lower-wealth districts.	• Politically challenging as it could disincentivize higher-wealth communities from raising additional local revenue.	**Texas** captures "excess" property tax revenue from K-12 districts with significant property wealth and uses that money to help pay for the state's education formula.[100] The state also uses power equalization (above).
District Consolidation	This mechanism enables states to consolidate smaller districts into larger, more economically diverse districts to reduce funding inequities and simplify resource distribution.	• Reduces local revenue variations. • Increases racial and socioeconomic diversity within districts.	• Generates mixed effects on student achievement. • Often met with community resistance.	**North Carolina's** county-based district structure emerged from two waves of consolidation in the 20th century. The first wave, after World War I, aimed to address funding disparities between wealthier urban areas and poorer rural ones by merging small rural schools into countywide districts. The second wave, spanning the latter half of the century, focused on streamlining administration costs, reducing redundant services, and supporting desegregation efforts. State legislators encouraged these mergers with incentives.[101]

***Source**: Categorization of policy structures and pros/cons analysis by Bellwether. State examples informed by policy summaries in EdBuild's FundEd website; Education Commission of the States, "Response to Information Request" (related to school finance equalization); Colorado School Finance Project, "Power Equalization Overview;" and Urban Institute, "How Do School Funding Formulas Work?"*

Sidebar 5: Perspectives from Advocates — Improving Property Tax Fairness

In discussing other ways to reduce disparities and better level the playing field, advocates have highlighted the impact of current property tax policies on school funding, particularly in urban areas where large entities like universities, hospitals, and stadiums occupy tax-exempt land.

In **Baltimore**, for example, Johns Hopkins University and its School of Medicine is the largest tax-exempt property owner in the city, with 176 properties worth $2.64 billion.[102] Yet the city's school districts receive no benefit from this property value.

> *"If these entities paid property taxes, it could significantly boost school funding and promote equity. For instance, Baltimore City could potentially rank above wealthier districts if all property owners paid fairly into the system."*
> —MARYLAND ADVOCATE

In **Connecticut**, New Haven has a similar story, where around 60% of the city's property is tax-exempt.[103] As of 2022, Yale University held more than $4.2 billion of the $9.8 billion in tax-exempt property.[104] Meanwhile, the city's public school district faces significant funding challenges; in 2024, New Haven Public Schools began the school year with a $2.3 million budget deficit and was missing $11.8 million needed to maintain current programs.[105]

In Bellwether working sessions, advocates discussed the possibility of restructuring property tax policies to address these challenges. They noted that failing to fairly tax some of these entities leaves school districts struggling to generate sufficient local funding. Considering "payment in lieu of taxes" (PILOT) for these institutions could help local communities raise more revenue for schools. PILOT programs involve voluntary contributions by tax-exempt entities, such as universities and hospitals, to offset revenue loss from their tax-exempt status. As detailed in a Lincoln Institute report, these payments can help support local services, but their success depends on effective collaboration between municipalities and nonprofits.[106]

Why Do Most States Fund Education With Local Property Taxes?

Most states include local property taxes in the school funding equation for the following reasons:

- **Stability**: State funding derives largely from *sales tax* and *income tax*, which are vulnerable to economic fluctuations.[107] *Property tax* is a more stable source of revenue, as property values are less sensitive to short-term economic fluctuations.[108]

- **Adequacy**: Local control over property tax gives property owners a greater sense of control and investment. This sense of ownership often leads to a willingness to pay higher taxes to support local schools, especially when property values are tied to the perceived quality of education in the neighborhood or community.

- **Ethos of local control**: There is a longstanding political ethos of locally controlled schools, locally elected school boards, and locally determined property tax rates.[109] This ethos supports the idea that decisions about school funding should be made as close to the community as possible, reinforcing the connection between local governance and local taxation.

However, there are downsides to relying on local property taxes. Local property tax reliance:

- **Allows school resources to vary based on community wealth, not student needs.** Property wealth varies significantly from one community to another. As a result, school resources can differ drastically depending on a district's tax base. Wealthier areas can raise more revenue, leading to better-funded schools, while less affluent districts may struggle to generate sufficient funds, even though their students may have greater needs.

- **Helps sustain economic and racial segregation.** School district boundaries often align with neighborhood wealth. High-income communities can often afford to better fund their schools, while lower-income communities, which are often also racially segregated, may not be able to fund their schools adequately. In many cases, affluent families are drawn to areas with better-funded schools, reinforcing cycles of economic segregation and school funding disparities.

- **Results in a higher taxpayer burden in less wealthy, higher-need communities.** Less wealthy communities face a disproportionate burden in trying to fund their schools. To generate even modest revenue, these districts often set higher property tax rates than wealthier districts, placing a heavier financial strain on residents of lower-income communities. Despite higher rates, these communities often *still* fail to generate the same level of funding as wealthier districts with lower tax rates.

- **Perpetuates a myth that wealthy communities with better-funded schools "care more" about education.** Wealthier districts can fund their schools more easily because of their greater tax base. However, to those unfamiliar with the challenges in local K-12 funding policy, the disparity in funding between wealthy and less affluent districts often perpetuates the misconception that wealthier communities have a stronger commitment to education when, in fact, the disparity stems from structural inequities in how school funding is raised.

Conclusion

Strong school funding policies are foundationally important to enabling public K-12 school systems to provide every student with excellent learning opportunities and the supports they need to thrive. No two students, school systems, or states are exactly alike, which means there are no perfect policy solutions. Every policy choice has trade-offs, especially as states contend with budgetary and economic limitations.

However, **the best school finance formulas advance the guiding principles of adequacy, equity, responsibility, transparency, and stability**. They attend to overall investment in education and distribution of resources according to student and community needs in a way that is transparent to stakeholders and sustainable for school system leaders.

Advocates play an essential role in designing, influencing, and advancing K-12 finance policies that advance resource equity. This Guide may help them consider which state policy approaches might make the most sense in their state and local contexts. In addition, this Guide aims to accelerate new insights and connections to peers from around the country who share in a commitment to resource equity in K-12 funding.

While a strong funding formula lays a critical foundation, it is only one component of overall resource equity. Implementation and continuous improvement of that formula are essential to achieving strong and equitable student outcomes. State policymakers and education leaders must ensure district leaders are well-positioned to use resources to strengthen educational opportunities for students. That means providing education stakeholders with the guidance, data, tools, and assistance needed to make meaningful connections between budgets and goals for student achievement. It also means holding schools and districts accountable for using the funds as intended, and in ways that improve student outcomes. Finally, policymakers must commit to evaluating the success of their funding systems and adjusting as needed to strengthen outcomes. Advocates are critical partners in ensuring that this implementation and continuous improvement work happens in an equitable manner.

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Advocacy Group	State
Coalition for Educational Equity	Alaska
Grand Canyon Institute	Arizona
Save Our Schools Arizona	Arizona
Arkansans for World Class Education	Arkansas
Citizens for Arkansas Public Education and Students	Arkansas
Grassroots Arkansas	Arkansas
Californians for Justice	California
California Partnership for the Future of Learning	California
Public Advocates	California
Strong Schools Florida	Florida
Georgia Budget and Policy Institute	Georgia
Migrant Equity Southeast	Georgia
Southern Education Foundation	Georgia
ACLU of Maryland	Maryland
Black Literacy Matters	Maryland
MAREE	Maryland
Most Network	Maryland
Special Education Policy & Advocacy Project	Maryland
One Voice	Mississippi
The Education Trust	National
North Carolina Justice Center	North Carolina
Fair Funding NH	New Hampshire
Children First	Pennsylvania
Education Voters Pennsylvania	Pennsylvania
Liga de Ciudades de Puerto Rico	Puerto Rico
Nashville Public Education Fund	Tennessee
Southerners for Fair School Funding	Tennessee
The Commonwealth Institute	Virginia
Fairfax County Federation of Teachers	Virginia
Wisconsin Public Education Network	Wisconsin

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About Bellwether

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

Endnotes

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