



## What Are the Biggest Equity Problems in State Education Finance Systems?

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Nearly every state has flaws in how it funds public education, particularly when it comes to equitable funding for historically underserved students. While challenges vary by state, there are five common pitfalls in education finance equity:

### 1. Formulas do not fully account for differences in student learning needs.

Most states use a student-based funding formula. But other states take a different approach, using resource-based or program-based funding formulas, which allocate funding based on the cost of inputs (e.g., staffing ratios or specific programs).<sup>1</sup> Student-based funding formulas provide **a more direct link between student enrollment, learning needs, and state funding allocations**. Resource- or program-based funding models obscure this link and can constrain how district leaders spend money to meet students' needs.

### 2. There are too many school districts segregated by wealth.

The number of school districts varies significantly among states. Florida and New York both serve a similar number of K-12 students (2.8 million and 2.6 million students, respectively)<sup>2</sup> but take vastly different approaches to drawing school district lines. The entire state of Florida is served by 67 school districts, while New York has *10 times* that number with 687 school districts.<sup>3</sup>

District boundaries are deeply intertwined with systemic school and community segregation by race and class. More, smaller school districts usually means more disparities in property wealth across district lines, which is the primary driver of local tax revenue for schools.<sup>4</sup> This creates a heavier lift for state funding formulas to balance out funding disparities created by local property tax revenues. It also generates funding inequities by race because of correlations between racial and economic segregation among districts.

### 3. Some schools are funded in an entirely different way.

Many states have separate funding mechanisms for different kinds of public schools, such as magnet schools, vocational or technical high schools, and charter schools.<sup>5</sup> As students change schools, their movement within a school district can significantly affect the per-pupil funding that supports their education.

There may be good reasons for some of these distinctions, but policymakers should ensure that schools have equitable funding to support students' learning needs, regardless of the kind of public school they attend.

#### **4. States do not provide enough funding to adequately address student learning needs.**

In states with a student-based funding formula, there are often “weights” that drive increased funding tied to districts based on their students’ additional needs. But how do policymakers know what the right weight should be for a low-income student versus a student with dyslexia? What is the right “base” amount for a student who does not belong to a weighted group?

The truth is, there is no single correct answer for how much weight ought to be granted for different types of students. Instead, policymakers and advocates alike should examine the opportunities a formula creates for students with different learning needs. This could begin with comparisons of districts’ per-pupil funding or research on actual costs associated with providing high-quality supports to different kinds of students in different parts of the state. The results of these analyses can help inform policymakers on changes that could better align funding with students’ learning needs.

#### **5. States used outdated or insufficient methods to account for local tax revenue.**

State formulas often attempt to account for how much tax money school districts generate locally. This way, state dollars go farther for equity: State funds help even the scales for students in less wealthy districts, and states will not allocate state money inefficiently to wealthier districts that do not need it.

Many states do not do enough in practice to account for the vast disparities in the tax base among school districts. They may not account for true local tax capacity or get the full picture on differences in local wealth. For example, New York’s current formula relies on data sources that are more than a decade old, resulting in state funding allocations based on outdated accounting.<sup>6</sup>

In other cases, states fail to constrain districts that outraise the amount of local revenue that state formulas assume. If states do not cap local contributions to school district funding or otherwise adjust for them, affluent districts can generate significantly more local money than their neighbors and still yield extra dollars from the state.

### **Questions for Advocates**

- *Which of these equity pitfalls apply in your state?*
- *How does your state’s system of school district boundaries affect education finance equity? Does that system systematically disadvantage access to educational resources for low-income communities or communities of color?*

# Endnotes

- 1 Indira Dammu, Bonnie O’Keefe, and Jennifer O’Neal Schiess, *Splitting the Bill: How Are State Education Funding Formulas Structured?*, Bellwether, October 2021, <https://bellwether.org/publications/splitting-the-bill/>.
- 2 National Center for Education Statistics (2022), *Digest of Education Statistics*, Table 203.20, “Enrollment in public elementary and secondary schools, by region, state, and jurisdiction: Selected years, fall 1990 through fall 2031,” [https://nces.ed.gov/programs/digest/d22/tables/dt22\\_203.20.asp](https://nces.ed.gov/programs/digest/d22/tables/dt22_203.20.asp).
- 3 National Center for Education Statistics (2021), *Digest of Education Statistics*, Table 214.30, “Number of public elementary and secondary education agencies, by type of agency and state or jurisdiction: 2018–19 and 2019–20,” [https://nces.ed.gov/programs/digest/d21/tables/dt21\\_214.30.asp](https://nces.ed.gov/programs/digest/d21/tables/dt21_214.30.asp).
- 4 Alex Spurrier, Sara Hodges, and Jennifer O’Neal Schiess, “Priced Out of Public Schools: District Lines, Housing Access, and Inequitable Educational Options,” Bellwether, September 2021, <https://bellwether.org/publications/priced-out/>.
- 5 Kathleen Megan, “Charter Schools ‘Literally Starving’ for State Funds Says School Leader,” CT Mirror, November 7, 2019, <https://ctmirror.org/2019/11/07/charter-schools-literally-starving-for-state-funds-says-school-leader/>.
- 6 “2020-21 State Aid Handbook: Formula Aids and Entitlements for Schools in New York State,” University of the State of New York, State Education Department, Office of State Aid, accessed September 15, 2021, [https://stateaid.nysed.gov/publications/handbooks/handbook\\_2020.pdf](https://stateaid.nysed.gov/publications/handbooks/handbook_2020.pdf).

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

## ABOUT THE SERIES

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

## About Bellwether

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

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