

State Ed Funding Formula Decisions

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What should a state funding system do?

- **Ensure equity for students** – Revenues should ensure equity for students regardless of where served. Equity means higher needs students receive higher dollar amounts.
- **Be flexible to withstand the test of time** – State formulas tend to last 20-30 years, often amidst changes in schooling delivery models, new innovations, etc. Where formulas focus on students (not delivery models) and are flexible, those formulas can remain in place even as schooling delivery models change over time.
- **Tap adequate, stable and sustainable revenues.** Ideally revenues tap state and local sources, and include a component of property taxes (for stability).
- **Be simple and transparent** – The formula should yield a predictable, understandable revenue stream that can be summarized on a single page.
- **Emphasize continuous improvement and productivity.** Leaders throughout the system should be seeking ways to get the greatest outcomes possible with the funds they have. Information systems should connect spending at outcomes by school to enable benchmarking of progress.





Key Decisions

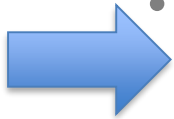
1. State mechanism to deploy funds to school
 - How to adjust for higher students needs
2. Whether and how local revenue will be used
3. How much flexibility to allow in the funding formula and what to do about accountability
4. How to transition

State mechanisms to deploy funds



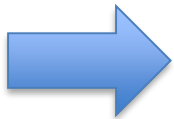
What formula options exist?

- **Student-based allocation**, aka foundation formula – Allocation determined based on numbers of students or student-types.
- **Staffing or resource-based formulas** – Districts receive allocations for a pre-determined set of inputs (staffing, operations) for each school.



Existing Idaho Formula

- **Categorical or program allocations** – Pre-defined amounts are earmarked for particular programs, such as class size reduction, STEM programs, extracurriculars, etc.
- **Other** – hold harmless, reimbursements, etc.
- **Hybrid** – combination of the above.





Idaho's existing model is outdated

Idaho uses a staffing allocation system (units) while most states are moving more to a student-based formula.

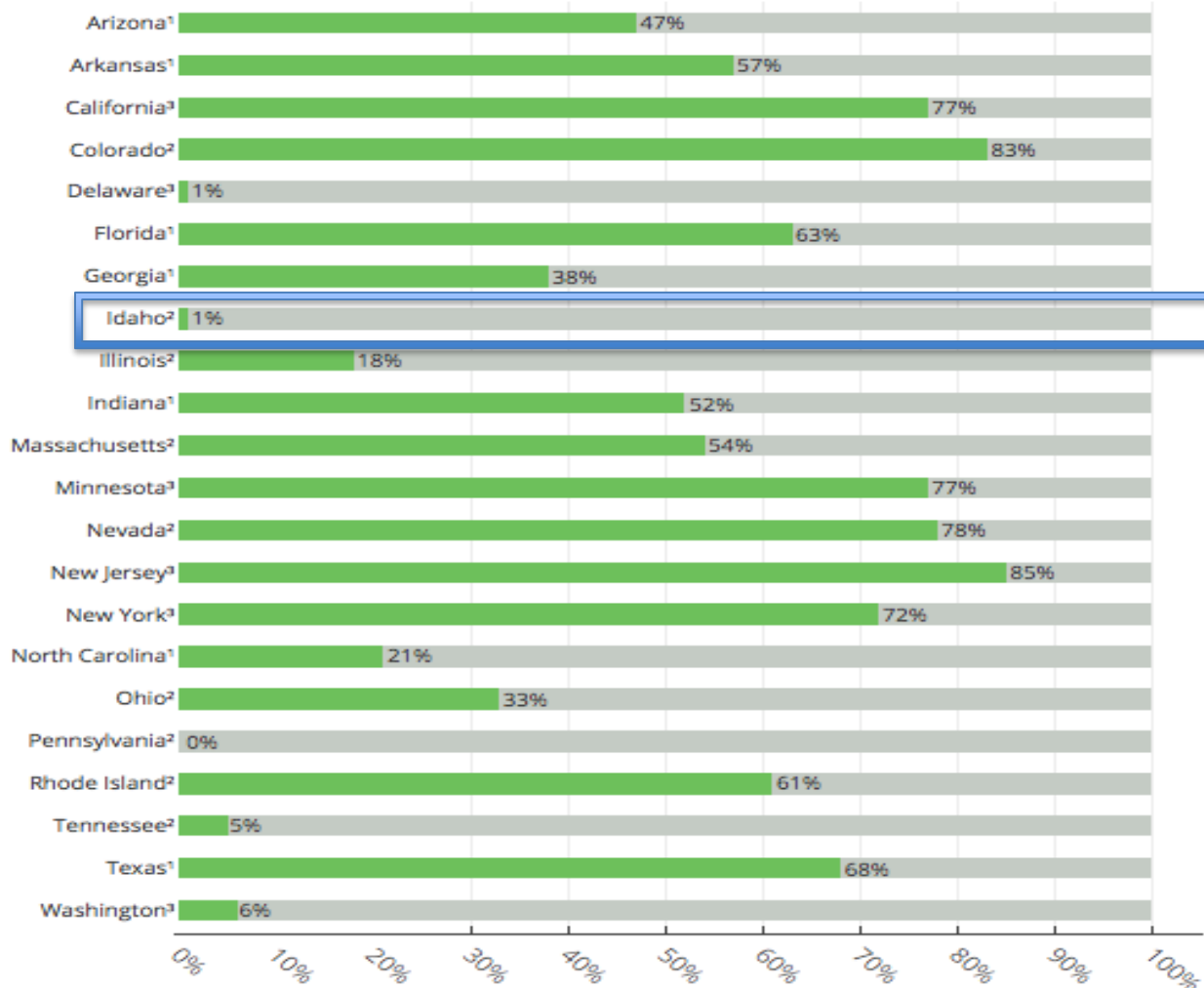
Staffing-based funding formulas:

- **Fuel inequity.** Uneven spending across schools (driven in part by school size, teacher salary differences),
- **Limit flexibility, resistant to innovation.** Districts see their role as implementing a one-size-fits-all model of schooling.
- **Inhibit local accountability.** Schooling decisions are made at the state, so local leaders don't internalize responsibility for outcomes. Instead local leaders blame the state.
- **Not transparent.** Local leaders don't understand the dollar amount they receive. Breeds mistrust.



Relative to other states Idaho allocates a smaller share of its funds on the basis of students.

Percentage of State Funds Disbursed on the Basis of Students





Average per-pupil amounts in Idaho

Student Type	Average Per-Pupil Amount
State per pupil (non targeted) <small>(2016-17 SY, minus special education & English language totals from state)</small>	\$5,207
SpEd per SpEd pupil <small>(2017-18 SY)</small>	\$4,764
LEP per LEP pupil <small>(2017-18 SY)</small>	\$149
Local allocation per pupil (non targeted) <small>(2016-17 SY)</small>	\$2,154
Non-targeted state + local per pupil <small>(2016-17 SY, minus special education & English language totals from state)</small>	\$7,361

**These are averages. In Idaho, some districts/schools get more, some get less.*

A Student-based formula allocates a fixed \$ amount per pupil type. How to choose weights?

Texas

California

Student types	Allocation
Grades K-3	\$7,557
Grades 4-6	\$6,947
Grades 7-8	\$7,154
Grades 9-12	\$8,505
Limited English	+20%
Poverty*	+20%
Foster youth	+20%

Source: Data from California Department of Education, "Local Control Funding Formula Overview," last reviewed January 15, 2014, accessed February 11, 2014.

Program	Weight
CTE	1.35
bilingual/ESL	0.1
SCE	0.2
SCE PRS	2.41
GT	0.12
PEG	0.1

Texas – special education

Instructional Arrangement	Weight
homebound	5.0
hospital class	3.0
speech therapy	5.0
resource room	3.0
self-contained mild/moderate	3.0
self-contained severe	3.0
off home campus	2.7
vocational adjustment class	2.3
state schools	2.8
nonpublic contracts	1.7
residential care and treatment	4.0
mainstream	1.1

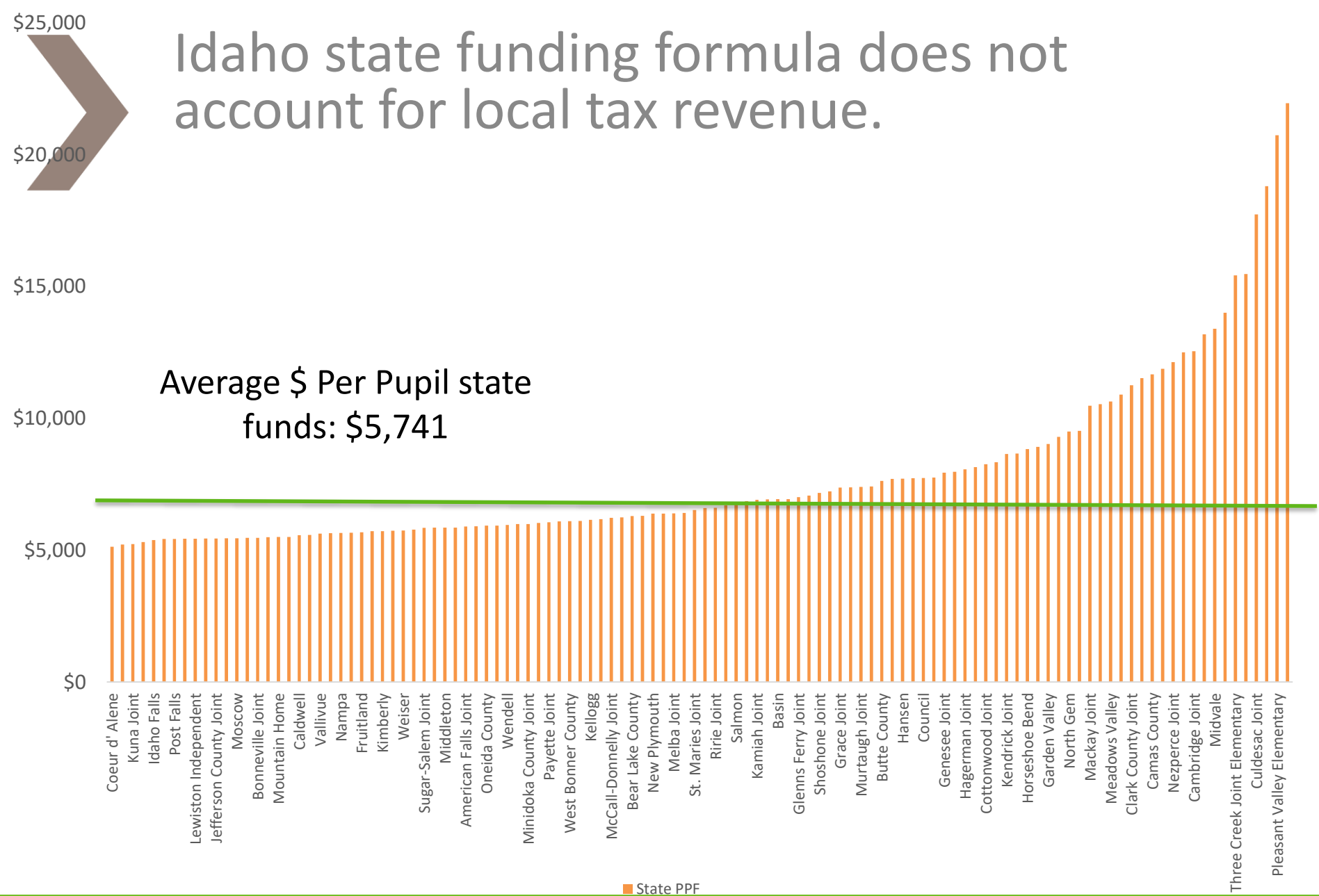


Whether and how to use local funds



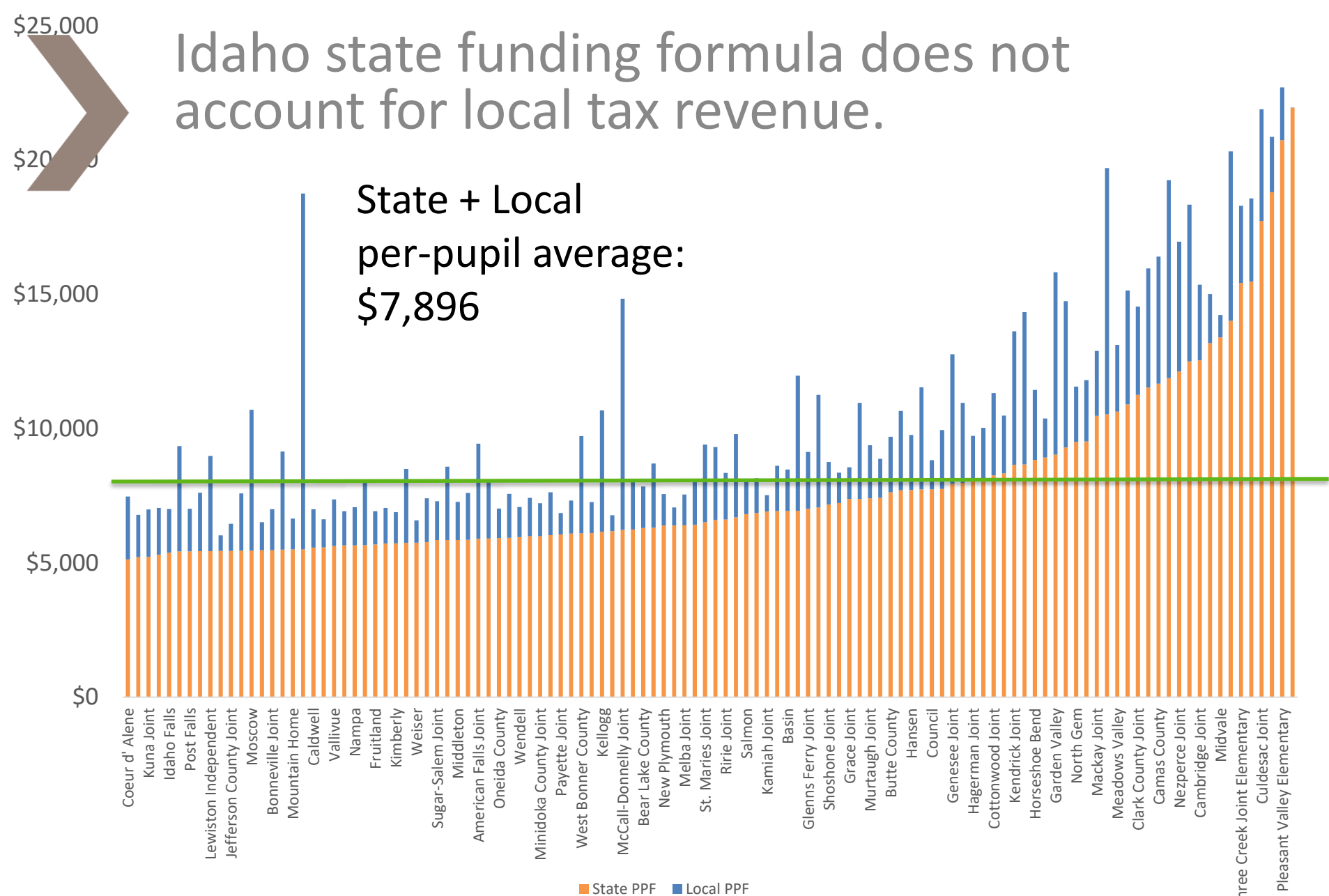
Idaho state funding formula does not account for local tax revenue.

Average \$ Per Pupil state funds: \$5,741



Idaho state funding formula does not account for local tax revenue.

State + Local per-pupil average: \$7,896





“Tap” and “Tame” local funds

Tap: Local monies provide an important source of ed funding:
Taxpayers are more willing to grow local \$ than state \$ over the long haul.
Local \$ competes with fewer priorities than does state \$.
Local \$ is more stable

Tame: Local money can be unreliable and a source of inequity.
Uneven property values.
Uneven appetite for local taxes



“Tap” and “Tame” local funds, cont.

State policies on local funds:

Tap Tame

A. Unregulated local funding

B. Caps on local funds

C. Some local effort counts toward state allocation

D. State matches local effort to create equal yield per pupil

E. Robin Hood policies redistribute local money



Options that both Tap and Tame Local funds

- Funds raised from some minimum effort (say, 3.5 mills) could be counted toward each district's student-based allocation (with state funds making up the difference).
- For those districts that tax at higher rates, equalization monies could be used as a match to create a fixed per pupil amount per effort (say, up to the 70 percentile).

Start with local: Differences in property values mean that a 3.5 mill levy produces different amounts per pupil



\$12,000
\$10,000

\$8,000

\$6,000

\$4,000

\$2,000

\$0

- Sugar-Salem Joint
- Preston Joint
- Blackfoot
- Homedale Joint
- Snake River
- Kimberly
- Vallivue
- Notus
- Kuna Joint
- Cassia County Joint
- Payette Joint
- Madison
- Pocatello
- Parma
- Grace Joint
- Melba Joint
- Mountain Home
- Weiser
- Lapwai
- Fruitland
- Richfield
- Emmett Independent
- Oneida County
- Butte County
- Meridian Joint
- Post Falls
- Hansen
- Kamiah Joint
- Orofino Joint
- Wallace
- St. Maries Joint
- Kendrick Joint
- Castleford Joint
- Genesee Joint
- Lakeland
- American Falls Joint
- North Gem
- Council
- Bliss Joint
- Boise Independent
- Coeur d' Alene
- Mullan
- Salmon
- Whitepine Joint
- Basin
- Nezperce Joint
- Mackay Joint
- Camas County
- Salmon River
- Aspen Elementary
- Meadows Valley
- Pleasant Valley Elementary
- Prairie Elementary
- Cascade
- Three Creek Joint Elementary
- McCall-Donnelly Joint

\$920

\$5,686





Local revenues help grow the base amount per pupil and increase revenue overall

Current total state spending ~ \$1.5B

Current per-pupil average state spending ~ \$5,700

3.5 statewide mill rate: \$423M or \$1,700 per pupil

Current state spending + local mill = new base of ~ \$7,400



State could guarantee a district revenue equivalent to base amount (\$7,400 pp)

\$16,000

\$14,000

\$12,000

\$10,000

\$8,000

\$6,000

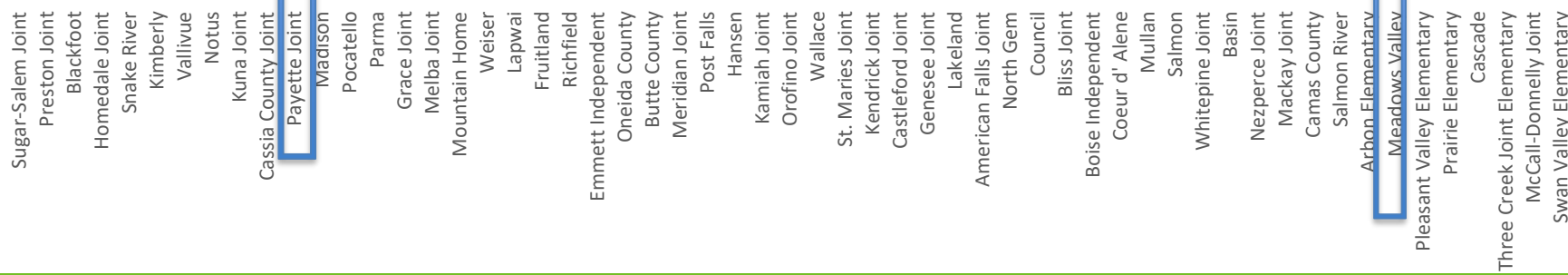
\$4,000

\$2,000

\$0

Local funds: \$1,008
State funds: \$6,392


Local funds: \$5,686
State funds: \$1,714



Local Tax Revenue

State Contribution to Equal \$7400





Range of options to fund base given state spending of \$1.5B

Sample Option 1:

3.5 mill + state level-up to \$7,400 base

- Total state spending: \$1.5B
- 3.5 statewide mill rate: \$423M
- Per-pupil average for 3.5 mill: \$1,666

Sample Option 2:

4 mill + state level-up to \$7,600 base

- Total state spending: \$1.5B
- 4 statewide mill rate: \$483M
- Per-pupil average for 4 mill: \$1,903

Sample Option 3:

3.5 required mill + state level-up to \$7,200 base *+ optional 1.5 mill w/ state matching to \$1,115 per pupil*

- Base state spending: \$1.4B
- 3.5 statewide mill rate: \$423M
- Per-pupil average for 3.5 mill: \$1,666
- 1.5 additional mills: \$181M
- Per-pupil average for 1.5 mills: \$714, w/ range from \$262-5,775
- 70th percentile of 1.5 mills: \$1,115
- State match to \$1,115 for local tax effort: \$123M
- New average per-pupil amount: \$8,450 (current: \$7,896)

*Additional state funds expected to pay for student weights.

In both models, some LEAs will not receive state funds due to local ability to raise

Guaranteed \$7,200 base + up to 5 mills of local tax effort, plus state matching for 1.5 mills



\$18,000
\$16,000
\$14,000

\$12,000
\$10,000
\$8,000
\$6,000
\$4,000
\$2,000
\$0

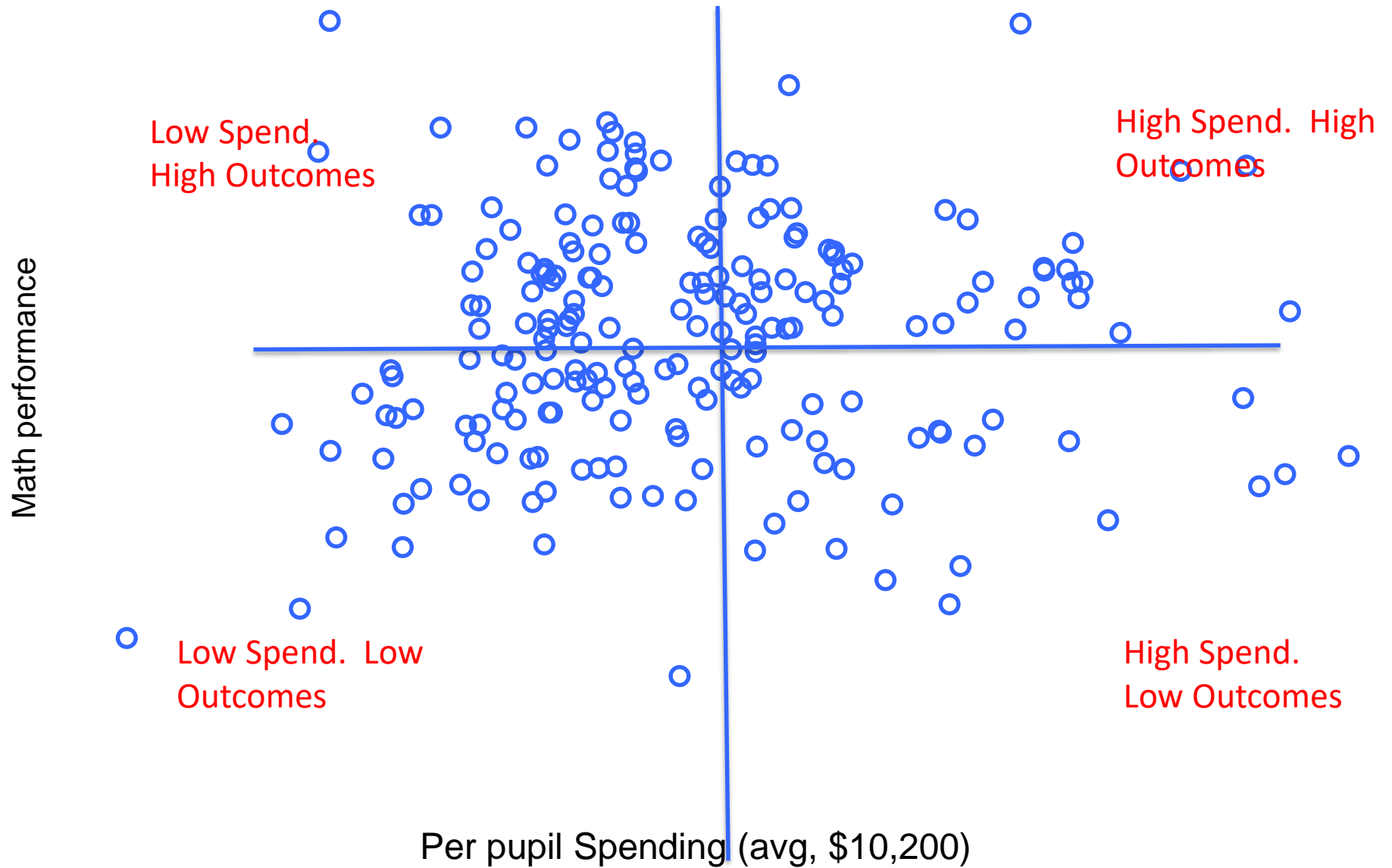
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■ 3.5 Mills ■ State match to base \$7,200 ■ Additional optional tax ■ State contribution for additional tax effort

Flexibility and Accountability

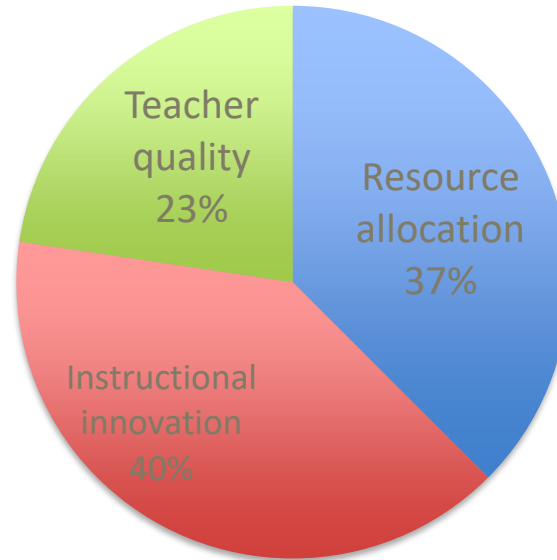


All WA Elementary Schools with > 75% F/RL



➤ When principals are asked what stands in the way of leveraging their dollars to get greater outcomes for students

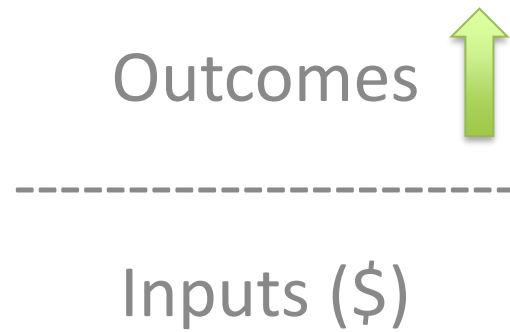
On average, they list 16 barriers per principal! *





Accountability for productivity

“Productivity” involves raising outcomes for a given expenditure



“Efficiency” generally refers to achieving the same outcomes at a lower expenditure.



How do states traditionally transition from one funding method to another?

- 1. Hold harmless:** Provide LEAs with the same level of funding they received under the old formula for a number of years, gradually reducing funding amounts based on the formula over a set time horizon. This allows LEAs to prepare for the loss of funding over time.
- 2. Leave local money as a vehicle to adjust for transition:** Some states allow LEAs to raise above the set uniform tax rate, and LEAs are able to keep whatever revenue those additional mills bring in to the district, even if the district receives state funding.
- 3. Flexibility in spending:** A key driver in many formula changes is granting flexibility to LEAs over spending decisions. Even if LEAs receive fewer dollars per pupil, if they are able to spend it more flexibly (such as increasing class sizes above state recommendation), they are able to adapt more easily to reduced funding scenarios.