POLICY BRIEF

How Do States Pay for Schools? An Update of a 50-State Survey of Finance Policies and Programs

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This policy brief discusses state funding systems for elementary and secondary education in the United States. It examines the main funding structure, and state finance systems that address individual student needs and characteristics, including the following: (1) students with disabilities; (2) English language learners (ELLs); (3) students who are at-risk as defined by such metrics as test scores or eligibility for free or reduced-priced meals; and (4) any other individual student needs and characteristics addressed in the funding models of other states that are deemed notable. Also discussed, are states that incorporate the needs and challenges of school districts in remote areas and small schools in their methods for financing public schools, transportation allocation schemes, and capital outlay. The data source is a 50-state survey of state finance policies and programs.[1]

These findings are discussed later. First, the major approach for distributing state aid for public K–12 schooling is reviewed across states to provide a context for discussion of student needs. Then, mechanisms used to pay for students with special needs and high costs are discussed. Next, district factors such funding for small schools in remote areas are examined and compared across the states.

Major State Finance Systems

The 50-state school finance survey showed that no fundamentally new state finance distribution models have emerged in recent years. Most states are financing schooling using funding systems that have been in place for almost a century. However, they have modified these systems in important ways. States are moving to weighted systems to tailor funding streams to individual student needs and characteristics and providing additional funding for remote schools/districts. Also, adequacy—that is, whether funding is sufficient to meet state laws, rules and regulations--

1 Verstegen, D. A. (2011). *A 50-state survey of school finance policies and programs*. www.schoolfinances.info. Data were collected from the chief finance officer or their designee in all 50 states for 2010–11, formatted, and posted for peer review and verification on the Web. Changes were incorporated and uploaded to the website. For previous work using 2007 data, see Verstegen, D. A. (2011). Public education finance systems in the United States and funding policies for populations with special educational needs. *Education Policy Analysis Archives*, *19*(21). Retrieved from http://redalyc.uaemex.mx/redalyc/pdf/2750/275019735021.pdf. See also, Verstegen, D. A., & Jordan, T. S. (2009). A fifty-state survey of school finance policies and programs: An overview. *Journal of Education Finance, 34*(3), 212–230. This article draws on and updates: Chambers, J. Levin, J. Verstegen, D. A., Jordan, T., Baker, B.& Wang, A. *A Study of a New Method of Funding for Public Schools in Nevada* (September 25, 2012). Carson City, Nevada: Nevada Legislative Counsel. Washington, D.C.: American Institutes for Research.

is emerging as a target for the state guarantee under foundation programs, the type of finance system used most heavily today (46 states use this system).[2]

Table 1 provides a listing of the number of states using each major type of finance system drawn from the 50-state survey. As shown in the table, states provide funding to their public elementary and secondary school districts using one of four types of finance formulae:

- Foundation Programs (37 states)—Provides a uniform state guarantee per pupil, with state and local district funding.
- District Power Equalization Systems (2 states)—Provides funding that varies based on tax rates.
- Full State Funding (1 state)—All funding is collected and distributed by the state.
- Flat Grants (1 state)—Provides a uniform amount per pupil from state funds; localities can add funding to this amount.
- Combination Systems (9 states)—These combine several funding plans (listed earlier).

Table 1. State School Finance Formulae, by State

Finance System	*State*
Foundation program (37)	AK, AL, AZ, AR, CA, CT, CO, DE, FL, ID, IN, IA, KS, ME, MA, MI, MN, MS, MO, NE, NV, NH, NJ, NM, NY, ND, OH, OR, PA, RI, SC, SD, TN, VA, WA, WV, WY
Full state funding (1)	HI
Flat grant (1)	NC
District power equalizing (DPE) (2)	VT, WI
Combination/Tiered system (9)	GA, IL, KY, LA, MT, MD, OK, TX, UT

The Foundation Program

The survey findings showed that the Foundation School Program (FSP) was the finance system of choice, with 36 states reporting using it. When states employing a foundation program as part of a combination/tiered funding approach are added to states supporting education through these funding plans, the total number of states using foundation formulae to pay for public elementary and secondary education increases to 46 states. **New York**, **Indiana**, and **Michigan** have shifted to a foundation program for funding public education.

2 See Verstegen, D. A., & Knoeppel, R. C. (2012). Statehouse to schoolhouse: Education finance apportionment systems in the United States. *Journal of Education Finance*.

Foundation program allocation schemes support education through a set state guarantee of funding per pupil or per teacher, which historically was intended to pay for a basic or minimum education program. Localities contribute to the state guarantee through a uniform tax rate or the funding that would result from it. Local support is drawn mainly from the property tax although some states, like Nevada, also use the sales tax for local funding under the plan. With similar tax efforts, poor localities raise less funding and wealthy localities raise more funding because of variations in the local property tax base. The state makes up the difference up to the state guarantee per pupil—this is called "equalization." Usually localities can "go beyond" this amount with additional property taxes that are not equalized by the state.[3]

The state guarantee per pupil varies across the states. For 2011, Arizona reports providing $3,267.72 per *weighted* student (where differential weights exist for grade level, special education, small and isolated schools, ELL, and other areas approved by the legislature); the foundation amount in Arkansas is $6,023 per student in average daily membership (ADM) based on the previous year's attendance. In Nevada, for the 2011 fiscal year, the foundation program provided $5,192 in basic support per student enrolled on count day.

The local contribution to the FSP also varies across the states. In Colorado, it is capped at 27 mills ($27 per $1,000 of assessed valuation of property [or $2.70 per $100 assessed valuation]). The local contribution for public schooling under the *Nevada Plan* is $0.25 per $100 assessed valuation (2.5 mills per $1,000 assessed valuation) and 2.25 percent of sales taxes.[4] Additional property taxes ($0.50 per $100 assessed valuation) and various other revenues collected outside basic aid also contribute to funding under the *Nevada Plan*.

Of those states employing a FSP, a few (e.g., Alabama) use a teacher unit for allocation purposes, but most states base allocations on a pupil unit. Students are counted in various ways. Utah has a weighted student foundation program with additional weight given to students in small/sparse districts. In Virginia, students are counted for seven months and an average is taken to determine average daily membership (ADM). In Nevada, there is only a single count of students enrolled on the last day of the first month of school.

District Power Equalizing Systems

Unlike FSPs, District Power Equalizing (DPE) Systems support taxpayer equity, rather than pupil equity, by providing *equal yield in the form of funding for similar tax rates (effort)* across the state. They consist of a guaranteed tax base system, guaranteed yield approach, and percentage equalizing formulae. These are quickly becoming obsolete, most likely because they permit differential funding per pupil across the state based on variations in tax rates. Only three states reported using a district power equalization approach, including Vermont (guaranteed yield),and Wisconsin (three-tiered guaranteed tax base).

These finance systems shift decision choices and policy options for taxing and spending from the state to the locality. There are various levels of state support based on local choices unlike a foundation program that provides a single level of basic aid per pupil. For example, the

3 Brimley, V. D., Verstegen, D. A., & Garfield, R. (2012). *Financing education in a climate of change*. New York: Pearson.

4 Currently, 2.6 percent of sales tax is provided for public education through the Local School Support Tax (LSST).

guaranteed yield system in Vermont has a base of $8,544 per pupil at a tax rate of 8.6 mills. For every percent of funding the voters add to this amount, the tax rate goes up 1 percent—until double tax rates become operative above 125 percent of the average spending level.

Other Funding Approaches

Other major finance systems used by states include **full state funding** (FSF) or the **flat grant**—each is used in only one state. Although local funds are not part of the finance plan under FSF, flat grants do permit local supplements but they are not equalized by the state. Flat grants were used by states as an initial means of assistance for schooling but have since been abandoned as a major approach for state funding because they provide low levels of aid and drive inequalities because of the excess local funding permitted. North Carolina reports using a flat grant as the major state aid mechanism. Hawaii is the only state that reports employing full state funding. In Hawaii, all public education funding is collected and distributed by the state.

Interestingly, nine states provide **two-tiered systems**, that is, combination approaches to distribute funding to school districts: Georgia pays for schools through a combination foundation and guaranteed yield formula, Illinois uses three finance formulae. In Kentucky, under SEEK (Support Education Excellence in Kentucky), funding is derived from a base foundation level with an optional two tiers of supplementation under a District Power Equalization Program.

Key Issues in Choosing a Funding Formula

A key issue related to funding formulae and the amount of funds they provide per pupil is whether the funding plan is equitable with respect to providing equal opportunities for all students, regardless of their circumstance. Another issue is whether the amount of funding is adequate—sufficient to teach all children to ambitious standards, laws, and requirements. The following are some examples of how selected states have addressed this issue of adequacy:

- In **South Carolina**, base funding supports a *minimally adequate education*, according to the state.
- **Maine's** foundation program specifically mentions that it is an *"adequacy"-based formula*—it uses cost analysis to establish the amount, level, and cost of education components needed in each school to ensure all students have equitable opportunities *to achieve proficiency* on learning standards.
- **Missouri** develops an "adequacy target" based on several factors, including the average current expenditures of districts meeting all performance standards established by the Missouri State Board of Education.

Therefore, whether the adequacy target funds a minimum or quality education is an important issue that the state inventories raise. Many states have moved away from the *minimum* foundation program to providing an *adequate* foundation program that targets quality, often in response to school finance litigation.[5] Also, how basic support is determined is another important

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5 Verstegen, D. A. (2004). Towards a theory of adequacy: The continuing saga of equal educational opportunity in the context of state constitutional challenges to school finance systems. *Saint Louis University Public Law Review, 33*(2), 499–530. Verstegen, D. A. (2002). Financing adequacy: Towards new models of education finance that support standards-based reform. *Journal of Education Finance*, *27*(3), 749–781. Verstegen, D. A. (1998). Judicial analysis during the new wave of school finance litigation: The new adequacy in education. *Journal of Education Finance, 24*(1), 51–68.

issue. In the past, the amount of the major equalizing grant was based more on politics or residual budgeting than on a rational basis anchored in research.[6]

Financing Individual Student/District Needs and Characteristics

States also provide finance adjustments to the foundation amount/basic support to acknowledge cost pressures beyond the control of the school district that affect providing an equitable educational opportunity for all students. These cost pressures include size (e.g., enrollment), geography (e.g., locale type or dispersion of enrollment), labor market characteristics (e.g., supply and demand for labor and cost of living), and special student needs and characteristics (e.g., poverty, English language learner, or disability status of students). Students in poverty (as a proxy for students at risk of low performance or dropping out of school), students with limited English proficiency, or students with disabilities may require additional resources (e.g., smaller classes, specialized staff, or instructional materials) to meet state standards, laws, and goals. Small and remote school districts may also experience higher education per-pupil costs because of diseconomies of scale.

Provisions to increase funds for justifiably higher costs than the base or foundation amount can be *included* in the major finance grant through weights or can be *added* to that amount as a separate provision outside the major finance formula, through categorical aid. A question remains concerning whether the amounts expended for high-cost students are sufficient and the interplay of funding streams when students fall into several special categories. Another issue is what constitutes best practice in providing funding for individual student/district needs.

Federal aid also is provided for individual student needs and characteristics. However, rules and regulations accompanying the receipt of federal aid—including supplement not supplant and maintenance of effort—usually disallow comingling of federal, state and local dollars.

Special Education Funding

Table 2 lists funding mechanisms states use to pay for students receiving special education and related services. State aid for exceptional students is supplemented by federal aid under the Individuals with Disabilities Education Act (IDEA).

According to the 50-state survey, all but one state reports providing state aid for special education although apportionment systems vary. Generally, states pay for special education programs and services using one of **four methods**:

- Per-pupil funding—either pupil-weighted or a flat grant
- Cost reimbursement—state defines eligible costs
- Instructional/teacher units—funds to support teachers
- Census—based on total student population rather than eligibility for special education

States may also provide funding for services through intermediate units rather than directly to the local education agency (LEA) as is the case in Colorado, New York, Montana, and Wisconsin.

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6 Verstegen, D. A. (2002). Financing adequacy: Towards new models of education finance that support standards-based reform. *Journal of Education Finance*, *27*(3), 749–781.

Other approaches include funding for extraordinary high-cost students, which is used in tandem with other apportionment methods such as census funding (discussed later).

Student Weights. Overall, 20 states reported providing assistance for special education students through weights that recognize the excess cost of programs and services beyond general education. For example, *if additional special education costs are 90 percent above general education funding, the special education weight would be 0.90*; *the total student weight (including general education) would be 1.90.*[7] States may set limits on the percentage of students funded under weighted systems to limit costs and can include multiple or single weights for different categories of disability to reflect cost variations. When states use weights to fund special education, as general funding increases or decreases, so does special education funding. Weights treat special students equitably but provide no incentive for efficiency. Weights also vary widely across states. Some of the options used by states are highlighted in the following list:

- Several states (e.g., **Maryland**, **Oregon**, and **Utah**) use a single weight to fund special education programs.
- **Arizona** has 10 weights and Oklahoma has 12 weights based on a student's disability (e.g., orthopedic impairment, visual impairment).
- **Texas** has nine weights based on instructional arrangements (e.g., resource room, self-contained), including a weight (an additional 0.10) for "mainstreamed students."
- **Hawaii** uses four broad categories of need coupled with hours a week that services are rendered. Indiana has five categories of support.
- **Iowa** provides three weights based on need: 0.72, 1.21, and 2.74.
- **Delaware** and **Kentucky** have three broad weighted categories based on exceptionality. For example, Kentucky provides funding for children and youths with *mild, moderate, and severe* disabilities, weighted 0.24, 1.17, and 2.35, respectively.

Table 2. State Allocation Policies for Special Education

Allocation Mechanism	*State*
Per pupil/Weighting (20)	AZ, FL, GA, HI, IA, KS, KY, LA, MD, MO, NY, OH, OK, OR, SC, TN, TX, UT, WA, WV
Cost reimbursement (8)	AR, IN, ME, MI, MN, NE, VT, WY
Unit (6)	AL, DE, ID, MS, NV, VA
Census (9)	CA, ID, IL, MA, NJ, NC, ND, NM, PA
Other (16)*	AL, AR, CA, CO, CT, ID, IL, MD, MN, MT, NH, NY, ND, OR, SD, WA

7 Parrish, T. B., & Verstegen, D. A. (1994). *Fiscal provisions of the Individuals with Disabilities Education Act: Policy issues and alternatives* (Policy Paper No. 3). Palo Alto, CA: American Institutes for Research, Center for Special Education Finance. For seminal work on special education costs, see Rossmiller, R. A., Hale, J. A., & Frohreich, L. E. (1970). *Educational programs for exceptional children: Resource configurations and costs* (National Education Finance Project, Special Study No. 2). Madison: University of Wisconsin. Verstegen, D. A. (1994). *Fiscal provisions of the Individuals with Disabilities Education Act: Historical overview* (Policy Paper No. 2). Palo Alto, CA: American Institutes for Research, Center for Special Education Finance.

*Multiple methods are used in some states.

Cost Reimbursement and Unit Based Funding of Special Education. States also use cost reimbursement methods to support special education. These methods usually define eligible cost-categories and the percentage of these costs that will be reimbursed by the state. Seven states currently use this approach. In addition, six states use instructional *unit* approaches that pay for teachers, generally based on need or the number of students served.

Census-Based Funding of Special Education. A new category of interest is census-based funding. It provides funding based on an overall percentage of total students in a school district, not on the basis of the number of students eligible for special education and related services. Thus, this model provides no fiscal incentives for classification yet provides funding for special education programs and related services. **California** uses this model and reports that it is based on the assumption that over reasonably large geographic areas, the incidence of disabilities is relatively uniformly distributed. New Jersey's new funding system for special education also uses a census-based method of funding.

Other Approaches to Funding Special Education. Sixteen (16) states report "other" funding approaches that may be used in combination or singularly. **Alaska** provides a block grant to districts that funds special students, including vocational education, gifted and talented, and bicultural/bilingual students. Illinois and several other states use additional types of funding for special education such as personnel reimbursement, and preschool and private school placement funding allocations.

Another common example is to couple census funding with "other" state assistance for extraordinary or, what are often referred to as, catastrophic, costs a district may incur for the most severely involved students with disabilities. Several states report funding extraordinarily high-cost, exceptional students. For example, **Alabama** reports a "catastrophic" funding category for this purpose, Connecticut reports an Excess Cost Grant for extraordinary costs a school district may incur for special education students, defined as 4.5 times the prior year's average cost per pupil. Massachusetts has a "circuit breaker" that provides state funds for special education costs above 4 times the foundation budget at 75 percent of costs.

Funding for Low-Income/At-Risk Students and ELLs

Several states report providing supplemental funding for low-income/at-risk students and English language learners, as shown in Tables 3 and 4. Thirty-seven states fund low income students or students at-risk of dropping out school before graduation. State funds for low-income students are supplemented by federal aid under Title I of the Elementary and Secondary Education Act, also called the No Child Left Behind Act.

Most states use weighted approaches to address the needs of low-income/at-risk students and ELLs. Variations among these states include the eligibility requirements put in place and whether the funding adjustment occurs inside or outside the major finance system. In addition, formulae for low-income/at-risk students may be used to target funding to a school based on federal free and reduced price lunch (FRPL) participation (which defines eligible incomes), but once funding is received at a school site, it is available to redistribute based on particular needs, such as low test scores or remediation that are identified by the school or district.

Currently, 37 states supplement the general state finance system for low-income students, a proxy for low achievement and/or being at risk of dropping out of school. There are 14 states that do not provide additional funding for these students. A few states base funding directly on the number of students in need of remediation, which is a notable change from the past when funding was based on the number of students eligible for the FRPL program—the factor most used today. For example:

- In **Kentucky**, the eligibility criterion is based on free lunch recipients only.
- In **Michigan**, it is free breakfast, lunch, or milk pupils.
- In **Iowa**, eligibility is based partially on both the free or reduced-price lunch count and the enrollment of the school district used for the budget.
- In **Kansas**, participation is based on free meals, with additional funds based on density and nonproficient at-risk students.

Table 3. State Funding Mechanisms for Low-Income/At-Risk Students

Program/Policy	*Yes—37*	*No—13*
Low-Income/ At-Risk Funding	AK, AL, CA, CO, CT, DE, GA, HI, IL, IN, IA, KS, KY, LA, MA, MD, ME, MI, MN, MS, MO, NE, NH, NJ, NY, NC, OH, OK, OR, PA, SC, TN, TX, VT, VA, WA, WI	AZ, AR, FL, ID MT, NV, NM,ND, RI, SD, UT,WV, WY

Survey information revealed that some states provide additional funding based on performance, or provide assistance for students at-risk of dropping out of school. For example:

- **New York** provides state support for students who are at-risk of not meeting learning standards.
- **South Carolina** provides funding directly for students who fail to meet statewide standards in reading, writing, and mathematics or who do not meet the first-grade-readiness test standards.
- In **Delaware**, an Academic Excellence unit is provided for each group of 250 pupils. Funds also are provided for extra time for students at risk of not meeting state standards in core subjects.

Weights vary but range from an additional 0.05 in **Mississippi** to 0.97 in **Maryland**. The average weight is 0.29—or an additional 29 percent funding per pupil beyond the base.[8] However, most states provide about an additional 0.20 to 0.25 in funding for low-income students and target eligibility on either federal FRPL status or both. The following states provide these additional percentages:

- **Missouri,** 25 percent

8 The ELL and low-income range and average reflect computations of single weights reported by states not multiple or sliding scale weights.

- **Kentucky**, 15 percent
- **Georgia**, 31 percent
- **Minnesota**, 100 percent for free lunch recipients and 50 percent for reduced-price lunch recipients
- **Kansas**, 45.6 percent
- **Georgia**, 53.37 percent

Some states provide funding on a sliding scale based on prevalence rates (concentrations) of students that are low income, because larger concentrations of low-income students incur higher costs, on average. This is a new area of support that emerged in survey findings.

- In **Arkansas**, for a school district in which 90 percent or more students are eligible for FRPL, the state provides an additional $1,488 per pupil. For 70 percent to 90 percent, additional funding is $992. For less than 70 percent, additional funding is $496 per pupil.
- In **Kansas**, a weight of 45.6 percent is used with additional funds available for high or medium density. For example, for high density (students on free meals exceed 50 percent of total district enrollment) or a density of 212.1 students per square mile and a free lunch percentage of at least 35.1 percent and above—districts receive 0.10 per at-risk student.
- In **New Hampshire**, differentiated funding varies by school based on the rate of free and reduced-price lunch recipients from 12 percent (additional funding of $863 per student) to above 48 percent (additional funding of $3,450 per student).

Depending on the overall context of the funding allocation system and the supplemental manner in which the differentiated needs of students may be addressed, lack of formula funding may put school districts in a position of having to make a false choice: either take funds from the general education program to pay for high-cost students at-risk of failing academically and/or dropping out of school or ignore the special needs of these students altogether.

Funding for English Language Learners

Funding for ELLs, bilingual education, or students with limited English proficiency (LEP) is a growing area of interest across the states. These funding policies are shown in Table 4. Federal aid for ELL is provided through Title III, Part A—English Language Acquisition—under the Elementary and Secondary Education Act.

Currently, more than 85 percent of states provide additional support for ELL or LEP students. Only eight states, do not provide funding for ELL/LEP students.

Table 4. State Funding Mechanisms for ELLs

Funding Policy	*Yes—42*	*No—8*

English Language Learner/ Limited English Proficient	AL, AK, AZ, AR, CA, CT, FL, HI, ID, IL, IN, IA, GA, KY, KS, LA, ME, MD, MA, MI, MN, MO, NE, NH, NJ, NM, NY, NC, ND, OK, OH, OR, RI, TN, TX, UT, VA, VT, WA, WI, WV, WY	CO, DE, MS, MT, NV,PA, SC, SD

States support English language learners through a variety of funding methods, including weighted approaches as well as with block grants, per-pupil funding, unit funding, and lump-sum general state appropriations. Weights vary widely from 0.10 in **Texas** to 0.99 in **Maryland**. The average weight is 0.387, or another 38.7 percent in funding. Selected approaches for the states follow:

- **Wyoming** provides a full-time teacher for every 100 ELL students.
- In **Arizona**, a weight of 0.115 is included in the basic state aid calculations.
- **Florida** reports funding for speakers of other languages weighted at 0.147.
- The new weighted-student formula in **Hawaii** supports ELL students at 0.2373 of general education aid.
- **Iowa** provides an additional 0.22 per pupil.
- **Missouri** supports LEP students at 0.60 of Basic Aid when the count of students exceeds the statewide threshold, currently at 1.1 percent of the district's average daily attendance.
- **New Jersey** provides an additional 0.50 for a student who is limited English proficient (LEP). If a student is both LEP and low income, the weight is 0.125.

Only three states **provide no additional support** for either compensatory education or English language learners: **Nevada**, **Montana**, and **South Dakota**.

Gifted and Talented Funding Policy

Another area of funding for special student characteristics emerging from the survey findings is for gifted and talented students (G&T). Information on funding for G&T students is shown by state in Table 5. Currently, 33 states provide additional funding for G&T student programs as part of their finance system; 17 states, do not provide separate G&T funding.[9]

- In **Arkansas**, an incremental weight of 0.15 is provided per pupil based on 5 percent of the school district's ADM the previous year.
- In **Virginia**, the state provides one instructional position per 1,000 eligible students.
- **Hawaii** has an incremental weight for gifted and talented students of 0.0265 for an estimated 3 percent of the school's total population.
- **Louisiana** reports an incremental weight of 0.60 for gifted students.

9 Nevada does not receive additional federal aid for gifted and talented students.

Table 5. State Funding Mechanisms for Gifted and Talented

Funding Policy	*Yes—33*	*No—17*
Gifted and Talented	AK, AR, CA, CO, FL, GA, HI, ID, IA, IN, KY, LA, ME, MD, MN, MS, MO, MT, NJ, NM, NC, ND, OH, OK, PA, SC, TN, TX, UT, VA WA, WI, WY	AL, AZ, CT, DE, IL, KS, MA, MI, NE, NV, NH, NY, OR, RI, SD, VT, WV

Only two states, **South Dakota** and **Nevada**, report ***no additional state funding*** *for any of the following student needs and characteristics*: **compensatory/at risk students, English language learners, or gifted and talented students**.[10]

Career and Vocational/Technical Education

A majority of states report added funding career and technical education as shown in Table 6. In **Louisiana**, students in vocational education have a supplemental cost weight of 0.06. Pennsylvania provides reimbursement for Secondary Career and Technical Education, including assistance for agriculture education, distributive education, health occupations education, home economics education (gainful),
business education, technical education, trade and industrial education, or any other occupational-oriented program approved by the Secretary of Education.

- In Georgia, a weight of 1.18 is provided for vocational lab.
- New Jersey's new formula applies a higher weight for county vocational students of 1.31.
- In Massachusetts, the foundation budget assumes 4.75 percent of vocational enrollment.

Table 6. State Funding for Career and Technical Education

Program/Policy	Yes - 28	No - 22
Vocational, Career and Technical Education	AK, AZ, AR, CT, DE GA, HI, IL, IN, IA KS, KY, LA, MA, MN NV, NH, NJ, NC, ND PA, RI, SC, TN, TX VA, WV, WY	AL, CA, CO,FL,ID ME, MD, MI, MS, MO MT, NE, NM, NY, OH OK, OR, SD, UT, VT WA, WI

10 Note the inclusion of Nevada in this statement reflects how the Nevada Department of Education responded to the survey item.

Funding for Remote and Small Schools

Table 5 lists states that provide funding for remote and small schools through their finance system. As shown, 32 states recognize size and/or sparsity of small schools or districts.[11] Small size is used to adjust funding in 25 states; 15 states provide assistance to isolated school districts with some states employing both adjustments. Eighteen states do not include either factor in their funding system while several states include both.

Table 7. State Funding Mechanisms for Sparsity/Density of Small Schools

Program/Policy	*Yes—32*	*No—18*
Sparsity/Density or Small Schools	AK, AZ, AR, CA, FL, HI, ID, IN, IA, KS, LA, ME, MI, MN, MO, NV, NM, NY, NC, ND, OH, OK, OR, SD, TX, UT, VT, VA, WA. WV, WI, WY	AL, CO, CT, DE, GA, IL, KY, MD, MA, MS, MT, NE, NH, NJ, PA, RI, SC, TN

The following represents some highlights of how different states incorporate size and sparsity into their finance system for K–12 schools:

- **Florida** has a sparsity index that recognizes the relatively higher operating cost of smaller districts due to sparse student populations.
- **Kansas** employs a linear transition formula ranging from 100 to 1,622 students. Districts with fewer than 100 students have a low-enrollment weight of $3,993.42 per pupil. Each increase or decrease of one pupil changes the low-enrollment weight down or up (i.e., inversely to the enrollment change). High enrollments of 1,622 and over are weighted an additional 0.03504 times the Basic State Aid Per Pupil (BSAPP).
- In **New Mexico**, the following types of schools and districts qualify for additional aid:
  - Schools with fewer than 200 elementary and junior high school pupils
  - Districts with fewer than 200 or 400 senior high school pupils
  - Districts with between 4,000 and 10,000 average daily membership (ADM), but fewer than 4,000 ADM per high school

11 See also: Grider, A., & Verstegen, D. A. (2000). Legislation, litigation and rural & small schools: A survey of the states. *Journal of Education Finance*, *26*(1), 103–120.

- Districts with fewer than 4,000 total ADM

- In **Oklahoma**, school district size of 529 or less is weighted in the State Aid formula with a Small School District Weight.

- **Wyomin g** uses multiple adjustments to provide needed teachers based on size. An elementary school with fewer than 49 pupils in average daily attendance receives one full time teacher for every 7 students and one assistant principal position. If it has more than 49 students, then it receives a minimum of 6 teachers.

Other Individual Student Needs and Characteristics

There are a variety of other weights/adjustments states use to tailor funding systems to meet unique student and district needs in K–12 education. For example, **Hawaii** adds a supplemental cost weight for transient students of 0.05. In **New Jersey**, security aid is a component of the funding system. In **Alaska**, a cost differential is incorporated into the funding system. **Pennsylvania** and **Maryland** employ geographic cost of education adjustments.

In addition to weights for student characteristics and needs, the most prevalent type of funding weights used across the states is for different grade levels. These modify base funding amounts by grade level within a school. For example, **Hawaii** provides supplemental weights for grade-level differences, which are as follows: 0.15 for K–2, 0.0347 for elementary school, 0.1004 for middle school, and 0.0240 for high school.

Funding for Transportation

Table 8 shows state's funding mechanisms for transportation. For reporting purposes, state methodologies for funding public school transportation programs were placed into seven groups. The funding approaches for transportation include: (1) a separate calculation, or part of a block grant, in the general state aid formula. (2) Density formulas based on bus route miles, pupils per bus route mile, or square miles in the school district. (3) Cost reimbursement formulas with a fiscal equalization feature to adjust the disbursement of funds to school districts. (4) Cost reimbursement formulas that pay the full cost to school districts, (5) Cost reimbursements that only reimburse the district for approved or allowable costs. (6) Programs that pay a uniform amount for each transported pupil. When states have multiple formulae for transportation, the method used for general education is listed.

The most prevalent funding method was some form of cost reimbursement, used in two dozen states. Either the actual cost, the fiscally equalized cost, or allowable costs were provided by states to pay for transportation expenses of school districts. In four states, funding for transportation is equalized. Density formulae are used in 8 states.

- In **Kansas** all districts transporting pupils living 2.5 miles or more from the school receive the state average cost per pupil based on linear formula that takes into account the cost per pupil of transportation, the density of the district per pupil transported, and the total square miles of the district.

- In **Maine**, transportation costs reflect the school district's student density and miles traveled each year; additional funds are provided for island schools, out of district special education and ferry services.
- **In Connecticut, New York, Oregon and Pennsylvania**, transportation costs are shared with the school district based on local ability-to-pay e.g. wealth.

Interestingly, four states reported either no specific state funding for transportation or that state transportation funding is "not applicable". In these states, transportation is funded locally.

Table 8. Funding for Transportation

Provision	*State*
In Funding Formula (9)	FL, IA, MI, MN, NH, OR, SD, TN, WV
Density Formula (8)	AZ, CO, KS, KY, ME, MS, TX, VA
Equalized Reimbursement (4)	CT, NY, OR, PN
Full Cost Reimbursement (3)	DE, HI,WY
Allowable Reimbursement (17)	AL, CA, GA, ID, IL, MD, MA, MO, MT, NE, NM, NC, ND, NV, OH, SC, UT
Per Pupil (5)	AK, NJ, VT, WA, WI
No State Funds/ Not Applicable (4)	AR, IN, LA, RI

Capital Outlay and Debt Service

State legislatures have enacted a variety of programs to pay for school buildings and other capital expenses. Table 9 lists funding mechanisms states use for capital outlay and debt service. In some states these funds are an integral part of the state's foundation program; others provide assistance on a project basis; and other state funds range from grants to assist districts in meeting their debt service obligations to loans for approved projects. Permissible uses of funds include additional classrooms, to schools for new students. Programs with broad coverage have increased over time, and the number with "no state program" has decreased to 13 states compared to 1986-87 when 19 states were listed (Salmon, 1988). Several states use multiple methods to pay for school buildings and other capital expenses.

The Arizona Supreme Court's decision on capital outlay financing (*Roosevelt Elementary School District No.66 v. Bishop*, 1994), called for state equalization of funding for school buildings. This area —funding for school buildings--is a major flaw in most state funding systems because one of the largest costs, facilities, is often locally supported with little or no state assistance. Only six states report funding for capital outlay as part of their major equalization grant. Five states provide grants for debt service; five provide for a state bond guarantee.

- **Alaska** pays up to 70% of debt service costs for pre-approved construction.

- **Alabama's** capital funding is based on an equalized amount per student equivalent to 1 mill of the local property tax.
- **Florida** allocates funding from the tax on motor vehicle licenses on a per unit basis to schools and universities.
- **Utah** stands behind every school district's general obligation bond, with full faith and credit ensuring that each district has the AAA rating the state enjoys.
- **Californi**a's matching requirement for modernization is 60% of the total cost.

Table 9. State Funding for Capital Outlay / Debt

Provision	*State*
Item in Funding Formula (6)	AL, FL, MN, MS, VA, WI
Debt Service Grants (6)	AK, AR, KY, MT, NJ, TX
State Bond Guarantee (5)	CA, MA, MD, TX, UT
Equalized D/S Grants (2)	MA, NY
Loan (3)	MN, NC, VA
Approved Project Grants Grant (11)	AK, GA, HI, KY, MA, ME, MN, PA, SC, SD, WY
Equalized Project Grants (13)	CT, DE, KS, MN, NH, NJ, NM, OH, OR, RI, TN, VT, WA
Aging Facilities (6)	CA, MD, MT, NY, VA, WY
No State Funding (13)	CO, IA, ID, IL, IN, LA, MI, MO, NE, NV, ND, OK, WV

By far, the most prevalent form of aid for capital outlay is distributed through approved project grants, in 11 states, and equalized project grants, in 13 states. Six states now include provisions for updating aging facilities (CA, MD, MT, NY, VA and WY), distributed through a variety of methods. In The Montana Legislature allocated $34 million for FY 2010-2011 under the Quality Schools Facilities Program. These funds were allocated to schools through grants to assist schools in addressing deferred maintenance issues, upgrade technology, improve energy efficiency, and to improve infrastructure deemed critical. In Virginia, the Virginia Public School Authority enables school districts to sell their bonds at a lower interest rate with state backing. Also, lottery funds provide a portion of funding for capital construction, modernizing facilities and debt service payments.

Summary

The 50-state survey of finance policies and programs provides information of interest to school officials, lawmakers, parents and others concerned about public schooling and funding. It provides a ready comparison across the states on various state provisions and a menu of options for states seeking to modify their funding system in an effort to make it more equitable and adequate.

The survey shows that funding systems for public schools are the US is dominated by the foundation program model—the finance system used in whole or in part in 46 states. Only two states use district power equalizing models and one state each uses a flat grant or full state funding system.

Although no new models of finance have emerged, over time, states have acknowledged that some students cost more than others, and have added provisions to the foundation system to pay for high cost students through weighted funding, categorical aid or by including special populations in a block grant. Weighted funding systems have been on the rise and recently Hawaii and California have shifted to a weighted funding approach. Special populations that are supported include special education, low income/at-risk students, English language learners, gifted and talented students and students in career and technical education programs. States are also providing adjustments to funding systems for small and sparse school districts and schools.