



How Do School Finance Systems Support Economically Disadvantaged Students?

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State school finance systems can play an essential role in directing additional resources to schools serving economically disadvantaged students, and research suggests that these resources can make a measurable difference in student outcomes. The vast majority of states (45) allocate some funding to districts based on their enrollment of economically disadvantaged students, though approaches differ.¹ An earlier brief in this series, [Splitting the Bill: How Can School Finance Systems Support Students With Additional Learning Needs?](#), covered some principles and best practices for funding for economically disadvantaged students, along with other groups of students with additional learning needs.² This brief goes even deeper into the topic.

NOTE

While this brief focuses on the allocation of resources to economically disadvantaged students, advocates and policymakers should also explore the way revenue-generation responsibility is shared between state and localities and adjusted based on local wealth and property value, as discussed in [Balancing Act: How States Can Address Local Wealth Inequity in Education Finance](#).

The Case for Increasing Funding for Economically Disadvantaged Students

In a student-based funding formula, each student generates a base funding amount established by the state, and districts receive additional funding through “weights” aligned with different needs and characteristics of their enrolled students.³ The incorporation of low-income and concentrated-poverty weights in a student-based funding formula can help to mitigate inequities and drive funding to schools serving students most in need of additional resources.

There is a substantial body of research demonstrating the positive impact of increased school resources on students’ academic and long-term socioeconomic outcomes.⁴ Importantly, these effects are even more pronounced among children from economically disadvantaged backgrounds.

For example, one recent study found that a 10% annual increase in per-pupil spending throughout all 13 years of K-12 public schooling, driven by an additional \$1,000 in state revenue per student, resulted in more completed years of education, higher wages, and a reduction in the annual incidence of adult poverty.⁵

However, the magnitude of the effects varies substantially at the state, district, school, and student levels. There is not one ideal amount of funding or set of research-backed interventions to spend that funding on that will work in every school or for every economically disadvantaged student.

A **low-income student weight** in a student-based school funding formula allocates additional funding to districts based on their enrollment of individual low-income students.

In addition to considering the needs of individual economically disadvantaged students, states should also consider the ramifications of **concentrated poverty at the community or school level**. Schools serving high concentrations of economically disadvantaged students may need to provide higher-intensity schoolwide and community-facing supports, rather than targeted interventions, for students to be successful. Research suggests that schools with high concentrations of poverty, especially above 50%, see lower overall student achievement unless mitigated by greater access to comprehensive resources and retention of high-quality staff, which both require additional funding.⁶

A concentrated-poverty weight allocates additional funding based on school- or district-level concentrations of student or community poverty. These types of weights are most often used in addition to a low-income student weight to provide an additional funding boost for very high-poverty districts while still ensuring supplemental funding for every low-income student.

Example of Economically Disadvantaged (ED) and Concentrated Poverty Weights

Single Base Cost	ED Weight	Concentrated Poverty Weight
Per-pupil base cost: \$5,000 District enrollment: 1,000 X = \$5,000,000 Base funding	20% weight per ED student, with 500 qualifying students + = \$500,000 Additional funding	10% concentrated poverty weight (applied for districts with >40% low-income students), with 500 qualifying students + = \$250,000 Additional funding
= \$5,750,000 Total funding		

Considerations for Designing Low-Income and Concentrated-Poverty Weights

There are several key components to designing weights for economically disadvantaged students that go beyond the obvious question, “What should the base and the weights be?”⁷ First, states must define which students are economically disadvantaged for state funding purposes. Then, if using a concentrated poverty weight, the state must define which districts are high-poverty. Below are some commonly used methods and a brief list of their pros and cons.

COMMON METHODS OF IDENTIFYING ECONOMICALLY DISADVANTAGED (ED) STUDENTS⁸

Method	Pros	Cons
<p>Free Lunch</p> <p>Eligible for the federal free lunch program; generally, family income must be <130% of federal poverty level.</p>	<p>Data are already available and well understood.</p>	<p>Through the Community Eligibility Provision (CEP), many schools qualify as 100% free, which is good for student hunger but bad for targeting funding as there is a risk of over-identifying the number of ED students in a school.⁹</p>
<p>Free and Reduced-Price Meal</p> <p>Eligible for the federal free or reduced-price meal program; generally, family income must be <185% of federal poverty level.</p>	<p>More inclusive than the free lunch method alone; data are already available and well understood.</p>	<p>Through the CEP, many schools qualify as 100% free, which is good for student hunger but bad for targeting funding as there is a risk of over-identifying the number of ED students in a school.</p>
<p>Direct Certification</p> <p>Families qualify for other means-tested programs such as Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, or Medicaid, are experiencing homelessness, and/or are in foster care.</p>	<p>More precise than the free and reduced-price meal method; generally targets a higher-need population using other public agency data.</p>	<p>These programs have their own barriers to entry; this approach requires reliable data sharing among state agencies. Additionally, with a more stringent eligibility threshold, this method may risk undercounting students who meet other poverty definitions.</p>
<p>Self-Certified¹⁰</p> <p>In addition to the options above, the state might give families the option to self-certify as low-income via survey or questionnaire.</p>	<p>Can identify low-income families not participating in other forms of assistance.</p>	<p>Administratively burdensome and might be unreliable.</p>
<p>Multiple Methods</p> <p>Some states may utilize a combination of at least two or more of the above methods.</p>	<p>More inclusive, and reliance on more than one data source may reduce the risk of undercounting.</p>	<p>May be challenging to cross-check data sets and requires additional administrative effort.</p>

COMMON METHODS OF TARGETING DISTRICTS WITH CONCENTRATED LEVELS OF POVERTY

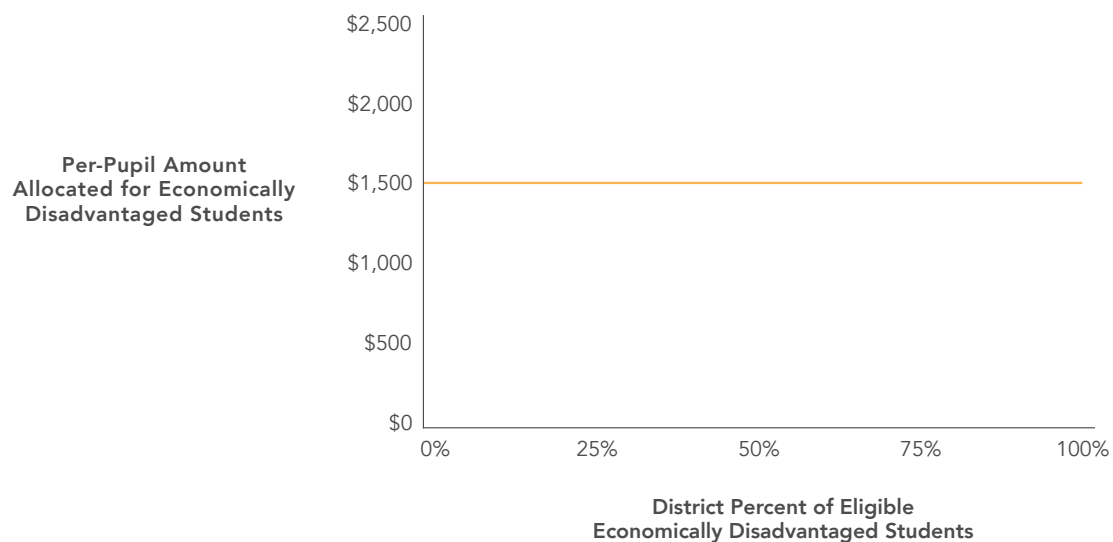
Method	Pros	Cons
<p>Tiered Weights</p> <p>Introducing a stepwise or linear escalation of low-income student weights above a certain threshold.</p>	<p>Supports higher costs of concentrated poverty using one student-based metric.</p>	<p>May complicate messaging as different ED students generate different funds; stepwise tiers can create funding cliffs.</p>
<p>Census Community Poverty Rates</p> <p>Use U.S. Census Bureau poverty data as measure of concentrated community poverty in a separate weight.</p>	<p>Draws from other reliable federal data sources; measures community need.</p>	<p>Not a student-based method, may not apply seamlessly to charter schools or open enrollment, and dependent upon U.S. Census time frames.</p>
<p>Residential Poverty Rates</p> <p>Use census poverty data of student census block of residence, in a separate or tiered weight.</p>	<p>Still a student-based method while acknowledging community resource effects on student learning needs.</p>	<p>Complicated from a data perspective, especially for highly mobile students.</p>

Together, the low-income weight and a concentrated-poverty weight can impact the distribution of funding to districts. As illustrated in the graphs below, there are generally three approaches taken by states:

1. **One low-income student weight**, in which every district receives the same amount per economically disadvantaged student. This is the simplest option.

FLAT WEIGHT EXAMPLE GRAPH

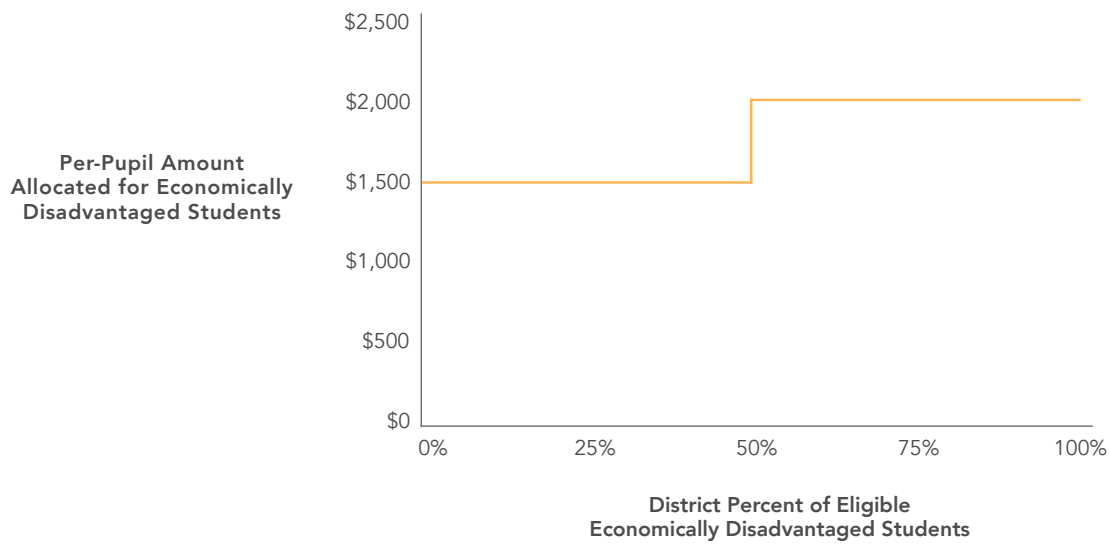
Based on a \$6,000 base and a 25% flat poverty weight



- A tiered low-income weight** based on concentrated poverty, in which each district is placed into a distinct category based on the percentage of economically disadvantaged students enrolled (e.g. lower- or higher-poverty) and each category generates a different low-income weight per student. These tiers are somewhat more complicated than a single flat weight and can create funding cliffs for schools on the margins between tiers. But tiered low-income weights based on concentrated poverty also acknowledge different needs in higher-poverty schools.

TIERED WEIGHT EXAMPLE GRAPH

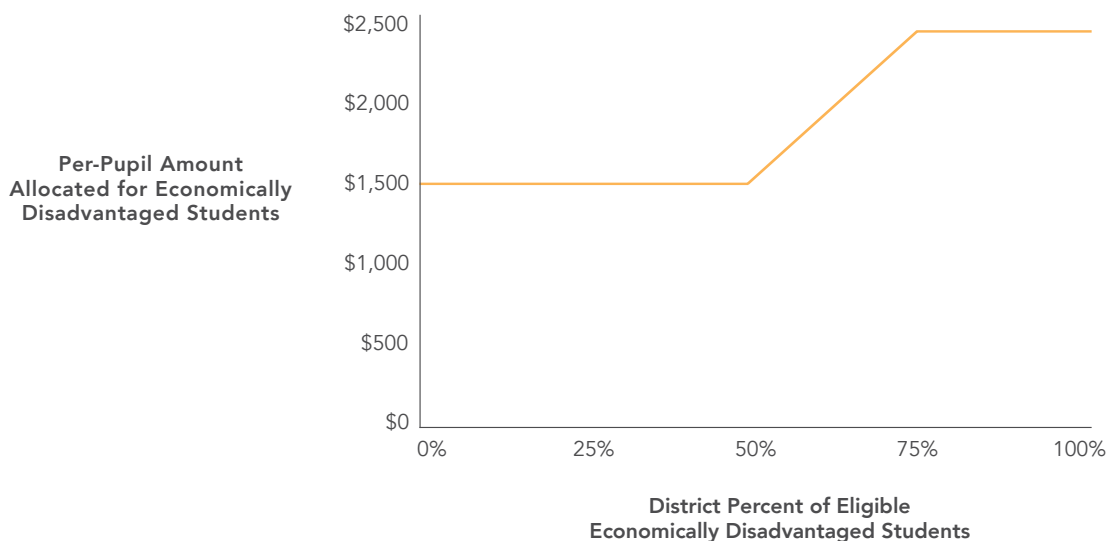
Based on a \$6,000 base with a weight beginning at 25% and jumping to 50%



- An escalating weight**, in which every economically disadvantaged student generates a minimum amount, but after a concentrated-poverty cut point, that amount escalates as district poverty escalates. This is a more nuanced approach, without a steep cut point, but it may be harder to explain or predict.

ESCALATING WEIGHT EXAMPLE GRAPH

Based on a \$6,000 base with a weight beginning at 25% and escalating to 85%



Questions for Advocates

- *Does your state's funding system direct additional resources to economically disadvantaged students? Does it do so on the individual student level, school/community level, or both?*
- *If your state does allocate funding for economically disadvantaged students, is the amount provided adequate to fund effective actions by schools to support these students? What leads you to that conclusion?*
- *How does your state's policy define which students are "economically disadvantaged" and which districts/schools have "concentrated poverty"? Are those definitions likely to over- or underestimate the number of students in need of extra support at school due to their economic circumstances?*
- *Which districts in your state receive the most economically disadvantaged funding per pupil? How does that correspond with student need?*

Endnotes

- 1 "50-State Comparison — K-12 and Special Education Funding: Funding for Students from Low-Income Backgrounds," Education Commission of the States, October 2021, <https://reports.ecs.org/comparisons/k-12-and-special-education-funding-06>.
- 2 Indira Dammu, Bonnie O'Keefe, and Jennifer O'Neal Schiess, *Splitting the Bill: How Can School Finance Systems Support Students With Additional Learning Needs?*, Bellwether, October 2021, <https://bellwether.org/publications/splitting-the-bill/>.
- 3 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/>; Dammu, O'Keefe, and Schiess, *Splitting the Bill: How Can School Finance Systems Support Students With Additional Learning Needs?*
- 4 C. Kirabo Jackson, "Does School Spending Matter? The New Literature on an Old Question," Fall 2018 Bronfenbrenner Center for Translational Research Conference, December 2018, https://www.nber.org/system/files/working_papers/w25368/w25368.pdf; C. Kirabo Jackson, Rucker C. Johnson, and Claudia Persico, "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms," National Bureau of Economic Research, January 2015, https://www.nber.org/system/files/working_papers/w20847/w20847.pdf; Julien Lafortune, Jesse Rothstein, and Diane W. Schanzenbach, "School Finance Reform and the Distribution of Student Achievement." *American Economic Journal: Applied Economics* 10, no. 2 (April 2018): 1-26, <https://www.aeaweb.org/articles?id=10.1257/app.20160567>; Christopher A. Candelaria, Kenneth A. Shores, "Court-Ordered Finance Reforms in the Adequacy Era: Heterogeneous Causal Effects and Sensitivity," *Education Finance and Policy* 14, no. 1 (January 2019): 31-60, <https://direct.mit.edu/edfp/article-abstract/14/1/31/10303/Court-Ordered-Finance-Reforms-in-the-Adequacy-Era?redirectedFrom=fulltext>; Jesse Rothstein, Diane Schanzenbach, "Does Money Still Matter? Attainment and Earnings Effects of Post-1990 School Finance Reforms," National Bureau of Economic Research, August 2021, https://www.nber.org/system/files/working_papers/w29177/w29177.pdf.
- 5 C. Kirabo Jackson, Rucker C. Johnson, and Claudia Persico, "The Effects of School Spending on Educational and Economic Outcomes: Evidence From School Finance Reforms," *The Quarterly Journal of Economics* 131, no. 1 (February 2016): 157-218, https://gsppi.berkeley.edu/~ruckerj/QJE_resubmit_final_version.pdf.
- 6 "Annotated Bibliography: The Impact of School-Based Poverty Concentration on Academic Achievement & Student Outcomes," Poverty & Race Research Action Council, http://www.prrac.org/pdf/annotated_bibliography_on_school_poverty_concentration.pdf.
- 7 Linea Koehler and Bonnie O'Keefe, *Splitting the Bill: How Does the Base Amount Work in Student-Based Funding Formulas?*, Bellwether, October 2023, <https://bellwether.org/publications/splitting-the-bill/>.
- 8 "Measuring Student Poverty: Dishing Up Alternatives to Free and Reduced-Price Lunch," Urban Institute, October 2021, <https://www.urban.org/data-tools/measuring-student-poverty-dishing-alternatives-free-and-reduced-price-lunch#:~:text=How%20do%20states%20identify%20students,participation%20in%20TANF%20or%20FDPIR>; Satya Marar, "Best Practices For Identifying Student Poverty," Reason Foundation, June 2020, <https://reason.org/commentary/best-practices-for-identifying-student-poverty/>.
- 9 The Community Eligibility Provision (CEP) is a meal service option that enables schools in economically disadvantaged areas to provide free breakfast and lunch to all enrolled students without requiring household applications and regardless of household income; instead, schools are reimbursed based on the percentage of students qualifying for free meals through specific means-tested programs like SNAP and TANF. "Child Nutrition Programs: Community Eligibility Provision," U.S. Department of Agriculture Food and Nutrition Service, April 2023, <https://www.fns.usda.gov/cn/community-eligibility-provision>.
- 10 OSPI CNS School Meal Programs: Family Income Survey — Instructions & Best Practices," Washington Office of Superintendent of Public Instruction, January 2023, <https://ospi.k12.wa.us/sites/default/files/public/childnutrition/programs/nsibp/pubdocs/familyincomesurveyinstructionsandbestpractices.pdf>. This source offers an example of a state, Washington, which utilizes self-certification in addition to direct certification.

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About Bellwether

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

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](#).

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