Kansas Legislative Research Department

Kansas Legislator Briefing Book 2016

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Education

G-3 School Finance Formulas in the United States

School Finance History

In the early 1900s, flat grants providing a basic dollar amount per student, regardless of wealth or need, financed public schools. Beginning in the 1920s, many states started using a new system, "foundation formulas," with funding provided on a sliding scale based on the relative wealth of school districts. In the 1930s, states began to adjust formulas based on costs associated with certain student populations, such as students at risk of failure and students with disabilities.

Beginning in the 1960s, states further adjusted formulas for a number of reasons, including to create greater equity among districts, as well as to account for district size and regional cost differences.

The 50 States

A look at each of the individual state formulas provides wide variations in formula provisions; however, there are many similarities. Major formula components are described below, adopted from a state inventory of public education finance systems in the United States undertaken by Deborah A. Verstegen, Professor at the University of Nevada, and updated *via* surveys of states' education agencies conducted periodically. The latest update includes formulas in effect during the 2014-15 school year.

Basic Formula Components

Foundation programs provide a uniform per-pupil or per-teacher amount of funding using state and local funding. Thirty-seven states use this approach.

Only one state, Hawaii, which has only one school district, is funded completely by the state.

Combination systems combine full state funding, flat grants, or funding based upon varying tax rates. Nine states have combination approaches.

Adjustments for Various Needs

Thirty-seven states provide supplemental funding for low-income or at-risk students, based upon being qualified to receive free or reducedprice lunch or breakfast, the actual number of students determined at risk of failure, or concentrations of low-income students. Thirteen states provide no additional funding for this group.

Of the adjustments made by the states:

- Forty-two states provide additional funding for English language learners.
- Thirty-three states provide additional funding for gifted and talented students.
- Thirty-two states provide funding for remote and small schools.
- Twenty-eight states provide additional funding for career and technical education.

Examples of other adjustments include additional funding for transient students or different funding based upon different grade levels.

Capital Outlay and Debt Service

Multiple methods are used to assist school districts with capital outlay or debt service costs. Assistance can range from grants to loans to little or no state assistance for major facility projects.

Special Education

States use one of four methods to pay for special education services:

- Per pupil funding based upon a weighted pupil count or a flat grant;
- Cost reimbursement with definition of eligible costs;
- Per teacher or instructional unit funding; or
- Funding based upon total student population rather than special education eligibility.

More detailed information about each state can be found at: https://schoolfinancesdav.wordpress.com/.

See also, Deborah A. Verstegen, *How Do States Pay for Schools? An Update of a 50-State Survey of Finance Policies and Programs* (University of Nevada, Reno, 2014).

Revenue Sources for Public Education Across the U.S.

The percentage of funding states contribute to their public K-12 educational systems varies from 88.54 percent in Vermont to 31 percent in South Dakota. The national average is 45.6 percent. Kansas' percentage provided by the state to its public K-12 system is 56.4 percent, according to the latest information available from the U.S. Census Bureau in its *Public Education Finance* report for 2013. Kansas is the 15th highest in percentage of state funding provided for K-12 education.

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