

# DESCRIPTION OF THE FORMULA

## **Alabama**

Foundation Program allocations based on teachers and instructional support staff earned as determined by the prior year ADM of students for the first 20 days after Labor Day. Allocations include salaries and benefits for teachers and instructional support staff, classroom instructional support materials, technology, educational media, professional development, textbooks, and other current expense funds based on the number of earned units. The Foundation Program allocations for each LEA consist of state funds and a local funding requirement determined by the value of 10 equivalent mills of ad valorem tax for the LEA.

## **Alaska**

The Foundation Formula for Alaska is based on enrollments following a 20-school-day count period ending the 4<sup>th</sup> Friday in October. State Foundation Program determines a "basic need" by adjusting the average daily membership [ADM] of each school, except correspondence, for school size. The total of all schools in the district is then multiplied by several steps: the area cost differential, 20% add-on for Special Education needs, 1.5% add-on for secondary vocational technical, and for those ADM that qualify for Intensive needs they are given a multiple of 13. Correspondence is then added on at 90% of its original count. The resulting adjusted ADM is then multiplied by the base student allocation of \$5,930 as laid out in state statute to derive the "basic need" for each district. The state may consider P.L. 81-874 Impact Aid revenues at 90% of aid eligible for adjustment. Municipalities with taxing powers are required to provide their school district with the local contributions to assure the equivalent of 2.65 mills of the total assessed full value or 45% of prior year basic need, whichever is less. Local contributions have been capped to assure state compliance with federal Impact Aid disparity test.

## **Arizona**

### **Education Equalization Formula**

The State of Arizona currently employs an Equalization Formula that determines the spending limit for school districts and charters. The formula is comprised of two components to determine the Basic State Aid for education. Basic State Aid is calculated by taking the difference of the Equalization Assistance formula, and the State Equalization Tax Rate. The State Equalization Tax Rate is calculated through Arizona's Truth in Taxation laws and is assessed by county. For FY 2018 the State Equalization Tax Rate decreased from \$0.5010 to \$0.4875.

The Equalization Assistance formula is the difference between the Equalization Base and the Qualifying Tax Rate.

The Equalization Base is the sum of three components:

- Base Support Level (BSL)
- Transportation Support Level (TSL)
- District Additional Assistance (DAA) formerly known as the Unrestricted Capital Outlay and Soft Capital Outlay.

The BSL is the product of a school districts total weighted student count multiplied by the base level amount, multiplied by the teacher experience index. The base level amount is the level of support provided for each student. In FY 18 this amount was set at approximately \$3,680, for FY 19 this amount is set to increase to approximately \$3,960. The weighted student count is determined by size and location of a district or student group determinants such as language ability, special education status, or grade level. The teacher experience index allocates more funding, 2.25% each year, to a school district whose combined years of teacher experience exceeds the statewide teacher calculation. The TSL is calculated by multiplying a set dollar amount traveled per pupil by a school districts approved daily router mileage calculator. DAA is calculated by multiplying a set amount by a school districts weighted student count for school specific grades (K-8 or 9-12) and specific district sizes (less than 100, 100-600, 600 or more).

The Qualifying Tax Rate, is a primary property tax rate employed by localities to determine the amount of revenue levied on the local constituency to support Arizona's Basic Student Aid formula. The maximum QTR FY 18 is \$2.0234, down from \$2.0793, for high school districts and elementary districts located within a high school district. The maximum QTR FY 18 for unified districts and elementary districts not located within a high school district decreases from \$4.1586 to \$4.0468. The Arizona state educational funding formula attempts to equalize per-pupil spending across school districts by accounting for student enrollment and property value. By accounting for property value, the funding formula controls for per-pupil funding disparity across school districts due to property wealth.

## **Arkansas**

6-20-2305 School funding: (a) (1) (A) For each school year, each school district shall receive state foundation funding aid computed as the foundation funding amount under subdivision (a)(2) of this section less the sum of 98% of the uniform rate of tax multiplied by the property assessment of the school district; and an amount of miscellaneous funds of the school district calculated under § 6-20-2308. (B) The Department of Education shall distribute state foundation funding aid to each school district in twelve (12) monthly payments.

(2) (A) For the 2017-2018 school year, the foundation funding amount is equal to six thousand seven hundred thirteen dollars (\$6,713) multiplied by the school district's average daily membership for the previous school year. (B) For the 2018-2019 school year and each school year thereafter, the foundation funding amount is equal to six thousand seven hundred eighty-one dollars (\$6,781) multiplied by the school district's average daily membership for the previous school year.

(4) (A) (i) Except as provided in subdivisions (a)(4)(C) and (D) of this section, by the end of each school fiscal year, for a school district whose net revenues are less than the sum of ninety-eight percent (98%) of the uniform rate of tax multiplied by the property assessment of the

school district, the Department of Education shall distribute to the school district the difference between: (a) the net revenues distributed to the school district as reported under § 26-80-101(b)(4)(A)(ii) for the calendar year immediately preceding the current school year; and (b) the sum of ninety-eight percent (98%) of the uniform rate of tax multiplied by the property assessment of the school district. (ii) The Department of Education may distribute to the school district a lesser amount than required under subdivisions (a)(4)(A)(i)(a) and (b) of this section if after the lesser amount is distributed the school district will receive the foundation funding amount under § 6-20-2305(a). (B) For a school district whose net revenues are more than the sum of ninety-eight percent (98%) of the uniform rate of tax multiplied by the property assessment of the school district, the Department of Education, under the authority of § 6-20-2306, shall recoup from the school district an amount equal to the difference between: (i) the net revenues of the school district; and (ii) the sum of ninety-eight percent (98%) of the uniform rate of tax multiplied by the property assessment of the school district.

(C) The Department of Education shall not distribute to a school district the funds under subdivision (a)(4)(A)(i) of this section if, regardless of the school district's tax collection rate, the school district's net revenues meet or exceed the foundation funding amount set forth in § 6-20-2305(a).

(D) (i) A county treasurer shall submit annually to the Department of Education an annual summary report of all proceeds generated from ad valorem taxes and distributed by the county to a school district for the period beginning January 1 and ending on December 31 of the preceding calendar year to verify the receipt of revenues under § 26-80-101(b)(4)(A)(ii). (ii) (a) The Department of Education may adjust data appropriately if it determines that irregular distributions by a county treasurer of excess commissions cause a school district's property tax collection rate from the uniform rate of tax to exceed ninety-eight percent (98%). (b) The Department of Education may adjust the uniform rate of tax from an irregular distribution to an amount not in excess of ninety-eight percent (98%) and apply the excess distribution amount the following school year. (iii) Evidence of overlapping revenue reporting or irregular distributions shall be provided in the form required by the Department of Education.

## **California**

The local control funding formula (LCFF) was enacted in 2013–14, and it replaced the previous kindergarten through grade 12 (K–12) finance system which had been in existence for roughly 40 years. For school districts and charter schools, the LCFF establishes base, supplemental, and concentration grants in place of the myriad of previously existing K–12 funding streams, including revenue limits, general purpose block grants, and most of the 50-plus state categorical programs that existed at the time. For county offices of education (COEs), the LCFF establishes separate funding streams for oversight activities and instructional programs.

The LCFF is in a transition phase, in which funding is based on a combination of the amount provided under the formula described above, and the amount that school districts and charter schools received in the past. Full transition of the LCFF is expected to be complete in 2021.

Once the LCFF entitlement is determined, local property taxes allocated to the entity are applied towards it. If an entity's local property taxes are less than the entitlement, the state adds additional funds to guarantee the entitlement. School districts and charter schools decide the best way to target the LCFF funds and must develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the state, including pupil achievement, parent engagement, and school climate.

Although California eliminated most “categorical” programs designed to target specific needs or state goals, a small number remain, including what the state provides for special education.

Additional information on California's school finance system is available on the internet at <http://edsource.org>, a site developed by the non-profit organization, EdSource.

### **Colorado**

Colorado public schools receive funding from a variety of sources. The majority of funding (about 62 percent in Fiscal Year (FY) 2016-17) to Colorado's 178 school districts are provided through the Public School Finance Act of 1994. Additional state funding is provided for specific programs that serve particular groups of students or student needs, including English Language Learners, Gifted and Talented Education, Special Education, Transportation, and Career and Technical Education. Funding for these programs is referred to as Categorical Program Funding.

School Finance funding is based on an annual October pupil count. Each school district counts pupils in membership as of the school day nearest October 1 (the official count day). Districts are given an opportunity to provide documentation that a student re-established membership by October 31<sup>st</sup> for a student who may be absent on the official count day.

Generally, pupils in grades 1 through 12 are counted as either full-time or part-time depending upon the number of scheduled hours of coursework. Kindergarten, preschool special education, and a limited number of at-risk preschool (see Colorado Preschool and Kindergarten Program discussion) pupils are counted as part-time. In limited circumstances, Kindergarten pupils may be counted as full-time.

### **Connecticut**

Education Cost Sharing (ECS) Target Aid is still a foundation-type formula and is currently comprised of two components: Base Aid and a Regional Bonus. Base Aid - For each weighted student, towns receive a portion of the foundation (\$11,525) based on the ratio of the town's wealth when compared to the guaranteed wealth level—1.35 times the median town's wealth. Wealth is measured in terms of property per capita (70 percent of the weight) and median household income (30 percent). Students are weighted for poverty (free and reduced-price meals) and English Language Learner students. Regional Bonus – Towns that are members of regional districts receive up to \$100 for each such student, depending on the number of regional grades.

However, for 2017-18, as in several prior years, the ECS formula was not strictly followed, and town-by-town appropriations were calculated by a different formula which had the state's lowest performing school districts (Alliance Districts) receiving what they received the previous year and all other districts receiving 95 percent of their previous year's appropriation. These figures were reduced by the Governor in order to balance the budget. In 2017-18, the bulk of ECS entitlements went to the 33 Alliance Districts, and the allocations were subject to state-approved school-improvement uses.

## **Delaware**

State support is provided in five (5) major components.

Division I, salary and other employment costs, is allocated in accordance with state formula which is driven by the student-based unit system.

Division II, All Other Costs (AOC) is allocated on a student-based unit system using a flat statewide rate per unit earned. AOC funds may be used for all operational costs other than personnel costs, transportation, or debt service.

Division II, AOC – Vocational Education is allocated on the students that are participating in vocational classes. These funds are used to support the operations costs of the vocational programs.

Division II, Energy is allocated on a student-based unit system using a flat statewide rate per unit earned. Energy funds may be used for heating oil, gas, or electricity.

Division III, Equalization funds are allocated inversely on the basis of school district wealth (full value of real estate per unit of pupils) and are distributed on a per unit basis. Equalization funds are meant to balance funds for education between poorer and wealthier districts. This funding can be used by the districts to support positions or operations. This formula has been frozen since Fiscal Year 2009.

Education Sustainment funds are allocated on a student-based unit system and the funds can be used in the same fashion as Equalization funds.

Debt Service funding allocates between 60% and 80% of the cost of school construction in the districts and 100% for statewide special schools.

## **Florida**

In 1973 the Florida Legislature enacted the Florida Education Finance Program (FEFP) and established the state policy on equalized funding to guarantee to each student in the Florida public education system the availability of programs and services appropriate to his or her educational needs that are substantially equal to those available to any similar student notwithstanding geographic differences and varying local economic factors.

To provide equalization of education opportunity, the FEFP formula recognizes: (1) varying local property tax bases; (2) varying education program costs; (3) varying costs of living; and (4) varying costs for equivalent educational programs due to sparsity and dispersion of student population.

The FEFP is the primary mechanism for funding the operating costs of public schools. As noted herein, there are other sources of funding; however, the FEFP is the finance program's foundation. A key feature of the FEFP is that it bases financial support for education upon the individual student participating in a particular educational program rather than upon the number of teachers or classrooms. FEFP funds are primarily generated by multiplying the number of full-time equivalent (FTE) students in each of the funded educational programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation and by a district cost differential in the major calculation to determine the base funding from state and local FEFP funds. Program cost factors are determined by the Florida Legislature and represent relative cost differences among the FEFP programs. In addition to the base funding allocation, three major allocations within the FEFP are the Supplemental Academic Instruction Allocation, Exceptional Student Education Guaranteed Allocation, and the Class Size Reduction Allocation. Please see page 18 of "Funding for Florida School Districts" at <http://www.fldoe.org/core/fileparse.php/7507/urlt/Fefpdist.pdf> for an explanation of these allocations.

## **Georgia**

Georgia relies on a partnership between the state and local boards of education to fund its public education system. Each local district has the ability to levy up to 20 mills for the purposes of school operations. The state uses a formula derived from a statute known as the Quality Basic Education Act, originally implemented in 1985, to calculate its respective share of the system's cost. The formula reacts to a number of inputs, but is generally driven by the number of students, the instructional needs of those students, and the number of certified teachers in the instructional corps, and the relative professional and educational experience of those teachers. The formula accounts for these variables by calculating a weight for 18 categories of instruction that a student could receive during the day – these weights are the result of statutory student to teacher ratios for each category. Despite the presence of those ratios, local systems are not bound to implement the ratios themselves within their classrooms. There are a number of ancillary programs included in the QBE program which fund other aspects of the K12 system, and incorporate other variables, but these are fairly minor in comparison to the traditional QBE program. The state has a minimum salary schedule for 10 months (190 days); the base salary was \$33,424 for the 2014-2015 school year. Some school systems provide a local supplement to the base salary.

Due to the significant economic challenges the state experienced in previous years, a bottom line austerity reduction of 2.08% remains applied against the earnings of the education funding formula. With waivers of expenditure controls, school systems have the flexibility to implement these reductions as best fits their individual situation.

## **Hawaii**

Hawaii is the only state with a single, statewide school district. The system of state financing for public education is also different from any other state. Property taxes do not fund public education; property tax revenues support city and county governmental services.

In addition, the appointed State Board of Education has no independent taxing authority to pay for either operations or capital improvements for the public school system. State funding for the public school system is determined by the state legislature on a biannual budget basis, and is actually disbursed by the Governor.

State support for the operation of public schools comes from the general fund, which is the repository for all non-earmarked taxes. The major taxing sources for state governmental services are: general excise tax; personal income tax; corporate income tax; and other special taxes, such as inheritance, liquor, use taxes, and license fees. (Property taxes provide funding for city and county governmental services).

### *Weighted Student Formula*

As a result of landmark legislation in 2004, the State Board of Education adopted a new weighted student formula, effective with the 2006-07 school year, to allocate a large portion of state funding to public schools within the statewide school district based on student needs. The formula consists of a specific dollar amount per student as a base amount for each student enrolled, coupled with additional funding for students with special needs that impact their learning.

Student characteristics that are weighted include economically disadvantaged; English Language Learners; gifted and talented; and transience due to movements of students and their families. Another factor is a middle school grade-level adjustment for a weighted equivalent of \$150 per student was implemented. This equates to a weight of 0.0363 in 2018. K-2 Class Size is weighted 0.1500 (2018). A Committee on Weights meets biennially to review the formula and possibly recommend changes to the Board of Education. Please refer to the Hawaii public school website, at

<http://www.hawaiipublicschools.org/VisionForSuccess/SchoolDataAndReports/StateReports/Pages/Weighted-Student-Formula.aspx>

## **Idaho**

A Foundation program based on Support (instructional) Units. Pupil count using ADA is the basis for determining Support Units. School districts and charter schools will receive \$26,748 of discretionary funds per unit for 2017-2018 from state revenues. The 2006 Legislature replaced local revenues (Maintenance & Operations property taxes) with state general fund revenues beginning with the 2006-2007 school year. School districts and charter schools also received salary and benefit (employer obligations for retirement and FICA) apportionment based on support units, and the Career Ladder, which was introduced for instructional staff in 2015-2016, and pupil service staff in 2016-2017. The estimated average amount of salary and benefits distributed is \$71,890.

## **Illinois**

Fiscal year 2018 marks the beginning of a new primary state education funding system in Illinois. Five grant programs have been replaced with the passage of the Evidence-Based Funding for Student Success Act. In the current fiscal year, districts are paid the amounts they received from those grant programs in the prior year and are eligible for additional dollars based on a new system in which districts are ranked by comparing relative need for state assistance. The five grant programs combined into the new system of Evidence-Based Funding (EBF) are the former General State Aid, Special Education Personnel, Special Education Summer School, Funding for Children Requiring Special Education Services, and English Learner Education grants.

The new distribution system creates a hold harmless payment based on the five consolidated grants and provides for increases in funding to be delivered to districts most in need. The hold harmless, labeled the Base Funding Minimum, pays districts their actual gross payment amounts from FY 2017 for each of the five grants combined in EBF. The one exception is that amounts paid for Special Education Summer School reflect full claim amounts. Amounts paid to districts in excess of the hold harmless are based on how they rank when comparing local wealth to district need.

EBF requires calculation of an Adequacy Target, representing the state's estimate of the cost of providing education, specific to each district. The Adequacy Target is based on 34 different cost factors that contribute to the total cost or target. Comparing local district resources to the Adequacy Target produces a percentage that demonstrates how close each district is to adequate funding.

Districts will be assigned to one of four funding tiers based on their percentage of adequacy. Districts in Tier 1 are those most in need of state assistance. These districts will receive 50 percent of funding increases. Districts qualify for Tier 1 if their percentage of adequacy is less than the Tier 1 target ratio. That ratio is set so that 50 percent of increased funding is distributed to Tier 1 districts. Tier 2 districts have a percentage of adequacy that is greater than the Tier 1 target ratio and less than 90 percent. Tier 2 districts receive 49 percent of increased funding. Tier 3 districts have a percentage of adequacy greater than or equal to 90 percent and less than 100 percent. Tier 3 districts receive 0.9 percent of increased funding. Tier 4 districts have a percentage of adequacy greater than or equal to 100 percent and receive 0.1 percent of increased funding.

- Stage 1    Determining the cost of educating all students, according to the defined cost factors. The result is the Adequacy Target for each district.
- Stage 2    Measuring each district's local resources for comparison to the Adequacy Target.
- Stage 3    Distributing additional state funds to assist districts in meeting their Adequacy Targets.



Completing the first and second stages produces a ratio that determines how far away a district is from adequate funding in Stage 3 and determine tier funding.

Additional information about EBF is available on the [ISBE Evidence-Based Funding page](#).

## **Indiana**

The Indiana General Assembly revisits the school distribution formula in its budget making sessions, on odd years. The 2017 session was a budget making session and the General Assembly enacted legislation to enumerate the formula and its various components and provide appropriations for the 2017-2018 and 2018-2019 state fiscal years. Due to the fact that the formula for each of these two fiscal years build from previous year data, the narrative that follows reflects the formula for both the 2015-2016 (FY 2015) and 2016-2017 (FY 2017) distribution. Beginning July 1, 2013, the Indiana General Assembly moved from a calendar year to a fiscal year formula for school corporations.

**Total Tuition Support:** The following summary includes the grants that comprise state tuition support funding for FY2016 and FY2017 which includes school corporations, charter schools and virtual charter schools.

- Basic Tuition Support
- Honors Diploma Grant
- Special Education Grant
- Vocational Education Grant
- Complexity Grant

The Department computes state tuition support for each school corporation and charter school based on the variables described below. Accordingly, it is not possible to provide examples of these calculations applicable to school corporations, charter schools and virtual charter schools. Further, input variables are subject to change due to modifications in student count variables, or reductions made by the Department of Education required by statute to preclude overspending either the fiscal year appropriation or a state ordered reduction. At the end of the state tuition support section is a brief discussion pertaining to the fiscal year cap.

In its simplest form, the state tuition support formula determines the gross amount of state revenue for each school corporation, charter school, and virtual pilot school.

## **Definitions and Formula Components:**

**Average Daily Membership (ADM):** The Average Daily Membership is a count of students enrolled for Kindergarten through Grade 12 in Indiana public school corporations and all charter schools on a particular day. Kindergarten students participating in a full-day program are counted as one for formula purposes and as one-half (1/2) ADM if they are not participating a full-day program. The ADM is the sum of students considered resident attendees, transfers out, cash transfers, state obligations, placements in and dual enrolled.

In FY2016 and FY2017, the state tuition support formula used two membership counts to determine grant funding for basic tuition support and the complexity grant. The first count is called the fall membership count, which is taken in September, and provided funding for the period of July through December. The second count is the spring membership count, which is taken in February, and provided funding for the period of January through June. Because an updated membership count was not known for the July payment of the fiscal year, school corporations and charter schools provided an estimated membership count for which payments were based until actual counts became available.

For funding purposes, a career and technical education count is taken annually, the second Friday after Labor Day as established by the State Board of Education. In addition, a special education count is required December 1 (used for funding purposes) with another count on April 1. The April 1 special education count is for informational purposes only and is not used for funding. Indiana law provides that a charter school is a public school.

**Basic Tuition Support Formula Calculations:** Unless otherwise noted, the following formula calculations apply to both school corporations and charter schools.

#### **PREVIOUS YEAR REVENUE**

Certain state revenues establish a revenue base to determine the ensuing years funding. For FY2016, Previous Year Revenue, reflected the July to December 2014 Basic Tuition Support actually received plus the January to June 2015 Basic Tuition Support actually received. As part of the previous year revenue calculation for FY2017, the calculations determine the fiscal year distribution amount associated with the basic grant from the fiscal year 2016 tuition support worksheet. Unless otherwise specified, all calculations were rounded to two places. For FY2016, previous year revenue was the amount of actual basic tuition support received in FY2015 and for FY2017, previous year revenue was the amount of actual basic tuition support received in FY2016.

Beginning in FY2016, Charter schools in the first year of operation inside or outside of Marion County were funded at the foundation amount.

#### **AVERAGE DAILY MEMBERSHIP (ADM) FOR 2015-2016 and 2016-2017**

The ADM counts were taken twice a year, in February and September. For FY2016 and FY2017, the Department used the fall (September) count for July-December state tuition support funding calculations and used the spring (February) count for January-June funding calculations. School corporations, virtual charter schools, and charter schools submitted an estimated ADM that was used for the July through October payments until the September count was final. For FY2016 and FY2017 state tuition support, the estimated count was collected in May.

## **TRANSITION TO FOUNDATION REVENUE**

The transition to foundation revenue calculation determined the total state dollars generated by the formula, excluding categorical funding for honors grant, special education, career and technical education, and the complexity index grant. A calculation was made to determine the foundation amount per pupil for each individual school corporation and charter school. Additionally, a foundation amount was calculated for virtual charter schools as part of determining the foundation amount used in the calculation of a virtual charter school's tuition support.

A charter school in the first year of operation was funded at foundation in both years and the weighted factor calculation previously used in the formula was removed.

**Transition to Foundation Revenue Calculation:** A calculation is made to determine the transition to foundation amount per pupil for each individual school corporation and charter school by calculating a foundation funding amount, and the transition to foundation per ADM. In FY2016, transition to foundation revenue was defined as the per pupil foundation funding amount multiplied by the current (fall) 2015-2016 ADM for September and also the current (spring) 2015-2016 ADM for February to determine basic tuition support for FY2016. In FY2017, all school corporations and charter schools, with the exception of virtual charter schools, moved to foundation and no adjustments were made.

For FY2016, the calculation considered:

1. Previous year revenue per adjusted ADM
2. Transition to Foundation per adjusted ADM
3. Current (fall or spring) ADM

For FY2017, all school corporations moved to foundation.

**Transition to Foundation Calculation:** The transition-to-foundation computation is changed for school corporations and charter schools transitioning down to foundation. School corporations and charter schools continued to transition down to foundation over 3 years in FY2016 and to foundation in FY2017. In both years, the foundation amount was multiplied by the number of students to calculate basic tuition support.

**Reconciliation:** When the Department finalized the September ADM count, the remaining tuition support distributions for November and December were adjusted to reflect any overpayment or underpayment in the July through October tuition support distributions. When the February 2016 or February 2017 ADM counts were final, the Department recalculated and adjusted positively or negatively the remaining tuition support distributions to reflect the change in January to June funding for the basic and complexity grants.

## **VIRTUAL CHARTER SCHOOLS**

Continuing in FY2016 and FY2017, Virtual Charter Schools were funded at 90.0% of the charter schools foundation amount (\$4967) in the same fiscal year multiplied by the Virtual Charter schools September (fall) ADM for the period of July to December and February (spring) ADM for the period of January to June. The same held true for FY2017 using a foundation amount of

\$5088. In order to determine the foundation amount, virtual charter schools must use part of the basic tuition support calculation. The funding continues at the 90% level in FY2016 and FY2017.

In addition to special education grants, virtual charters are also eligible for Career and Technical Education, Honor grants, and the Complexity grant.

**Reconciliation:** When the Department finalized the September ADM count, the Department adjusted the remaining virtual charter tuition support distributions for November and December to reflect any overpayment or underpayment in the July through October tuition support distributions. When the February FDK count of the ensuing year was final, the Department recalculated and adjusted the remaining virtual charter tuition support payments positively or negatively to reflect the change in January to June 2016 virtual charter funding. The same process occurs as part of the FY2017 state tuition support formula.

### **Iowa**

This is a foundation program based on FTE pupil units. The state guarantees 87.5% of the state cost per pupil, which is \$6,664 per pupil from a combination of state aid and a uniform local property tax levy (2017-2018). State aid is the difference between a district's total foundation cost and the amount a school district raises from the uniform property tax levy of \$5.40 per \$1000 of taxable valuation. The foundation program allows districts to levy an additional property tax for the difference between the 87.5% foundation guarantee and 100% of the district's cost per pupil. Every district's cost per pupil is between 100% and 103% of the state cost per pupil (\$6,664 in 2017-2018). The rate of growth in the state per pupil cost is set as a percentage annually by the legislature. The calculated dollar growth in the state per pupil cost is added to each district's per pupil cost.

### **Kansas**

The general funding formula provides base state aid per pupil (BSAPP) of \$4,006 in 2017-18 and \$4,128 for 2018-19. Regular enrollment is adjusted to reflect additional costs associated with serving certain pupil populations, transporting pupils, operating smaller and larger enrollment school districts, and adding and operating new school facilities. There is also a "decreasing" enrollment factor. State aid is determined by taking the general fund and subtracting local tax revenue. The difference between the general fund and those revenues is the amount of state aid. Local option budgets are matched by the state up to 81.2% of assessed value per pupil with certain restrictions.

### **Kentucky**

#### *SEEK Program*

Support Education Excellence in Kentucky (SEEK) is the funding formula developed as part of the 1990 Kentucky Education Reform Act (KERA). A base funding level defined in KRS 157.320(2) guarantees an amount of revenue per pupil to be provided for regular operating and capital

expenditures (\$3,981 for 2016-2017, \$3,981 for 2018-2019). According to KRS 157.360, each school district's base funding level is adjusted by the following factors:

- a. The number of at-risk students identified as those approved for the free lunch program. The prior year average daily membership number of students approved for free lunch is multiplied by 15% of the base funding amount;
- b. The number and types of exceptional children as defined by KRS 157.200 based on the prior year December 1 child count. Specific weights for each category of exceptionality are used to calculate the add-on factor for exceptional children. Weights and corresponding categories of exceptionality are as follows:

*Low Incident Disabilities*, 2.35 weight - Functional Mental Disability, Hearing Impairment, Emotional-Behavioral Disability, Visual Impairment, Multiple Disabilities, Deaf-Blind, Autism, and Traumatic Brain Injury;

*Moderate Incident Disabilities*, 1.17 weight - Mild Mental Disability, Orthopedic Impairment or Physically Disabled, Other Health Impaired, Specific Learning Disabilities, and Developmental Delay;

*High Incident Disability*, 0.24 weight - Communication Disorders of Speech or Language;

- c. *LEP* (Limited English Proficiency, 0.096 weight for 2016-17 and 2017-18).
- d. Transportation cost as calculated under the provisions of KRS 157.370;
- e. The number of home and hospital students in average daily attendance as calculated under the provisions of KRS 157.270. The number of home and hospital students in average daily attendance in the prior year is multiplied by the base funding amount less the capital outlay allotment.

A guarantee of a minimum level of local support is generated by a required local effort of 30 cents per \$100 assessed property valuation (KRS 160.470(9)(a)).

A *two-tier system* allows school districts to exceed the required minimum level of local support (KRS 157.440):

- a. *Tier I* - allows school districts to levy an equivalent tax rate which will raise revenue up to 15% above the adjusted SEEK base. The local effort is equalized at 150% of the statewide average per pupil assessed property valuation. This levy is not subject to hearing or recall.
- b. *Tier II* - allows additional levies to produce up to 30% above the adjusted SEEK base plus Tier I. Tier II revenue is all local funds and is not equalized with state funds.

If a school district's levy exceeds Tier I and exceeds the limits of subsection (1) of KRS 160.470, the levy must be submitted to the voters with the following exception: Section (1(c) of KRS 157.440

provides that a school district which was above the maximum Tier I equivalent tax rate the year before KERA (1989-90), would not be required to levy a lower equivalent rate in succeeding years.

*Hold Harmless* - school districts are guaranteed the same per pupil state funding as received in the 1991-92 school year. Even though a school district qualifies to be hold harmless, it could receive less total state funding than in 1991-92 if it had declining enrollment.

A school district must levy a five-cent equivalent tax to participate in the School Facilities Construction Commission (SFCC) program that provides revenue for debt service for new facilities or major renovations (KRS 157.620). The five cents is equalized when committed to debt service by the Facilities Support Program of Kentucky (FSPK) on the same basis as Tier I. (See Section V Restricted Funds/Balances, Building Fund/FSPK).

## **Louisiana**

The Minimum Foundation Program formula determines the cost of a Minimum Foundation Program (MFP) of education in all public elementary and secondary schools and helps to allocate the funds equitably. Funding through the MFP is in the form of a block grant from the State to the city, parish, or other public school systems or schools. Local Education Agencies (LEAs) are afforded the flexibility to spend these funds as they determine to be in the best interest of the LEA while satisfying all mandated program requirements. MFP funds are intended, in combination with other funds available to the LEAs, to provide the fiscal requirements of operating a school system or school.

*Components of the FY2017-18 MFP Formula:*

### **Level 1: Cost determination and Equitable distribution of State and Local Funds**

Calculate State and Local Cost Allocation

- Base per Pupil Amount for FY2017-18 is \$3,961 for each student included in the prior year February 1 base count. This base amount is set annually by the State Board of Elementary and Secondary Education (SBESE) with approval of the Joint Legislative Committee on the Budget.
- Add-on weights - based on student characteristics of prior year February 1 enrollment recognizing the extra cost of instruction for certain categories of students or classes.
  - Low Income and English Language Learner (22%)
  - Career & Technical Education Units (6%)
  - Students with Disabilities (150%)
  - Gifted and Talented (60%)
  - Economy of Scale up to 20% (for districts with less than 7,500 students)
- Total Level 1 Cost equals the Total Weighted Student Membership count times \$3,961 per pupil.
  - Proportion Allocated to the State (65% on average)
  - Proportion Allocated to the Local School System (35% on average)
  - The targeted local contribution is based on the Local Deduction Method which establishes contribution rates for Sales and Property Taxes. In FY2017-18 the contribution rates are:

- 15.43 ad valorem tax mileage
- .76 % sales tax rate

### **Level 2: Incentive for Local Effort**

- Eligible Local Revenue - amount over Level 1 target
- Level 2 rewards systems that contribute a greater portion towards the cost of education than the amount required in Level 1 (In FY2017-18, on average, the state contributed 38.98% for each dollar identified as revenue eligible for rewards in level 2)

### **Level 3: Legislative Allocations**

- Continuation of prior year Pay Raises (2001-02 Certificated Staff, 2002-03 Support Worker, 2006-07 Certificated Staff and Support Worker, 2007-08 Certificated Staff and Support Worker, and FY2008-09 Certificated Staff)
- Hold Harmless Funding (continuation of prior year funding for districts that would lose State aid under the revised formula)
- Mandated Cost Adjustment of \$100 per pupil (Support for increasing costs in health insurance, retirement and fuel)

### **Level 4: Supplementary Allocations**

- **Foreign Language Associate Program Salary and Stipend Allocation** – Provides \$21,000 for each teacher from a foreign country assigned to teach through the Foreign Language Associate program, up to a maximum of 300 teachers per year. Provides Installation Stipends of \$6,000 to first year Foreign Associate Teachers and Retention Stipends of \$4,000 to second and third year Foreign Associate Teachers.
- **Career Development Allocation** – Provides funding to support the development of the technical courses required to earn recognized professional credentials.
- **High Cost Services Assistance Allocation** – Provides funding to assist with the cost of providing services for specific students with disabilities for which the costs of services are at least three times the most recent state average total expenditure per pupil amount.
- **Supplemental Course Allocation** – Provides a per student allocation for each student in grades 7 through 12 of the prior year February 1 count to fund the cost of secondary course choices specifically approved by BESE.

### **Maine**

Beginning in 2005-06, Maine's school funding formula became an adequacy-based formula entitled Essential Programs and Services. Using a cost analysis, the State establishes the amount, level and cost of education components needed in each school to ensure all students have equitable opportunities to achieve proficiency in state learning standards. The essential programs and services allocation for each LEA depends upon student, staff and school characteristics, resulting in unique EPS operating cost rates for each LEA.

By statute, the State share percentage of the total EPS operating costs is 55%. Local share for each LEA is calculated based on property valuation, and local communities may choose to raise

more than its required EPS operating costs. The State subsidizes 100% of approved EPS special education costs for most school district, and up to 33% for minimum subsidy receiving districts.

## **Maryland**

Maryland has student-based funding model which provides a base (Foundation) program for all K-12 students – counted as Full-Time Equivalent (FTE) from the prior year – plus three additional grants for students with special needs (economically deprived students, English language learners, and Special Education students).

The Foundation program is based on per pupil figure that is updated annually for inflation. For FY 2018, the base Foundation per pupil amount is \$7,012 for K-12 students. The program is a shared State/Local program that provides approximately 50% State funding in total. As noted below, the program is wealth-equalized by using a Local Contribution Rate so State/Local percentages vary among the school systems. There is a 15% minimum State share regardless of the amount of local wealth. The grant is also increased in 13 school systems for geographic cost differences. In FY 2018, the program provides approximately \$3.14 billion in State aid.

For the three special needs programs, the formula provides for State funding only; there is no required local share. These additional grants are based upon per pupil levels that are provide additional weighted funding beyond the Foundation per pupil figure (the additional weights are 0.97 for economically deprived, 0.99 for English Language Learners, and 0.74 for Special Education students). The State provides 50% of the total and each of the programs is wealth-equalized. For any school system, the State provides at least 40% of the total, regardless of the amount of local wealth. These are described in more detail below.

A ***Guaranteed Tax Base Program*** distributes State funding to local jurisdictions that 1) have less than 80% of the statewide wealth per pupil, and 2) provide local education funding above the local share required under the Foundation Program. The amount provided to each local school system is equal to the additional funding that would have been provided by the local government if the same education tax effort were made and the jurisdiction had the wealth base that is "guaranteed." Irrespective of local education tax effort, local school systems will not receive more per pupil than 20% of the base per pupil amount established in the Foundation Program. For FY 2018, the Guaranteed Tax Base Program provides approximately \$50 million in additional funding to local jurisdictions.

A ***Supplemental Grant*** was calculated in FY 2009 and FY 2010. This grant was designed to provide additional funds to jurisdictions who did not receive at least a 1% increase in State Aid to Education over the prior year. Since FY 2010, the supplemental grant has been funded at the FY 2010 level of \$47 million.

Under the ***State Aid for Local Fringe Benefits Program***, Maryland provides a portion of the funding of the employer's share of teachers' retirement program for eligible local staff. This statewide program was previously all State-funded. Since FY 2017, the local school systems contribute the Normal Cost rate for their eligible personnel.



## **Massachusetts**

In FY18, the “Chapter 70” state aid formula provides \$4.7 billion in aid to school districts through a foundation program. The formula has three major components:

1. A “foundation budget” determines the minimum level of education expenditures necessary to provide an adequate education to all students – i.e., to provide the opportunity for each student to meet the state’s content standards. Unique for each district, it is derived using a resource cost or “ingredients” approach to educational adequacy, with per-pupil rates in 13 enrollment categories and 11 functional areas that are adjusted annually for inflation. The calculation of special education enrollment uses a census-based approach. In FY18, the statewide average per-pupil foundation budget is \$11,026, and ranges (for non-vocational districts) from \$9,104 per pupil to \$12,846. This includes add-ons.
2. A “target local contribution” for each city and town is determined using an ability-to-pay indicator termed “aggregate wealth.” In FY18, the target is derived by taking 0.3550 percent of each municipality’s total 2016 equalized property valuation, adding 1.4248 percent of its residents’ total 2014 income, and capping the result at 82.5 percent of its total foundation budget. The property valuation and income percentages yield exactly half of the state total target contribution from property wealth and half from income, and change each year with changes in district foundation budgets, property valuation, and income. Over time, each city and town’s “minimum required local contribution” moves toward its target contribution.
3. State “Chapter 70 aid” makes up the difference between a district’s minimum required local contribution and its foundation budget. In addition, in FY18, each operating district is guaranteed a \$30 per pupil aid increase over FY17. On average, aid accounts for 46 percent of FY18 foundation budgets, but the range varies from 17 percent to 96 percent.

In late 2015, a Foundation Budget Review Commission established by the legislature determined that the FY16 foundation budget understated the statewide cost of providing an adequate education to the Commonwealth’s students by a least \$1 billion, primarily in the areas of special education, employee health insurance, and resources for English language learners and low income students. The FY17 and FY18 Massachusetts state budgets included structural increases to the health insurance component of the foundation budget.

## **Michigan**

The State of Michigan no longer uses the “millage equalizing” formula based on school finance reform passed in 1994 and first implemented in 1995. Each district was assigned a per pupil foundation grant based on their combined 1994 state and local revenue per pupil. Districts with lower foundation grants received larger annual increases than those with higher initial foundations. The lowest foundation in 2017-18 is \$7,631. In most cases the state school aid per pupil is equal to the district’s foundation allowance per pupil minus its local school operating tax per pupil. School operating taxes in most cases are equal to 18 mills assessed to the district’s non-primary residence property plus 6 mills assessed on Commercial Personal Property.

## **Minnesota**

General education foundation program based on weighted pupils in average daily membership (ADM). Part-time kindergarten pupils are weighted at 0.55, full-time kindergarten pupils are weighted at 1.0, pupils in grades 1-6 at 1.0, and secondary pupils (grades 7-12) at 1.2. A district's general education revenue equals the sum of its basic, declining enrollment, compensatory, English learner, extended time, sparsity, transportation sparsity, operating capital, gifted & talented, equity, location equity, and transition revenues. Basic revenue equals \$6,188 times weighted ADM.

School districts are required to levy for a portion of general education revenue. The basic general education levy ("student achievement levy") serves as the local portion of the basic, declining enrollment, compensatory, EL, extended time, sparsity and transportation sparsity revenues. Separate levies are made for a portion of operating capital, transition, and local optional revenues. If a district levies less than the maximum amount for these categories, the corresponding state aid is reduced proportionately.

### **Mississippi**

The Mississippi Adequate Education Program Act (MAEP) was enacted in 1997. The MAEP is a funding mechanism that is based on the following formula:

1.  $(\text{ADA for K-12 excluding self-contained special education}) \times \text{Base Student Cost}) + \text{At-Risk Component}) - \text{Local School District Contribution } 0\% \text{ Guarantee} = \text{MAEP Formula Allocation}$
2. The Base Student Cost Calculation utilizes data from schools that are considered to be successful and efficient. The State Board of Education uses current statistically relevant data to identify successful schools; criteria for efficient schools include (a) number of teachers per 1,000 students, (b) administrator/staff ratio, (c) maintenance staff per 100,000 square feet and operation and maintenance expenditures per 100,000 square feet, and (d) librarians and counselors per 1,000 students. The base student cost for 2017-2018 is \$5381.52.
3. To provide stability in state and local appropriation and budgeting processes, the Base Student Cost is calculated every four years rather than each year, and an inflation component of 40% of the Base Student Cost times the current CPI shall be used. AEP formula includes a provision that ensures that a district receives a formula allocation of at least what the district received in 2002.
4. Add-on program amounts are calculated separately and combined with the MAEP formula amount to arrive at a district's total funding allocation.

### **Missouri**

The state of Missouri has a new foundation formula effective with the 2006-07 year that is student needs based rather than tax-rate based. This new formula is based on the average current expenditure per average daily attendance of local and state dollars in those districts meeting all performance standards established by the Missouri State Board of Education (SBE). It is designed to assure that all districts have at least this "state adequacy target" of money behind each child if the district chooses to have a tax levy equal to or greater than the performance tax

levy set by the legislature at \$3.43. For 2006-07, the state adequacy target is \$6,117 per weighted average daily attendance. This amount will be recalculated every two years.

Weighted Average Daily Attendance includes average daily attendance of the regular school term and the summer school term plus weighting for Free or Reduced Lunch eligible students, Special Education students and Limited English Proficient students when the district's count of these student populations exceeds the average percentage (threshold of the districts meeting all performance standards established by the SBE).

The product of the state adequacy target and weighted average daily attendance is then multiplied by a variable labeled the Dollar Value Modifier (DVM). The DVM was designed by the legislature to reflect the relative purchasing power of a dollar as related to wage data for metropolitan, micropolitan and county areas available from the U.S. Department of Commerce, Bureau of Economic Analysis. From the products of these calculations is subtracted the amount of local effort for the 2004-05 school year. The local effort amount in the formula calculation is fixed for the life of the formula with two exceptions. If a district's assessed valuation decreases below the 2004 valuation, the lower valuation will be used in the local effort calculation. Likewise, if a district's revenue from Fines increases, the higher Fines amount will be used in the local effort calculation.

The remaining amount is the initial calculation of state money to the district. This formula will be phased in over seven years beginning in 2006-07. The initial calculation is then adjusted for the phase-in provisions and hold harmless provisions.

For details of Missouri's formula, please refer to Chapter 163 of the Revised Statutes of Missouri. The website for Missouri's statutes is: <http://www.moga.mo.gov/STATUTES/C163.HTM>

### **Montana**

BASE Aid program based on number of pupil units plus an additional guaranteed tax base program. Under the BASE Aid program, the state pays 44.7% of basic and per-student entitlements; 100% of additional funding components for quality educators, at-risk students, Indian education for all, data for achievement, and closing the American Indian student achievement gap; 100% of the state special education block grants for schools; and a subsidy payment to equalize tax base differences and support districts in funding an additional 35.3% of the basic entitlement and per-student entitlement and 40% of special education block grants.

In FY 2017-2018, the basic entitlements for elementary, middle school and high school districts are \$51,149, \$102,299 and \$306,897, respectively. For elementary districts with an Average Number Belong (ANB) greater than 250, an additional basic entitlement of \$2,558 is paid for each additional 25 ANB above 250. For middle school districts with an ANB greater than 450, an additional basic entitlement of \$5,115 is paid for each additional 45 ANB above 450. For high school districts with an ANB greater than 800, an additional basic entitlement of \$15,345 is paid for each additional 80 ANB above 800. The per-student entitlements were approximately \$5,471 for elementary students and \$7,005 for high school students or students

in accredited 7-8 grade programs. A \$0.20 reduction is applied for each additional elementary student, up to 1000 students. A \$0.50 reduction is applied to each additional high school student or 7-8 grade student, up to 800 students. Required local effort at the county level is 55 mills for K-12 programs.

Required effort at the state level is 40 mills for K-12 programs. The BASE, or minimum required budget, includes 80% of the entitlements, 140% of special education funding, and 100% of the 4 additional funding components. In 2017, the legislature created a funding mechanism for major maintenance at school districts. The income and interest from a portion of the state coal severance tax bond fund will be transferred to a fund that will be available to school districts beginning in FY 2019. In order to receive payments from this fund, school districts must levy up to 10 mills to fund the “school major maintenance amount” which will be matched by the state so long as sufficient revenue flows from the coal severance tax bond fund. It is anticipated that significant funds will begin to be available in FY 2020

## **Nebraska**

Needs – Resources = Equalization Aid  $\Rightarrow$  Formula Needs

1. The fall membership count of students is adjusted by the average ratio of average daily membership (ADM) to fall membership from three prior years for the certification of state aid; and ADM for the final calculation of state aid.
2. Formula students include students educated by the district and students for which the district pays tuition. Kindergarten student that attend school less than 400 hours per year are counted as .5. Formula students also includes four year old students in qualified early childhood programs multiplied by the ratio of planned instructional hours of the program divided by 1,032 hours then multiplied by .6.
3. Basic funding is determined based on a comparison group that is established for each district consisting of the ten larger districts that are closest in size to the district and the ten smaller districts that are closest in size to the district as measured by formula students. The highest two spending districts and lowest two spending districts are eliminated with the remaining 17 districts spending being averaged to determine basic funding.
4. Basic funding is adjusted by adding Allowances and Adjustments. Allowances are district specific and will increase needs for that district but allowances do reduce the basic funding for all school districts in the comparison group (as Basic Funding is an average). Adjustments are added- on or subtracted from the individual districts’ needs.
  - a. Poverty Allowance is calculated by taking the lesser of the maximum poverty allowance designated by the district or by the calculated amount based on the number of low income students (progressive percentages between .05 and .30 multiplied by students qualified for free lunches/milk or low income children under 19 years of age living in a household having an annual adjusted gross income equal to or less than the maximum household income that would allow a student to be a free lunch or free milk student, whichever is greater).

- b. Limited English Proficiency (LEP) Allowance is calculated by taking the lesser of the maximum LEP allowance designated by the school district or a calculation based on the number of LEP students. If school districts do not expend at least 117.65% of the allowance in the year provided future need calculations will be reduced. If school districts do not spend at least 50% of their allowance in the year provided they will not be eligible for the allowance two years later.
- c. Focus School & Program Allowance is for schools in a learning community and the allowance is based on the number of students in the Focus School. (Currently there is only one learning community in Nebraska and it includes 11 school districts in the Omaha metropolitan area. Learning Communities were established by statute in 2006. The Nebraska statutory references are in sections 79-2101 to 79-2120).
- e. Summer School Allowance is calculated based on the number of students attending summer school for at least 12 days for at least three hours per day but less than six hours per day. Additional weights are given to summer school students that are in remedial math or reading, and for each summer school student that qualifies for free lunch or milk services. Schools receive the lesser of the calculated amount or what they actually spent for summer school.
- f. Special Receipts Allowance includes district specific special education, state ward, and accelerated or differentiated curriculum program receipts from the most recently available complete data year.
- g. Transportation Allowance is the lesser of actual transportation expenditures from the most recently available complete data year or a calculated transportation expenditures based on regular route miles and mileage paid to parents.
- h. Elementary Site Allowance is calculated for any district that has multiple elementary attendance sites that are not within seven miles of another attendance site or is the only public elementary attendance site located in an incorporated city or village.
- i. Distance Education & Telecommunication Allowance is calculated by taking the difference of 85% of a school district's telecommunication cost, the cost for accessing data transmission networks and the cost of transmitting data minus receipts from the Federal Universal Services Fund (e-Rate).
- l. System Averaging Adjustment is available to school districts with over 900 or more formula students when their basic funding per formula student is less than the statewide average basic fund per formula student for districts with more 900 or more formula students. The calculation is based on the number of formula students and the difference between the district's basic funding per student and the statewide average for districts 900 or more formula students.

- m. Two-Year New School Adjustment is available to school districts that add buildings to the district that would increase the school district's student capacity. The calculation is based the district's basic funding per formula student times a percentage of the estimated increase in student capacity.
  - n. Student Growth Adjustment is calculated for school districts that have student growth of at least one percent or 25 students. The calculation is based on the basic funding per formula student multiplied by the number of increased students.
  - o. New Learning Community Transportation Adjustment is available to school districts in a learning community (see d. above) for two years. The calculation is based on each school district's estimate of their increase transportation cost as required by the learning community. The actual costs are reported and any necessary adjustments are made to future needs.
5. Needs Stabilization is calculated so that the needs of a school district will not be less than 100% of the needs as calculated for the previous year.

⇒Formula Resources:

1. Yield from Local Effort Rate (adjusted valuation provided by the Property Tax Administrator divided by 100 multiplied by the Local Effort Rate of \$1.00).
2. Net Option Funding is calculated by taking the net enrollment option students (students opting into the district minus the students opting out of the district) and multiplying by the statewide average basic funding per formula student.
3. Allocated Income Tax Funds (a percent calculated annually of the net Nebraska income tax liability of each school district's resident individuals).
4. Other Actual Receipts from the most recently available complete data year which include general fund state, county and local receipts.

## **Nevada**

The Nevada Plan provides public school funding to each school district and charter school for each pupil resident of Nevada through the Distributive School Account (DSA). It guarantees base level funding ("basic support") on a per pupil basis, with additional locally-collected taxes contributing as non-guaranteed "outside" revenue. The statewide average "basic support" for FY18 (Jul 1, 2017 – Jun 30, 2018) is \$5,897 per pupil. The guaranteed per pupil amount varies among each of 17 school districts on the basis of differing local public education expense structure and certain taxes collected locally, ranging from \$5,700 to \$21,469 per pupil. Relevant expenses include salary and benefits of licensed and administrative staff, and transportation and equipment costs. Applicable locally-collected taxes primarily consist of the Public School Operating Property Tax (PSOPT) at \$0.75 per \$100 assessed value and Net Proceeds of Mining (NPM) (1/3 guaranteed "inside revenue", 2/3 non-guaranteed "outside revenue"), and the Local

School Support Tax (LSST) sales tax of 2.60% (100% guaranteed “inside revenue”), as well as governmental services tax, franchise fees, and unrestricted federal revenues (each 100% non-guaranteed “outside revenue”).

Pupil counts are updated quarterly in an ADE (Average Daily Enrollment) format. There is no variation in payment amount between grades except for pre-kindergarten students, who must have an IEP (Individualized Education Plan) to be DSA-eligible, and are paid at a .60 weighting. Public charter schools are paid applicable basic support and outside revenue at the rate of the respective district of residence of each enrolled pupil.

In addition to DSA funding, commencing in FY18 Nevada implemented the New Nevada Education Funding Plan, which provides \$1,200 per pupil additional funding. This funding is restricted to specific students who are English learners or are eligible for a free or reduced lunch who score in the bottom 25th percentile in proficiency, who are not enrolled in a Zoom or Victory school, and who do not have an individualized education program (IEP).

### **New Hampshire**

#### **Adequate Education Aid**

RSA 198:38 through 198:42 specify how aid is calculated and distributed.

#### Students:

Adequacy Aid is calculated using the Average Daily Membership (ADM) of the students who reside within a municipality. A full-time student enrolled in school for the entire year has an ADM of 1.00. If a student moves mid-year, he is counted as a fractional ADM in each municipality. For FY2018 Adequacy Aid, school year 2016-2017 ADM will be used.

The total ADM for a municipality consists of:

- Students who attended a school operated by their resident district.
- Students tuitioned by the resident district to a district-operated school in NH or another state.
- Students tuitioned by the resident district to a non-public school, such as a special education program.
- Kindergarten students are counted as no more than .50 ADM (half-day program).
- Home school students enrolled in high school academic courses at the rate of 0.15 ADM per course. These students will be counted only if the appropriation has excess funds available.
- Preschool students are not included.
- Charter schools students are not included, except as provided for in RSA 194-B:11.
- In the first year a student receives an education tax scholarship to attend a private school or is home schooled, the resident school district will be notified that, for the purpose of Adequacy Aid only, this student will be removed from the prior year’s ADM.

#### Cost of Adequacy:

Every two years the base per pupil cost and additional costs for certain students are adjusted for inflation and used for both years of the State’s biennium. RSA 198:40-d specifies that the US Bureau of Labor Statistics’ Consumer Price Index for All Urban Consumers, Northeast Region,

special aggregate index of “services less medical care services” will be used to make the adjustments. For the biennium starting July 1, 2017, this inflation adjustment is an increase of 1.021%.

For FY2018 and FY2019, the base per pupil rate is \$3,636.06 per ADM. Adequacy includes an additional rate for certain students as follows:

- \$1,818.02 for a free or reduced-price meal eligible student. This determination is based on household income, not participation in a lunch program. Students from households receiving TANF or SNAP are automatically eligible. Others are certified if parents/guardians provide income information.
- \$1,956.09 for a special education student who has an individualized educational plan (IEP).
- \$711.40 for an English Language Learner receiving English Language instruction. Students who have advanced to the monitoring stage are not included.
- \$711.40 for each 3<sup>rd</sup> grade pupil whose achievement score on the state assessment for reading was below the proficient level, provided the student is not already counted in any of the above three categories. Students who did not take the test are not counted.

For each municipality, the cost of an opportunity for an adequate education is calculated by applying the base rate and applicable additional rates to the ADM of each student.

#### How Adequacy Grants are Determined:

Statewide Education Property Tax Assessment:

Each December, the Department of Revenue Administration determines the minimum tax rate needed to raise at least \$363 million from the Statewide Education Property Tax (SWEPT) for the following school year. The tax rate, rounded to the nearest one-half cent, is applied to equalized valuations without utilities. (RSA 76:3 and RSA 76:8.) Municipalities collect the SWEPT and send the total assessment amount directly to its school district(s). Within cooperative districts the assessment amount is credited to the individual towns. While municipalities are responsible for collecting and distributing this tax revenue, SWEPT is a state tax, not a local tax. For FY2018, a tax rate of \$2.260 per thousand will be applied to April 1, 2015 equalized values.

Preliminary Grant:

When the SWEPT assessment is subtracted from the cost of adequacy the balance is the preliminary grant. If SWEPT is more than the cost of adequacy then the preliminary grant is zero.

Stabilization Grant:

When a new funding formula was enacted for FY2012, to ease the impact on municipalities facing a decrease in aid, the Legislature utilized a stabilization grant to cover the decreases. Not all municipalities received a stabilization grant in 2012. For FY2018, the stabilization grant will be 92% of the 2012 amount. This grant is being phased out over 25 years by reducing the rate by 4% each year.

Inclusion of Home-Schooled Course Credit:



Prior to the final payment of adequacy grants in April, the Department of Education will determine if the appropriation for adequacy aid is sufficient to allow for inclusion of an ADM credit of 0.15 for each enrollment is an academic course by a home-schooled student.

**Total Grant:**

A municipality's total grant is the sum of its preliminary and stabilization grants. For the final calculation in the spring of 2018, the total grant will be no less than 95% of the November 15, 2016 estimate, and will include home-schooled course credit funding if applicable.

See [https://www.education.nh.gov/data/state\\_aid.htm](https://www.education.nh.gov/data/state_aid.htm)

**Grant Payment Schedule:**

Grant payment schedule is 20% by September 1, 20% by November 1, 30% by January 1, and 30% by April 1.

**New Jersey**

The current school funding formula was established with the passage of the School Funding Reform Act of 2008 (SFRA) and was first used for funding districts in the 2008-2009 school year. It is a foundation formula based on projected weighted enrollment.

Equalization Aid provides wealth-equalized foundation aid to school districts with the intent of ensuring that districts have sufficient resources to provide a "thorough and efficient" education. The State sets an annual uniform per pupil foundation amount, which is multiplied by the weighted resident enrollment for each district to determine the "adequacy budget." Districts that cannot fund the adequacy budget through their local levy receive equalization aid in proportion to their ability to pay. The latter is determined based on districts' per pupil equalized property value and per pupil income.

In fiscal year 2018, the per pupil foundation amount was \$11,042. The foundation amount is adjusted for grade level differences as follows: half-day Kindergarten = 0.50; full-day K through grade 5 = 1; grades 6 through 8 = 1.04; grades 9 through 12 = 1.16. In addition, the formula applies a higher weight for county vocational students (1.25), for low-income students (using the income thresholds for free and reduced-price lunches), and for students with limited English proficiency. The low-income (at-risk) and LEP weights are described in more detail below.

The SFRA was fully funded in FY 2009. Since then, the state's ability to implement the new formula has been impaired by fiscal constraints. While the state has continued to use the formula, aid allocations have been appropriated according to available revenues.

**New Mexico**

New Mexico uses a foundation program based on cost differential, or program units. The initial program unit value is \$4,053.55 for 2017-2018. State foundation aid is based upon assigning units to the average of prior year membership (snapshot of 80<sup>th</sup> and 120<sup>th</sup> day MEM), other components and adjusted for some components in the current year (40<sup>th</sup> day). A final program

unit value is usually made available after the current year adjustment; often in January. State foundation aid is equal to total program units times the final unit value minus 75% of designated local revenues (PL874, forest reserve, and local property tax revenue).

### **New York**

Chapter 57 of the Laws of 2007 changed the school funding system in New York by establishing a new school district Foundation Aid formula.

The formula has four parts. First, a foundation amount is calculated based on the cost of education in successful school districts. The "foundation amount" is then multiplied by a pupil need index factor and a regional cost index factor. The Foundation Aid per pupil is then calculated by subtracting the anticipated local contribution from the district's adjusted "foundation amount."

The resulting foundation aid per-pupil amount is multiplied by the district's pupil count for Foundation Aid, adjusted for certain students, including students with disabilities, recently declassified students with disabilities, and summer school students.

The pupil need index reflects the added cost for students who typically require extra time and help and uses weighted factors to account for the extra costs. The weighted costs include measures of poverty, English language proficiency and geographic sparsity. The regional cost index is used to make adjustments based on regional variations in the relative cost of doing business in various labor force regions of the state as measured by the salaries of non-school professionals. The expected local contribution represents each district's fair share of education funding based on the capacity to raise revenues locally compared to the state average. Districts are given the choice of the better of a state sharing ratio (percent equalizing formula) which most districts choose or a standard tax rate per \$1,000 of Full Value adjusted by the income per pupil relative to the State average. The 2017-18 State budget includes \$17.2 billion for Foundation Aid.

While the foundation aid formula is the majority of State aid, there are several other major expense-driven reimbursable aids and formula aids available to districts, including funding for regional shared services (BOCES Aid), career and technical education (BOCES and Special Services Aid), school construction (Building Aid), pupil Transportation Aid, the education of students with disabilities (Public and Private Excess Cost Aid), instructional materials (Textbook, Software, Hardware, and Library Materials Aids), High Tax Aid, Charter School Transitional Aid, Universal Prekindergarten Aid, and additional operating and building aid for recently reorganized districts (Operating and Building Reorganization Aid).

### **North Carolina**

The State funds schools with three basic types of allotments.

**Position Allotments:** The State allots guaranteed positions to a local school system for a specific purpose. The State pays for the allotted certified teachers and other educators that the local

district hires, based on the State Salary Schedule, without limiting the district to a specific dollar amount. The State funds between \$35,000 and \$66,117 plus benefits for each position. Each local school system will have different salary costs dependent on the certified personnel's experience and education. Examples of position allotments are: Teachers, School Building Administration, Instructional Support (see following link: <http://www.ncpublicschools.org/docs/fbs/finance/salary/schedules/2014-15schedules.pdf>).

**Dollar Allotments:** Generally, allocated at a dollar amount per student in average daily membership. Local school systems can hire employees or purchase goods for a specific purpose, but the local school system must operate within the allotted dollar amount. Examples of dollar allotments are: Teacher Assistants, Textbooks, Central Office Administration, Classroom, Materials/ Supplies/Equip.

**Categorical Allotments:**

Funding for supplemental programs and allocated based on the characteristics of the student population or the local education agency. Local school systems may use this funding to purchase all services necessary to address the needs of a specific population or service. The local school system must operate within the allotted funds. These funds may be used to hire personnel such as teachers, teacher assistants, and instructional support personnel or to provide a service such as transportation, staff development, or to purchase supplies and materials. Examples of categorical funding are: At Risk Student Services, Children with Disabilities, low wealth supplemental funding, small county supplemental funding.

## **North Dakota**

North Dakota adopted a new K-12 funding formula in 2013-14 designed to provide each school district with a base amount of funding to ensure an adequate education regardless of taxable valuation available in the district. The base per student rates were established at \$8,810 (2013-14) and \$9,092 (for 2014-15). The rate for 2017-18 is \$9,646. A uniform local contribution from local tax sources is required with state taxes funding the remainder. Weighting factors are used to reflect additional costs of educating students based on factors such as school size, special education and limited English proficiency.

## **Ohio**

Passage of Am. Sub. H. B. 49 of the 132<sup>nd</sup> Ohio General Assembly in June 2017, authorized the state foundation program for fiscal years 2018 and 2019, based on pupil ADM and district demographic characteristics. State aid is provided to 610 public school districts, 49 joint vocational school districts, and approximately 350 public community schools. In FY 2017, Ohio General Revenue Fund and Lottery Profit spending on primary and secondary education was nearly \$9.0 billion. In FY 2018, spending will increase to \$9.1 billion. Per pupil foundation support is \$6,010 FY18 and \$6,020 FY19.

## **Oklahoma**

Two-tiered State Aid formula: (1) Foundation Aid with a Transportation Supplement, and (2) Salary Incentive Aid. The Foundation Aid program guarantees \$1,583 per pupil from state and local revenues. State Aid (or money paid by the State of Oklahoma) is the difference between the Foundation Aid program cost and the local contribution. Salary Incentive Aid (a modified guaranteed yield program) ensures an additional \$72.97 per mill per pupil for 20 mills levied (above 15 mills included in Foundation Aid). The State Aid formula calculates the cost to educate students based on weighted pupil units.

## **Oregon**

In 1991, the Oregon Legislature created a new measure of financial equity for school districts. Equity for Oregon is defined as those students who have additional costs will receive additional resources so all students have the opportunity to achieve the same outcomes. Contrast this with equality, which is the same funding for every student regardless of the costs of the student. The basic level of school support, the State School Fund Formula (Formula), is divided into four grants: General Purpose Grants, Transportation Grants, High Cost Disability Grants, and Facility Grants. The Formula distributes all state revenue. Local revenue is counted in the formula but remains with the district where it is collected. The following principles guided the development of the new formula:

1. Share all school funding sources statewide.
2. Let school districts decide how to spend their allocation.
3. Create funding differences only for uncontrollable cost differences.
4. Avoid incentives for school districts to unnecessarily increase their allocation.

### *General Purpose Grants*

These grants are based on a district's weighted student count multiplied by the funding per weight received by the district; they account for roughly 97% of the formula revenue. (This percentage can vary from year to year based on the total funding available and the amounts devoted to the other three types of grants.) There are no constraints on how General Purpose Grant money can be spent.

- Weighted Student Counts are the sum of the General Education Average Daily Membership (ADM) count plus the additional student weights based on student and district characteristics. Each student in grades K-12 is assigned a General Education ADM of 1.0, with kindergarten students counted at 0.50 for half day programs and 1.0 for full day programs. Additional weights are then added to the General Education ADM based on student and district characteristics, resulting in a measure known as Weighted Average Daily Membership, or ADMw. A teacher experience factor of \$25 is added to, or subtracted from, the General Purpose Grant per ADMw depending on whether the district's average teacher experience exceeds, or falls below, the state average.
- The initial base value of the General Purpose Grant per ADMw was set in statute in 1991 at \$4,500. However that number is modified to ensure all funding is distributed to the school districts of the state. To get the actual amount of funding per weight, all of the weights in the state are combined and the total amount of funding available (both state and local) is divided

by the total number of statewide weights. In 2016-17, the statewide average funding per weight was \$7,144. Each district received their weighted funding modified by their teacher experience adjustment as described above. Because the initial base value of \$4,500 per ADMw set in statute is not adjusted for inflation, current amounts per ADMw are considerably higher than the base value of \$4,500.

The weights used in the calculations for the equalization formula are listed in the following table.

Weights used in the Equalization Formula

<b>Group</b>	<b>Weight</b>
<b>Special Education and At-Risk</b>	
General Education ADM	1.00
Special Education	1.00
English as a Second Language	0.50
Pregnant and Parenting	1.00
Students in poverty	0.25
Neglected and Delinquent	0.25
Students in foster home	0.25
<b>Grade and School</b>	
½ day Kindergarten	- 0.50
Elementary district students	- 0.10
Union high school district students	0.20
Small school	Varies

Note: Maximum additional weighting assigned to any student, beyond the General Education ADM, cannot exceed 2.00 for Special Education and English as Second Language students.

#### *Transportation Grants*

The transportation grant uses actual expenditures as the factor to adjust for different costs per student. The transportation grant reimbursement rate is 70%, 80% or 90% of approved transportation expenditures. Approved expenditures include transporting students to and from school (if over 1 mile from elementary school or 1.5 miles from high school), between schools, on education-related field trips and for other reasons in special cases. This categorical grant is only available to reimburse for actual transportation expenditures. The highest cost districts tend to be in rural districts with a low density of students where most students ride a bus over considerable distances.

#### *High Cost Disability Grant*

This grant is awarded to districts that have students who have exceptional high costs for the provision of special education needs. If an individual student has more than \$30,000 in eligible costs per year, then all of that student's costs over \$30,000 are eligible for reimbursement through this grant. High cost disability students tend to be concentrated in urban areas where medical and therapeutic services are available. The cost for their education can be dramatically higher than the revenue generated from the double weighting of these students in the school equalization formula.

The Oregon Legislature establishes the amount of the High Cost Disability Grant to be deducted from the State School Fund prior to the calculation of the General Purpose Grant. The current amount of the High Cost Disability Grant is \$35 million per year. If the total approved costs exceed available funding in any fiscal year, the department prorates the amount of money available for distribution. All districts share in the cost and those districts with students who have high cost disabilities benefit because the amount they receive through the grant offsets the loss of Formula revenue to their district.

#### *Facility Grant*

This grant was established to help districts equip new classroom space that they build. The facility grant payment is not to exceed 8% of the total construction costs of new school building costs excluding land. New buildings include additions and portable classrooms, but exclude buildings not used for some classes such as a central administration. Initially, grants to districts could not exceed \$9 million per biennium and are prorated if eligible costs exceeded \$9 million. In 2013, the Legislature reduced the amount in the grant to \$20 million per biennium, beginning with 2013-15. And again in the 2016-17 session reduced it to the current \$9 Million. The funds were re purposed into an Oregon School Capital Improvement Match Grant.

### **Pennsylvania**

The 2017-18 state Education budget, approved by the General Assembly and signed into law by Governor Tom Wolf via the General Appropriation Bill and Fiscal Code, provided for approximately \$163.9 million for early, basic, special, and postsecondary education systems.

#### **Basic Education Funding**

For the 2017-18 fiscal year, the enacted budget includes \$5,995,079,000 for the 2017-2018 Basic Education Funding appropriation. This amount is a \$100,000,000 increase (1.7 percent) over the 2016-2017 appropriation.

New dollars after the 2014-2015 fiscal year, totaling approximately \$452,700,000, will be distributed based on the formula recommended by the Basic Education Funding Commission and enacted by the General Assembly in Act 35 of 2016.

### **Rhode Island**

The following responses are applicable to FY 2018. On July 1, 2011, the state implemented a new education financing formula. All previous categories of aid were suspended. The formula distributes aid on a per pupil basis and provides a core instructional amount for the basic education program (FY 2018 = \$9,163). The formula includes one weight, called the student success factor, which is linked to poverty density and provides additional funding (40% of the core amount) to support student needs beyond the core amount. The formula distribution is shared between the state and local using a ratio that considers the municipality's ability to pay and student need. The formula also includes categorical funding for high cost special education students, career and technical education, early childhood programs, non-public and regional transportation and English learners.

### **South Carolina**

The goal of the South Carolina foundation program is to ensure that each student in the public schools is provided with availability to at least minimum educational programs and services appropriate to the student's needs, and which are substantially equal to those available to other students with similar needs and reasonably comparable from a program standpoint to those available to other students, regardless of geographical and local economic factors. South Carolina's public schools are funded through a foundation program that uses average daily membership (ADM) and student weights to address differences in student's needs and costs of delivering educational programs and services. The base student cost is the funding level necessary for providing a minimum foundation program. The base student cost (BSC) for 2017-18 is \$2,425 un-weighted.

### **South Dakota**

Effective in the 2016-2017 school year South Dakota implemented a new general aid funding formula, which is based on a target statewide average salary of \$48,500, which works as follows: for each district, calculate a target student-to-teacher ratio, based on a sliding scale by student enrollment.

- The district's target number of teachers is calculated by dividing the district's fall enrollment by the target student-to-staff ratio.
- The district's total instructional need is calculated by multiplying the district's target number of teachers by the statewide target for average teacher salary, and by increasing that total by 29% for benefits.
- The total instructional need is increased by a calculated overhead rate to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, guidance counselors, librarians, and school nurses.
- These steps calculate the district's total need for state aid. At this point, local effort is applied against total need, with the state providing any necessary funds to achieve the total need.

### **Tennessee**

Funding for Tennessee elementary and secondary public schools is calculated via the Basic Education Program (BEP) as revised by the BEP Enhancement Act of 2016. The BEP is the funding formula utilized to ensure the adequate and equitable distribution of educational dollars sufficient to provide the basic level of education required for student success.

Major components include:

- The addition of a separate category for instructional benefits
- 70% state funding for instructional positions and benefits
- 75% state funding for the classroom component
- \$44,430 dollar value of BEP instructional positions to be adjusted in subsequent years
- Eliminates the cost differential factor from BEP formula (to be phased out over an undetermined number of years)

- Formula provides 100% funding for at-risk students (those students identified as direct certification students)
- Provides for a 1:20 teacher/student and a 1:200 translator/student ratio for English language learner students
- Recognizes local government's ability to generate supporting educational revenue by using two measures of fiscal capacity, equally weighted
- Local Education Agencies (LEAs) to receive at least a 25% state contribution for the non-classroom components

The Average Daily membership (ADM) of the LEA is the primary determinant of the BEP funding amount. This amount is based on the previous academic year's ADM, the number of students qualified for Special Education Services, the number of English Learners, the number of at-risk (economically disadvantaged) students and the number of students enrolled in Career and Technical Education (CTE) courses.

The BEP consists of four categories: instructional salaries, instructional benefits classroom, and non-classroom. The state's average categorical yearly contribution, distributed to each school system, is currently 70%, 70%, 75%, and 50% respectively. Consequently, local government provides 30%, 30%, 25%, and 50% respectively. Although state revenue for LEAs is generated categorically by formula, school districts have the option of using these funds in other categories of expenditure.

The following table reflects components funded within each category:

Instructional	Instructional Benefits	Classroom	Non-Classroom
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Regular Education CTE Education Special Education Elementary Guidance Secondary Guidance Elementary Art Elementary Music Elementary Physical Education Elementary Librarians (K-8) Secondary Librarians (9-12) ELL Instructors ELL Translators Principals Assistant Principals Elementary Assistant Principals Secondary System-Wide Instructional Supervisors Special Education Supervisors CTE Education Supervisors Special Education Assessment Personnel Social Workers Psychologists	Instructional staff benefits and insurance	K-12 At-Risk Class Size Reduction Duty-free Lunch Textbooks Classroom Materials and Supplies Instructional Equipment Classroom Related Travel CTE Center Transportation Technology Nurses Instructional Assistants Library Assistants Staff Benefits and Insurance Substitute Teachers Alternative Schools Exit Exams	Superintendent System Secretarial Support Technology Coordinators School Secretaries Maintenance and Operations Custodians Non-Instructional Equipment Pupil Transportation Staff Benefits and Insurance Capital Outlay
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The Fiscal Capacity Index is the formulaic representation of a county's ability to generate local revenue. It is used to determine state and local funding contributions to support local education. In the BEP fiscal capacity is calculated using two measures, equally weighted. The first multiplies a county's local sales and property tax base times the average tax rate for each base across the state. The second uses a multiple regression to estimate the impact of five factors at the county level for their three-year average per pupil own-source revenue. An average of the two fiscal capacity indices is used in the formula.

As the BEP Enhancement Act is fully implemented, the cost of living adjustment calculated by the cost differential factor is being phased out. The cost differential factor adjusts the salary components of BEP funding in counties where the cost of living exceeds the state's average.

## Texas

Texas has a two-tiered program. Tier I is a foundation program based on a basic allotment of at least \$4,765 or a greater amount as established in the appropriations process. For the 2017–2018 and 2018-2019 school years, the basic allotment is \$5,140. The basic allotment is adjusted by a cost-of-education index that reflects geographical variations in cost as they existed in 1990–1991. The basic allotment is also adjusted for district size in the case of small and mid-sized school districts. Tier I also includes allotments for low-income and at-risk, special education, bilingual education, gifted and talented education, career and technical education, and transportation. Additionally, Tier I provides a high school students allotment and the New Instructional Facilities Allotment (NIFA) that provides start-up funds for new campuses (up to

\$23.5 million for each year of the 2018-2019 biennium).. Local districts contribute revenue from their tax collections at their compressed tax rate to meet the Tier I local share requirements, also known as the local fund assignment (LFA). The compressed tax rate for each district is set at two-thirds of the district's 2005–2006 adopted tax rate. State aid for Tier I is the difference between the total cost of Tier I and the district's LFA.

Tier II is a guaranteed yield program that provides enrichment for each cent of tax effort that exceeds a district's compressed tax rate. Tier II currently provides two levels of enrichment:

- The first level of Tier II provides a guaranteed yield based on the yield per WADA of the Austin Independent School District (\$99.41 for the 2017–2018 schoolyear and \$106.28 for 2018-2019) for each of the first 6 pennies of tax effort above the compressed tax rate.
- The second level of Tier II is generated by the tax effort that exceeds the compressed tax rate plus six cents. For 2014–2015, the yield for the second level of Tier II is \$31.95 per penny. A maximum of 11 pennies can be levied in this tier. The total maximum enrichment tax rate is 17 cents. Amendments to the finance system in the 2015 state legislative session provide for districts which have this extra tax effort and a compressed tax rate below the maximum compressed tax rate of \$1, to apply their tier II tax effort to tier I up to \$4 as the funding is more advantageous

The state school finance system also includes provisions for “recapturing” local tax revenue in school districts where the wealth per WADA exceeds the equalized wealth level (EWL). Different EWLs apply to different levels of tax effort. The first EWL is based on the basic allotment which allows school districts to retain revenue on a tax-base equivalent to \$514,000 per WADA. This EWL applies to the compressed tax rate. The second level of EWL exempts the next six pennies of tax effort above the compressed tax rate from any recapture provisions. Tax effort that exceeds the compressed tax rate plus six cents is subject to recapture based on an EWL of \$319,500.

## **Utah**

Utah's foundation program is based on Weighted Pupil Units (WPU) plus a guaranteed yield program (called Voted Local Levy and Board Local Levy programs); for FY 2017-18 the state guarantees \$3,311 per WPU. Each school district participates in the Basic School Program (all line items of the Minimum School Program funded through Weighted Pupil Units) at the local level by levying a tax rate (called the Basic Levy Rate). For FY 2017-18 that rate is 0.001568. Statewide, the total amount of tax yield for FY 2017-18 is \$399,041,300 of the total \$2,849,024,700 appropriated to the Basic School Program. Pupil count is Average Daily Membership (ADM); after ten consecutive days of unexcused absence, pupils are removed from membership. Districts may vote an additional levy (Voted Leeway) of up to 0.002000 tax rate for any General Fund use; state guarantees up to 0.001600 of that tax rate yield; and for FY 2017-18 the guarantee is \$39.68 per 0.0001 of tax rate, per WPU. Those districts that yield above the guarantee formula keep the funds—there is no recapture. District local boards may also levy a Board Local Leeway. A school district can levy up to either 0.001800 or 0.002500, but the state only guarantees up to 0.000400. These funds can be used to fund the school

districts' General Fund. The sum of the Voted and Board Local Levy tax rates for the state guarantee, must not exceed a ceiling of 0.002000. Please see Utah State Board of Education [Minimum School Program web site](#).

## **Vermont**

Act 68 of 2003 revised Act 60 of 1997. Vermont now has a state funded educational system. A state education fund was created in Act 60 which was revised by Act 68. Revenue sources are a two part state property tax, a general fund transfer, allocations from the sales and purchase and use taxes, state lottery proceeds, and a few smaller pieces. The education fund pays categorical grants to schools such as special education and transportation and an "education spending" grant. In total it covers about 90% of all spending excluding that covered by federal sources, private foundations and other small sources.

All education fund taxes are assessed at the same rate statewide except the homestead property tax. The rate for this tax varies with the per pupil spending of the district. Per pupil spending is determined using a weighted pupil count. All districts with the same per pupil spending have the same homestead tax rate. Parameters for the homestead rate are set each year by the legislature. With the passage of Act 46 in 2016, Vermont moved to a property yield for calculating homestead tax rates FY 2017. In FY 2018 the property yield amount is \$10,160 and the base homestead tax rate is \$1.00. For every \$10,160 a district pays for a student, the homestead tax rate will be \$1.00 of fair market property value. The tax rate increases in direct proportion to the amount the per pupil spending is over the property yield. Districts choose per pupil spending amounts via a local vote. Districts with per pupil spending that exceeds 121% of the FY2015 year average, inflated by a CPI, have an additional tax rate to serve as a restraint on higher spending. All nonresidential property is taxed at one rate across the state.

Most homestead tax payers (about 65%) are eligible for an income adjustment to their homestead property tax. This works very similar to the homestead property tax rate which uses a property yield. The income adjustment uses the same per pupil spending figure but an income yield rather than the property yield. For FY 2018, the income yield is \$11,990. Similar to the property yield, for every \$11,990 a district spends per student, an eligible taxpayer pays 2.0% of household income. This rate goes up in direct proportion to the per pupil spending chosen by the district. Eligible tax payers have the taxes reduced by the difference between the property tax and the income tax.

## **Virginia**

The Commonwealth of Virginia employs a Foundation Program formula that is based upon students in average daily membership (ADM) for the current year as established by the ADM count on March 31<sup>st</sup>. Basic Program funding is determined by multiplying the ADM for each school division by a per student amount calculated through use of a complex procedure known as the Joint Legislative Audit and Review Commission<sup>1</sup> (JLARC) methodology. Pursuant to the

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<sup>1</sup>The Joint Legislative Audit and Review Commission (JLARC) is a permanent commission jointly established by the Virginia Senate and House of Delegates and is routinely tasked to conduct research studies and audits for the Commonwealth. JLARC employs a fulltime professional and support staff to perform the work of the Commission.

JLARC methodology, the foundation program per student costs are calculated separately for each of the 135 school divisions by determining the *minimum* instructional and support staff, as well as non-state support costs, required to fulfill the Standards of Quality (SOQ) and state accreditation requirements by individual schools within each school division of the Commonwealth.

Statewide, the State mean per student costs for funding the (SOQ) for FY 2018 is projected at \$4,801 per student in ADM and the Local mean costs is projected at \$2,967 per ADM. The total State + Local mean costs is projected at \$7,768 per student in ADM. In contrast, five years prior, FY 2013, the State mean costs was \$4,349 per student in ADM and the Local mean costs was \$2,703. The total State + Local mean costs was \$7,052 per ADM. Without adjusting for the costs of inflation, both governmental agencies increased funding for public K12 schools by \$716 per student in ADM, or by 10.2%.

The state and local fiscal responsibilities are determined and equalized by application of the Local Composite Index (LCI). (See: *Measure of Local Ability to Support Schools*). The school divisions' shares of a 1.125% state sales and use tax<sup>2</sup> are distributed by calculation of their *pro rata* shares of the total school-age population for the Commonwealth and are deducted from the total foundation program cost for SOQ Basic Aid prior to application of the equalizing LCI.

The majority of all remaining costs are categorical<sup>3</sup> and are shared by the state and local school divisions through use of the LCI. Ninety-one percent of total state aid is distributed through use of the LCI which usually generates local required expenditures. Although most of the categorical grants are not calculated through use of the LCI, fiscal responsibilities for the state and local school divisions for the larger programs (grants) are so determined. However, local required expenditures, as determined by the LCI, are truncated and may not exceed 80% for any program cost, including *Basic Aid*; thus, all school divisions receive, as a minimum, 20% state funding for all state-calculated program costs involving the LCI.

In addition to Basic Aid, there are no less than 79 categorical programs funded for FY 2018. Textbooks, Gifted Education, Special Education, Vocational Education, English as a Second Language, Remedial Summer School, and Prevention, Intervention, Remediation. Two programs are not under the SOQ but are lottery funded: Early Reading Intervention and SOL Algebra Reading. Also: Special Education Endorsement Program, Special Education Transition Program are funded as part of the Virginia Standards of Quality (SOQ) program. School personnel costs for fringe benefits such as Virginia Retirement System (VRS), Social Security

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<sup>2</sup>Since November 2004 an additional one-quarter percent state sales and use tax revenue has been allocated to school divisions through the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund. Half of this amount (one eighth of a percent) is distributed on school age population and allocated as part of Basic Aid. The remaining half (one-eighth of a percent) is appropriated to support specific SOQ Basic Aid program goals in the area of increasing elementary resource teachers, reducing class size in middle and high school, and increasing instructional technology positions.

<sup>3</sup>The term, *categorical*, is a term of art and is defined by school finance professionals as funds designated for specific purposes or to provide additional resources for certain types of students, e.g. special education, gifted and talented, etc. Virginia appropriates funds for 68 categorical programs but only entitles eight programs as categorical.

and Group Life Insurance are also funded under the SOQ. The SOQ programs require a local cash match for the purpose of meeting the school divisions' local required expenditures. Remedial summer school is the only SOQ program that does not generate local required expenditures.

Also, stated above, the 1.123% sales tax is a funding component of Basic Aid. Additional categorical funds are provided to school divisions based upon *Incentive Programs*; seven are distributed without incurring local required expenditures and the remaining four are appropriated through use of the LCI. These programs include the following: compensation supplement, Math/Reading Instructional Specialists, Clinical Faculty, Academic Year Governor's School, Career Switcher Mentoring Grants, and Technology – VPSA, Diploma Reforms-Virginia Workplace Readiness Skills Assessment, Early Reading Specialist Initiative, Breakfast After the Bell Initiative and School Security Equipment Grants. Other categorical are included in Budget Bill-HB1500 (Chapter 836) for FY 2018,

*Categorical Programs* (and so entitled) are also funded to include Adult Education, Adult Literacy, Virtual Virginia, American Indian Treaty Commitment, School Lunch and Special Education programs: Homebound, Jails, and State-Operated Programs. None of the Virginia entitled *categorical programs* are distributed through application of the LCI, or generate local required expenditures.

Profits from the *State Lottery Proceeds Fund* are appropriated through nineteen categorical funds to school divisions; seven of the nineteen grants are distributed through employment of the LCI. Specifically, the Lottery Proceeds are used to fund four SOQ programs: SOL Algebra Readiness, Early Reading Intervention, English as a Second Language, and a portion of the state grant for Textbooks. Additional appropriations include the following: Foster Care, At-Risk Students, Virginia Preschool Initiative, Mentor Teacher Program, K-3 Primary Class Size Reduction, School Breakfast, Alternative Education, ISAEP, Special Education - Regional Tuition, Career and Technical Education, Supplemental Basic Aid, Project Graduation, Virginia Teacher Corps, Race to GED, and Path to Industry Certification.

Finally, 31 small categorical programs are funded through *Supplemental Assistance Programs*. These programs are not calculated through the LCI or generate local required expenditures. See Budget Bill-HB1500 (Chapter 836) for FY 2018,

## **Washington**

Basic Education program based on instructional, administrative and classified formula staff units. The state defines a basic education in terms of course offerings, minimum contact hours and staffing ratios and provides funding for this program. State support includes an amount per formula staff unit based on the average salary levels in school districts and an allocation for materials, supplies, and operating costs. Local school districts may supplement the basic program with local levies. In June 2017, the legislature passed EHB 2242 which provides significant increases in state funding for public education over the next four fiscal years in addition to introducing several new accountability measures.

## West Virginia

The Public School Support Program (PSSP), commonly referred to as the state aid funding formula, is a plan of financial support for the public schools in the State of West Virginia that specifies statutorily the responsibilities of both the State and the fifty-five county school districts. The State's responsibility for the basic program allowance is the total of the allowances calculated under Steps 1 through 7, less the aggregate amount calculated as the school districts' local share.

The PSSP provides allowances for personnel salaries (Steps 1, 2, and 5); employee benefit costs (Step 3); transportation operating costs (Step 4); general operating costs, substitute costs and allowances for faculty senates (Step 6); and improvement of instructional programs, increase in technology funding, and advanced placement programs (Step 7). Additional allowances are provided for alternative education, increased enrollment over the previous year, and other programs.

The PSSP divides the school districts into the following four categories based on student population density and provides funding for a specified number of professional educators and service personnel to each district based on the district's student enrollment, with the districts with lower student population densities being funded at higher personnel ratios:

Sparse	-	Less than 5 students per sq. mile
Low	-	5 to less than 10 students per sq. mile
Medium	-	10 to less than 20 students per sq. mile, and
High	-	20 or more students per sq. mile

For the districts with student net enrollments of less than 1,400, their net enrollments are increased for funding purposes by an amount determined by taking the difference between the district's actual enrollment and 1,400, and further adjusting the difference by the relationship the district's student population density is to the district with the lowest student population density. For the 2017-18 year, the enrollments of ten school districts were adjusted in such a manner.

For the 2017-18 year, the funding ratios for professional educators (PE) and service personnel (SP) were as follows for each 1,000 students in net enrollment:

Category	PE	PI	SP
<b>Sparse</b>	72.75	66.26	45.68
<b>Low</b>	72.60	66.20	45.10
<b>Medium</b>	72.45	66.10	44.53
<b>High</b>	72.30	66.00	43.97

The local districts are required to maintain the minimum limits of professional instructional personnel (PI) indicated in the preceding chart, or be penalized. The category of PI personnel is comprised of classroom teachers, librarians, attendance directors and school psychologists. The penalty is computed by multiplying the number of such personnel employed short of the required

limits by the average state funded salary. Beginning with the 2018-19 school year, the professional instructional personnel requirement changes to a required percentage of the lesser of the number of professional educators employed or funded instead of a set requirement per thousand students.

The formula identifies school counselors and school nurses as professional student support personnel but there are no funding ratios established for this group of personnel; the state aid allowance is fixed at the total state aid allowance provided for the 2012-13 year.

The allowances for salaries for all personnel are based on the state basic salary schedules and supplemental equity funding included in statutes. Equity funding was started in 1984 to ensure salary equity among the various school districts throughout the state and is determined by computing the difference between each district's salary supplement schedules that were in place in 1984 and the state required equity schedules.

Funding for student transportation operating costs is also based on the preceding four student population density categories, with the districts with the lower student population densities receiving a higher allowance. Funding is based on the following percentage of actual expenditures for the latest year for which the data is available, which for the 2017-18 year, was actual expenditures incurred during the 2015-16 fiscal year.

<b>Sparse</b>	-	95.00%
<b>Low</b>	-	92.50%
<b>Medium</b>	-	90.00%
<b>High</b>	-	87.50%

The allowance rate is increased by 10% for that portion of the districts' bus fleets that use alternative fuels (propane or compressed natural gas) or transport students to and from multi-county vocational centers. Additional allowances are provided for the replacement of buses over a 12 year replacement cycle, for the purchase of additional buses for the districts with increasing enrollments, and for payments made to students/parents in lieu of being providing transportation services.

Each district's allowance is limited to not more than 1/3 above the state average allowance on a per mile basis, exclusive of the allowance for additional buses.

Step 6 provides an allowance for operating and maintenance costs and for substitute costs. An allowance of \$200 per professional instructional personnel is also provided for the faculty senates at each school. Step 7 provides allowances for: the improvement of instructional programs; the improvement of technology; and advanced placement programs. Ten percent (10%) of the growth in local share each year is dedicated to increasing the allowance for the improvement of instructional programs and twenty percent (20%) is dedicated to increasing the allowance for the improvement of technology.

Each school district's total program allowance is reduced by its local share to arrive at the state aid that the district is entitled to receive. Local share is based upon each district's projected

regular levy property tax collections for the year. Local share is computed by multiplying the taxable assessed valuation of all property in the district for the current fiscal year as certified by the county assessor by 90% of the regular levy rates for the year as set by the Legislature and then deducting four percent (4%) as an allowance for discounts, exonerations, and delinquencies, with other allowances also deducted.

As a result of this equalization process, West Virginia is consistently ranked near the top regarding the equability of its state aid funding formula.

## **Wisconsin**

### **Equalization Aid**

Equalization Aid comprises approximately 98% of total general school aid in Wisconsin and is the only type of general aid for most districts. The equalization formula uses a three-tier, guaranteed-tax-base configuration to share in the local costs of elementary and secondary (K-12) education. The total Equalization Aid eligibility for 2017-18 is \$4,584,048,000.

District-based factors used in the calculation of equalization aid include the equalized property value of a district, membership, and shared cost. Equalized property value is the full market value of taxable property in the district as determined by the Department of Revenue as of January 1 of each year. Shared cost is defined as costs funded by either local property tax or general state aid; costs funded by federal and state grants, donations, and other miscellaneous local revenue are not used in the formula. Membership is the number of full-time-equivalent resident pupils.

The primary tier provides aid for district shared costs up to \$1,000 per member (primary cost ceiling), which is calculated using a statutory primary guaranteed valuation of \$1,930,000 per member. The percentage of the \$1,000 per-member cost required to be paid for by the district's tax base is the same percentage the district's per-member value is of the state per-member primary guarantee. The remainder is primary-tier Equalization Aid.

The secondary tier provides aid for district per-member shared costs that exceed \$1,000 but are less than the secondary cost ceiling (\$9,619 in for aids computed in 2017-18). The secondary cost ceiling is set at 90% of the prior year statewide total shared cost per member. In 2017-18, the secondary guaranteed valuation was \$573,439. The percentage of the secondary per-member cost required to be paid for by the district's tax base is the same percentage the district's per-member value is of the state per-member secondary guarantee. The remainder is secondary-tier Equalization Aid.

The tertiary tier provides aid for shared costs per member that exceed \$9,619. The tertiary guaranteed valuation is the state average value per member and was \$531,883 in 14-15. The percentage of the tertiary per-member cost required to be paid for by the district's tax base is the same percentage the district's per-member value is of the state per-member tertiary guarantee. The remainder is tertiary-tier Equalization Aid.



A district's total Equalization Aid is the sum of aid generated at all three tiers. There are two important additional concepts in the formula allocation of Equalization Aid:

- 1.) If a district's value per member exceeds the state guarantee at the secondary or tertiary tiers, negative aid is generated. Negative aid at any tier can reduce, or in some cases, eliminate a district's positive aid from another tier. A hold-harmless provision in state statutes entitles a district to receive at least the positive aid generated at its primary tier, regardless if the sum of all three tiers is a negative number. Districts not generating positive aid at the primary tier do not get any Equalization Aid from the state.
- 2.) The Equalization Aid formula accommodates the differing grade configurations found in Wisconsin districts. For elementary school districts (grades K-8), the guaranteed valuation is adjusted to one-and-a-half (1.5) times the K-12 guaranteed valuation, and for high school districts (grades 9-12), the guaranteed valuation is adjusted to three (3) times the K-12 guaranteed valuation.

### *Other General Aids*

There are 2 other general aid programs in Wisconsin:

- 1.) Special Adjustment Aid - provides general aid to school districts generating less than 85% of the state aid generated in the previous year. Otherwise known as "hold harmless" aid, it is meant to mitigate severe declines in aid from year to year.
- 2.) Inter and Intra-District Aid – provides general aid to school districts for pupil transfers resulting from a plan to reduce racial imbalance. (Intra applies to within-district transfers, and Inter applies to between-district transfers.)

Other General Aid Programs	Participation Rates	Eligibility (2010-11)
Integration Aid (inter and intra)	Madison, Racine, Milwaukee, and Wausau receive intra-district aid for 15,212 transfers; Milwaukee and 22 suburban districts receive inter-district aid for 1,882 transfers	\$54 million for both programs
Special Adjustment Aid	Additional aid to a school district that receives less than 85 percent of state aid in current year than it received in the previous year. Per State St. 121.105, a district cannot have a state aid reduction of more than 15%.	\$14.9 million

### Governance

The state has 368 K-12 districts, 44 elementary (K-8) districts, and 10 union high school (9-12) districts, for a total of 422 school districts in 2017-18. All are fiscally independent; that is, they do not depend on other local units of government such as counties or municipalities for their local tax revenue. In addition, 12 cooperative educational service agencies (CESAs), which are fiscally dependent on school districts, provide programs and services to local districts. Three counties operated county children with disabilities education boards (CCDEBs), all fiscally independent. School districts are classified as common (365), union high (10), unified (46), and a first class city (Milwaukee). Common and union high districts are required to hold an annual

meeting at which a majority of electors present approve the district's property tax levy. However, the school board has the authority to adjust the tax levy if it is determined that the annual meeting has not voted a tax sufficient to operate and maintain the schools or for debt retirement. School boards in unified and first class city school districts do not hold annual meetings.

## **Wyoming**

The Wyoming School Foundation Program provides a guaranteed level of funding to every Wyoming public school district which is computed via the Wyoming Funding Model. The funding model calculates this "guarantee," which is essentially a block grant and is based on a number of factors – the most important of which is the number of students enrolled in the district in the prior year.

Other components having a significant impact on a district's guarantee include special education and pupil transportation costs incurred in the prior year, the number of full-time vocational education students and teachers, the amount of square footage each district building has, the experience and education of the district staff, and the size and location of certain statutory defined “small schools” operated by the district. Very small school districts meeting certain enrollment criteria may qualify for additional funding.

Once a district's guarantee is established, that funding level is compared to the district's available local revenue sources. If a district's local revenues turn out to be less than its guarantee, the state of Wyoming makes up the difference through a series of entitlement payments distributed to the district throughout the school year.

A few school districts, on the other hand, have access to local revenues in excess of their guarantees. These districts must rebate the excess to the state of Wyoming – a process known as recapture. All recaptured monies flow into a School Foundation Program fund and are eventually redistributed to those districts receiving entitlement payments from the state.