Congressional Research Service
Informing the legislative debate since 1914

State and Local Financing of Public Schools

Updated August 26, 2019

Congressional Research Service
https://crsreports.congress.gov
R45827

CRS REPORT
Prepared for Members and
Committees of Congress

Congressional Research Service
Informing the legislative debate since 1914

SUMMARY

R45827

August 26, 2019

Rebecca R. Skinner
Specialist in Education Policy

State and Local Financing of Public Schools

The funding of public elementary and secondary schools in the United States involves a combination of local, state, and federal government revenues, in proportions that vary substantially both across and within states. According to the most recent data, state governments provide 47.0% of these revenues, local governments provide 44.8%, and the federal government provides 8.3%. Over the past several decades, the share of public elementary and secondary education revenues provided by state governments has increased, the share provided by local governments has decreased, and the federal share has varied within a range of 6.0% to 12.7%. The primary source of local revenues for public elementary and secondary education is the property tax, while state revenues are raised from a variety of sources, primarily personal and corporate income and retail sales taxes, a variety of "excise" taxes such as those on tobacco products and alcoholic beverages, and lotteries in several states.

All states (but not the District of Columbia) provide a share of the total revenues available for public elementary and secondary education. This state share varies widely, from approximately 25% in Illinois to almost 90% in Hawaii and Vermont. The programs through which state funds are provided to local educational agencies (LEAs) for public elementary and secondary education have traditionally been categorized into five types: (1) Foundation Programs, (2) Full State Funding Programs, (3) Flat Grants, (4) District Power Equalizing, and (5) Categorical Grants. Of these, Foundation Programs are most common, although many states use a combination of program types.

A goal of all of the various types of state school finance programs is to provide at least some limited degree of "equalization" of spending and resources, and/or local ability to raise funds, for public elementary and secondary education across all of the LEAs in the state. Such programs often establish target levels of funding "per pupil." The "pupil" counts involved in these programs may simply be based on total student enrollment as of some point in time, or they may be a "weighted" count of students, taking into account variations in a number of categories—special pupil needs (e.g., disabilities, low family income, limited proficiency in English), grade levels, specific educational programs (e.g., career and technical education), or geographic considerations (e.g., student population sparsity or local variation in costs of providing education).

After state funds reach LEAs, they are combined with locally raised funds to provide educational resources to students in individual schools. Under the traditional, and still most common, method of allocating resources within LEAs, there are no specific budgets for individual schools. Available state and local funds are managed centrally, by LEA staff, and various resources—facilities, teachers, support staff, school administrators, instructional equipment, etc.—are assigned to individual schools. In contrast, a number of LEAs have in recent years applied the weighted student funding concept to developing and implementing individual school budgets.

The federal Elementary and Secondary Education Act (ESEA) includes one program (Title I-A) and one secretarial authority (Title I-E) that incorporate elements of the equalization and weighted student funding strategies used by states and LEAs. Two of the four ESEA Title I-A allocation formulas employ pupil weighting concepts in the allocation of funds to states and LEAs, and one of those formulas also takes into consideration disparities in expenditures per pupil among each state's LEAs in calculating grants. The ESEA Title I-E authority allows the Secretary of Education to enter into a demonstration agreement with LEAs that are using or agree to implement weighted student funding systems to establish budgets for, and allocate funds to, individual schools.

A separate development relevant to many aspects of public elementary and secondary education finance has been increasing interest in the collection and reporting of school-level finance data for public schools. While historically there have not been comprehensive state or federal efforts to calculate or report on specific budgets or expenditure levels for individual public schools, federal efforts to require and support the reporting of such information have expanded rapidly in recent years.

Contents

Introduction 1
Percentage Shares of Revenues for Public Elementary and Secondary Education by Government Level 1
Sources of State and Local Government Revenues Used for Public Elementary and Secondary Education 4
State School Finance Programs 5
Foundation Programs 6
Full State Funding Programs 7
Flat Grants 7
District Power Equalizing 7
Categorical Grants 8
Categorization of State Finance Programs 8
School Finance "Equalization" 9
Examples of Relevant School Finance Court Cases 10
Weighted Student Funding in State School Finance Programs 10
LEA Programs to Finance Public Schools 12
Conventional Intra-LEA Budgeting Policies 13
Weighted Student Funding Concept Applied to Intra-LEA Budgeting for Schools 13
Use of Equalization Strategies and Weighted Student Funding in ESEA 14
Title I-A 15
Equity Factor 15
Weighted Student Funding 16
Title I-E 17
Recent Efforts to Collect and Publish School-Level Financial Data 18

Tables

Table 1. Percentage Shares of Revenues for Public Elementary and Secondary Education, by Source of Funds for Selected School Years 1965-1966 through 2015-2016 2
Table 2. Percentage Share of Revenues for Public Elementary and Secondary Education by Source of Funds and State, 2015-2016 School Year 3
Table 3. Number of States Assigning Pupil Weights or Target Dollar Amounts in Their State School Finance Programs to Pupils in Selected Categories 11

Appendixes

Appendix. Glossary of Acronyms 22

Contacts

Author Information 22

Introduction

The funding of public elementary and secondary schools in the United States involves a combination of local, state, and federal government revenues. State and local governments generally provide over 90% of the revenue available for public elementary and secondary education on an annual basis, with the federal government providing the remainder. As such, there is consistent congressional interest in understanding how the majority of available funds are provided to local educational agencies (LEAs) and, ultimately, to public schools. This report intends to provide context for consideration of the comparatively small but important role of the federal assistance programs in financing public education, discuss some of the ways that state and local finance policies and practices intersect with federal involvement, and explain selected key concepts in this field.

The report provides a basic overview of the mechanisms used by states and LEAs to fund public education and an introduction to core school finance concepts. It begins with an examination of the sources of funding for public elementary and secondary education and how these funding sources vary by state and over time. It then considers how states and LEAs raise revenue for public education through different types of taxes, including property taxes.

The report then focuses on state school finance programs, the varieties of policies under which states provide funds to LEAs, and the local units of government that administer public K-12 education. This includes an examination of the key concept of "equalization" in state school finance programs. School finance programs often incorporate state-level weighted student funding programs, under which additional funds are provided to LEAs for the education of students with certain high-cost needs (e.g., associated with low family income or student disabilities) or who are in high-cost educational programs (such as technical education).

The next section of the report considers LEA programs to finance individual public schools. This is followed by a discussion of aspects of the largest federal K-12 education aid program, Title I-A of the Elementary and Secondary Education Act (ESEA), that incorporate a state school finance equity factor or weighted student funding components. In addition, a new ESEA Title I-E, as most recently comprehensively amended by the Every Student Succeeds Act (ESSA; P.L. 114-95), authorizes the Secretary of Education to provide participating LEAs with flexibility to consolidate eligible federal funds with state and local funding for individual public schools to create a "single school funding system based on weighted per-pupil allocations for low-income and otherwise disadvantaged students."

The report concludes with a review of recent efforts to collect and report data on the level of expenditures per pupil at individual public schools within LEAs, a topic that has garnered increasing interest among policymakers in recent years.

Percentage Shares of Revenues for Public Elementary and Secondary Education by Government Level

The funding of public elementary and secondary schools in the United States involves a combination of local, state, and federal government revenues, in proportions that vary substantially both across and within states. Overall, a total of $678.4 billion in revenues was devoted to public elementary and secondary education in the 2015-2016 school year (the latest

year for which detailed data on revenues by source are available).[1] State governments provided $318.6 billion (47.0%) of these revenues, local governments provided $303.8 billion (44.8%), and the federal government provided $56.0 billion (8.3%).

Over the past several decades, the share of public elementary and secondary education revenues provided by state governments has increased, the share provided by local governments has decreased, and the federal share has varied within a range of 6.0% to 12.7%. The federal share peaked in the recessionary period of 2009-2011, and has declined thereafter. **Table 1** provides the local, state, and federal shares for selected years over the 50-year period from 1965-1966 to 2015-2016.

Table 1. Percentage Shares of Revenues for Public Elementary and Secondary Education, by Source of Funds for Selected School Years 1965-1966 through 2015-2016

School Year	Share of Revenues from State Governments	Share of Revenues from Local Governments	Share of Revenues from the Federal Government
1965-1966	39.1%	53.0%	7.9%
1975-1976	44.4%	46.7%	8.9%
1985-1986	49.4%	43.9%	6.7%
1995-1996	47.5%	45.9%	6.6%
2005-2006	46.5%	44.4%	9.1%
2015-2016	47.0%	44.8%	8.3%

Source: Table prepared by CRS based on data available from U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics*, 2017 version (Table 235.10) and 1996 version (Table 155), https://nces.ed.gov/programs/digest/2017menu_tables.asp.

Note: Details may not sum to 100% for a given school year due to rounding.

There is substantial variation among the states with respect to the shares of public elementary and secondary education revenues provided by state, local, and federal governments (**Table 2**). For example, Hawaii, with a statewide system of public elementary and secondary education and no LEAs, provides virtually no local government revenues; almost 90% of funding comes from the state government. At the other end of this spectrum, the District of Columbia, which has no state government, provides approximately 90% of revenues from local sources. The other states fall between these two extremes of providing all or almost all of the nonfederal revenue from either state or local sources. Illinois has the lowest state share of revenues (24.1%) and the highest local share (67.4%) of the 50 states.

[1] U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2015-16 (Fiscal Year 2016)*, December 2018, p. 2, https://nces.ed.gov/pubs2019/2019301.pdf.

Table 2. Percentage Share of Revenues for Public Elementary and Secondary Education by Source of Funds and State, 2015-2016 School Year

(States are listed in order of decreasing state share of total revenues)

State	Share of Revenues from State Government	Share of Revenues from Local Government	Share of Revenues from the Federal Government
Hawaii	89.4%	1.9%	8.6%
Vermont	89.3%	4.0%	6.6%
New Mexico	70.0%	16.2%	13.7%
Minnesota	66.8%	27.5%	5.6%
Idaho	65.3%	24.1%	10.6%
Alaska	64.6%	23.0%	12.4%
Kansas	63.1%	28.4%	8.4%
Washington	62.2%	30.4%	7.4%
North Carolina	62.1%	26.3%	11.6%
Michigan	60.2%	30.9%	8.9%
California	59.4%	32.1%	8.5%
North Dakota	57.8%	33.1%	9.1%
Wyoming	57.6%	36.4%	6.0%
Delaware	57.4%	34.3%	8.3%
Indiana	55.6%	36.4%	8.0%
West Virginia	55.5%	34.1%	10.4%
Kentucky	54.7%	33.6%	11.6%
Alabama	54.7%	34.2%	11.2%
Utah	54.6%	37.0%	8.3%
Iowa	53.8%	38.9%	7.3%
Oregon	52.3%	40.0%	7.6%
Mississippi	51.2%	34.1%	14.7%
Arkansas	51.1%	37.3%	11.6%
Oklahoma	48.3%	40.2%	11.5%
Montana	47.7%	39.6%	12.6%
South Carolina	47.7%	42.8%	9.5%
Tennessee	46.2%	42.3%	11.5%
Arizona	45.9%	41.4%	12.6%
Georgia	45.8%	44.6%	9.5%
Wisconsin	45.5%	47.3%	7.1%
Ohio	44.9%	47.4%	7.7%
Maryland	43.9%	50.2%	5.8%
Colorado	43.7%	49.2%	7.1%

State	Share of Revenues from State Government	Share of Revenues from Local Government	Share of Revenues from the Federal Government
Louisiana	43.5%	43.8%	12.7%
New Jersey	42.7%	53.1%	4.2%
New York	41.7%	53.2%	5.0%
Rhode Island	41.4%	50.9%	7.7%
Texas	40.9%	48.6%	10.6%
Connecticut	40.3%	55.3%	4.3%
Virginia	39.5%	53.8%	6.6%
Maine	39.4%	53.6%	7.0%
Florida	39.3%	49.2%	11.6%
Massachusetts	37.8%	57.2%	5.0%
Pennsylvania	37.6%	55.6%	6.8%
Nevada	35.6%	55.5%	8.9%
Nebraska	33.0%	58.6%	8.3%
Missouri	33.0%	58.4%	8.6%
New Hampshire	32.9%	61.4%	5.7%
South Dakota	30.4%	55.8%	13.8%
Illinois	24.1%	67.4%	8.4%
District of Columbia	0.0%	90.1%	9.9%
Overall	47.0%	44.8%	8.3%

Source: U.S. Department of Education, National Center for Education Statistics, *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2015-16 (Fiscal Year 2016)*, December 2018, Table 1, https://nces.ed.gov/pubs2019/2019301.pdf.

Sources of State and Local Government Revenues Used for Public Elementary and Secondary Education

Revenues are raised at the state and local levels to support public elementary and secondary education. Local revenues may be raised directly by an LEA itself (fiscally independent LEAs), or be raised and provided to an LEA by a general purpose unit of local government, such as a county or city (fiscally dependent LEAs). The primary source of local revenues for public elementary and secondary education is the property tax.[2] This tax is primarily applied to real property (residences, commercial buildings, etc.), and in some cases to vehicles or boats. According to data from the U.S. Census Bureau for 2016, 72.0% of all local government tax revenues were from

[2] Kern Alexander, Richard G. Salmon, and F. King Alexander, "Taxation for Public Schools," in *Financing Public Schools: Theory, Policy, and Practice* (New York, NY: Routledge Publishers, 2015).

property taxes, 17.4% were from sales taxes, 6.0% were from individual and corporate income taxes, and the remaining 4.6% came from motor vehicle and other miscellaneous taxes.[3]

The property tax is an annual percentage of the assessed value of residential and commercial "real" property (i.e., buildings and land) and, in some localities, "personal" property (i.e., automobiles, other vehicles, and occasionally other items such as livestock). The property tax rate unit is often referred to as a "mill" or one-thousandth of the assessed value of the property.[4] Because almost three-quarters of all local government revenues come from property taxes, variations in the value of such real or personal property relative to the number of school-age children in a locality is usually the primary cause of local variations in capacity to raise revenues per pupil for public elementary and secondary education. Beyond differences in taxable property per pupil, localities in many states are able to select their local property tax rate, at least within a limited range, and may choose to tax themselves at higher rates than other localities in the same state.

State revenues for public elementary and secondary education are raised from a variety of sources, primarily personal and corporate income and retail sales taxes, "excise" taxes such as those on tobacco products and alcoholic beverages, plus lotteries in several states. According to data from the U.S. Census Bureau for 2016, 47.8% of all state government tax revenues were derived from sales taxes, 42.2% were from individual and corporate income taxes, 1.7% were from property taxes, and the remaining 8.3% came from motor vehicle and other miscellaneous taxes.

State School Finance Programs

As depicted in **Table 2**, all states (but not the District of Columbia) provide a share of the total revenues available for public elementary and secondary education. This state share varies widely, from approximately 25% in Illinois to almost 90% in Hawaii and Vermont. Starting in the early 20th century, all states began to establish public elementary and secondary finance programs in order to diminish somewhat the high degree of inequality in revenues per pupil that would result if funding were based only on local taxable resources and the willingness of local citizens to tax themselves.

The primary policies under which states allocate these revenues among their LEAs have been catalogued and categorized by school finance analysts on several occasions in recent decades. For several years, the U.S. Department of Education's National Center for Education Statistics (NCES) financed and supported a joint effort with the American Education Finance Association and the National Education Association to compile detailed information on the characteristics of state school finance programs. However, the most recent of these publications was released in 2001, was based on the 1998-1999 school year, and has not been updated.[5]

Since the publication of the last NCES catalog of state school finance programs, individual education policy analysts have coordinated efforts to update at least some of the information. For example, annual updates of key school finance policies for each state have recently been

[3] U.S. Census Bureau, 2016 State and Local Government Finance Historical Datasets and Tables: Annual Survey of State and Local Government Finances, https://www.census.gov/data/datasets/2016/econ/local/public-use-datasets.html.

[4] Thus, a tax rate of 20 mills (twenty-thousandths of a dollar) would yield $20 per $1,000 of assessed value of taxable property.

[5] U.S. Department of Education, National Center for Education Statistics, *Public School Finance Programs of the U.S. and Canada: 1998-99*, NCES 2001-309, February 2001, https://nces.ed.gov/edfin/state_financing.asp.

published by Professor Deborah Verstegen of the University of Nevada at Reno.[6] Note that while those organizing and compiling the surveys of state school finance programs provide guidance intended to elicit consistent responses from the states, responses are generally prepared by different individuals in each state who may not describe various policies using the same terminology or focus.

The programs through which state funds are provided to LEAs for public elementary and secondary education have traditionally been categorized by those involved in the compilations discussed above and other education finance analysts[7] into five types of programs: (1) Foundation Programs, (2) Full State Funding Programs, (3) Flat Grants, (4) District Power Equalizing, and (5) Categorical Grants.[8] In many cases, states often have elements of two or more of these types of programs in their school finance policies. Precise counts of how many states have finance programs in each of these categories vary—due to differences in the time at which analyses are conducted combined with the evolution of state policies over time, as well as variations of interpretation by individuals in each state responding to state policy surveys, among other factors. Nevertheless, there is general agreement that the first of these types of state school finance programs, typically referred to as Foundation Programs,[9] is much more common than the other four types, and may be found to some degree in as many as 80% of the states.[10]

Foundation Programs

Foundation Programs began to come into existence in the 1930s.[11] A typical Foundation Program includes required local tax effort, state equalization aid, and local leeway funds. Under a Foundation Program, the state establishes an annual target level of funding per pupil applicable to all of the state's LEAs. As is discussed further below, the pupil count may be undifferentiated, or may be weighted to take into consideration a variety of pupil characteristics (such as grade level, type of educational program, special educational needs such as disabilities, low family income, or English Learner [EL] status) and sometimes estimated differences in the costs of providing education services in different localities. The funding target is most often (and historically) conceptualized as a "minimum" level of funding per pupil, or in some cases more recently as a level of funding necessary to provide an "adequate" educational program. In any case, Foundation Programs are designed to guarantee a "base" level of funding, not to achieve absolute fiscal equality among the LEAs of a state. The state target level of funding per pupil is likely to be influenced by budgetary and other political considerations.[12] The state pays each LEA a

[6] Deborah A. Verstegen, *A Quick Glance at School Finance: A 50 State Survey of School Finance Policies*, 2018, https://schoolfinancesdav.wordpress.com/ (hereinafter referred to as Verstegen (2018)).

[7] See, for example, L. Dean Webb, Arlene Matha, and K. Forbis Jordan, *Foundations of American Education*, 4th ed. (Upper Saddle River, NJ: Merrill Prentice Hall Publishers, 2003), pp. 420-425 (hereinafter referred to as Webb et al.); and Kern Alexander, Richard G. Salmon, and F. King Alexander, "State School Funding Methods," in *Financing Public Schools: Theory, Policy, and Practice* (New York, NY: Routledge Publishers, 2015). Also see Verstegen (2018).

[8] Other organizations have added additional categories for state programs, such as being "student based," "resource based," or "program based." These categorizations are not discussed in this report. For more information, see, for example, Ed Build, *FundEd: State Education Funding Policies for all 50 States*, 2019, http://funded.edbuild.org/.

[9] These were originally referred to as "Minimum Foundation Programs," but over time the "minimum" reference has been dropped.

[10] Kern Alexander, Richard G. Salmon, and F. King Alexander, "Financing *Public Schools: Theory, Policy, and Practice* (New York, NY: Routledge Publishers, 2015), p. 379 (hereinafter referred to as Alexander et al.)

[11] Ibid, p. 374.

[12] Ibid, p. 379.

percentage of this assumed total that varies inversely with local taxable property wealth per pupil, or some other measure of local capacity to raise revenues. The state percentage is higher for LEAs with low fiscal capacity per pupil, and lower for those with high fiscal capacity per pupil.[13]

Foundation Programs vary in their provisions regarding local tax rates. In most states with Foundation Programs, the state specifies at least a minimum rate at which localities must tax themselves. In other states, a local tax rate is assumed in the calculation of the Foundation Program's state share, based on the difference between the assumed total expenditure level and the state percentage of this, but localities are not actually required to tax themselves at this rate. In addition, LEAs might be allowed to raise local tax rates beyond the level required under state law, at least to a limited extent, but will not receive any state supplementation of the additional funds raised. These are commonly referred to as "leeway funds," as LEAs have the leeway to choose a local tax rate higher than the standard level established under state law. Thus, a Foundation Program equalizes funding per pupil (however "pupil" may be defined) but only up to a target level, with LEAs often free to raise additional funds (not matched by the state) if they wish. Many states also combine Foundation Programs with one or more of the additional types of programs discussed below (except for Full State Funding) in a tiered or layered funding system.

Full State Funding Programs

Full State Funding is only found in Hawaii. Under such a policy there are virtually no local revenues. States such as Vermont and New Mexico come close to this category through programs that involve very limited local funding sources.

Flat Grants

Flat Grants are historically important, having been a dominant form of state aid in the early part of the 20th century.[14] While the role of Flat Grants as the primary form of state aid for public elementary and secondary education has almost disappeared, they are included as a supplement to Foundation Programs or other programs in a number of states. As the name implies, this type of program provides grants of an equal amount per pupil to all LEAs in a state, regardless of the level of taxable property wealth in those localities or specific pupil characteristics.

District Power Equalizing

Usually called District Power Equalizing,[15] this program type focuses specifically on equalizing the ability of different LEAs in a state to raise revenues from their available taxable property. These policies establish a minimum level of revenue that may be raised for each unit of local tax rate. For example, a state policy might set a standard that at least $1,000 per enrolled student be generated for each 5 mills[16] of local property tax rate. If a locality cannot raise the standard level of funding per unit of tax rate, due to insufficient taxable property in the LEA, then state funds

[13] For a graphic depiction of how Foundation Programs work, see Urban Institute, *How do school funding formulas work?*, November 29, 2017, https://apps.urban.org/features/funding-formulas/.

[14] Webb et al., p. 424.

[15] These are also sometimes referred to as Guaranteed Tax Yield programs.

[16] As noted earlier, a "mill" is one-thousandth of the assessed value of taxable property. Thus, an annual tax rate of 25 mills would be 2.5% of the value of taxable property (25/1,000 = 0.025 or 2.5%).

would be provided to make up the difference (often limited to a specified maximum local tax rate).

In other words, this program type provides for a minimum guaranteed tax base for public elementary and secondary education in the state. It is often said that District Power Equalizing focuses on equity for taxpayers, while frequently allowing substantial variation in local tax rates and thereby in total state and local funding per pupil, depending on local preferences.[17] Reportedly, fewer states than in the past currently rely primarily on this type of program, though several still incorporate it as part of a multifaceted state school finance system (i.e., in conjunction with Foundation Programs, etc.).[18]

Categorical Grants

While apparently no state relies totally on Categorical Grants, many states use them in combination with the program types discussed above. Categorical Grants provide funding based on the number of students with specific needs (students with disabilities or limited English proficiency, from low-income families, etc.) or in particular educational programs (career and technical programs, etc.). States may allow such funding to be treated as general aid by LEAs, or they may require that funds be used to serve the specific students upon whom the grants are based.

At the federal level, the largest federal programs of aid to public elementary and secondary education are Categorical Grants. These include ESEA Title I, Part A, under which funds for the education of disadvantaged children are allocated primarily on the basis of estimates of the number of school-age children in low-income families.

Categorization of State Finance Programs

As mentioned above, it is difficult to place all states neatly into one of the five aforementioned categories based on current and consistent data and terminology. Nevertheless, one relatively recent effort to do so categorized 37 states as relying primarily on Foundation Programs, 1 state as using Full State Funding, 1 state as relying primarily on Flat Grants, 2 states as relying primarily on District Power Equalizing, and the remaining 9 states as employing combinations of these types of state school finance programs.[19] Another effort to place states in school finance program groups was published in 2003, and was based on the NCES compilation of state programs for 1998-1999.[20] This analysis placed 35 states in the Foundation Program category, 1 state in the Full State Funding category, 2 states in the Flat Grants category, and 6 states in the District Power Equalizing category, with the remaining 6 states using combinations of these types of programs. A more recent effort to categorize state school finance programs found that "approximately 80%" of all states use Foundation Programs, 1 provides Full State Funding (though a few others approach this), 1 relies primarily on Flat Grants, and 2 rely primarily on District Power Equalizing, but that increasingly many states combine two or more of these

[17] Webb et al., p. 423.

[18] Alexander et al., p. 382.

[19] Deborah A. Verstegen, "Policy Brief: How Do States Pay for Schools? An Update of a 50-State Survey of Finance Policies and Programs," Association for Education Finance and Policy Annual Conference, San Antonio, TX, April 15, 2014, https://schoolfinancesdav.files.wordpress.com/2014/04/aefp-50-stateaidsystems.pdf.

[20] Webb et al., pp. 421-424.

program types in a tiered funding system.[21] Finally, in August 2019, the Education Commission of the States (ECS) published data indicating that 36 states rely primarily on a Foundation model of K-12 education finance, while 8 states rely primarily on a "Resource Allocation" model,[22] 3 states rely on a hybrid of Foundation and Resource Allocation models, 1 state relies on a hybrid of a Foundation Model and a Hold Harmless policy, and the final 2 states rely on "Other" models of school finance.[23]

School Finance "Equalization"

A goal of all of the various types of state school finance programs is to provide at least some limited degree of "equalization" of spending and resources and/or local ability to raise funds for public elementary and secondary education across all of the LEAs in the state. School finance equalization would seem to imply "equal spending per pupil" among a state's LEAs. However, the meanings of both "equal" and "per pupil" may vary widely. Relatively few observers advocate absolute equality of dollars spent on behalf of every pupil in the state. Almost all state school finance programs allow for some level of spending differences based on local willingness to pay for public elementary and secondary education, differences in the costs of educating various categories of high-need pupils, or differences in the costs of providing education services in different geographic areas.

State school finance programs frequently account for certain types of pupils whose education imposes higher than average costs on LEAs, which might include pupils with disabilities, from low-income families and/or living in areas with high concentrations of poverty, with limited proficiency in the English language, or living in sparsely populated areas. Analysts of school finance programs sometimes use the term "horizontal equity" to refer to equal funding on behalf of similar pupils in different LEAs across a state, and "vertical equity" to refer to different levels of funding on behalf of pupils with different levels of need.[24] If a state school finance program provides more funds on behalf of high-cost pupils than other pupils in an effort to provide vertical equity, and if the distribution of these pupils is uneven across the state's LEAs, then the state's school finance system might be considered by many analysts to be equalized yet have significant differences in spending per enrolled pupil overall.

Regardless of how one adjusts for the distribution of different types of pupils, there are two basic ways in which school finance equalization has been defined. By far the most common method is based on equalization of the level of revenues or expenditures per pupil, however "pupil" might be defined. The other, somewhat less common, method focuses on equalizing the amount of funds per pupil that each LEA could raise per unit of local tax rate. The first method would equalize actual amounts of funds available, while the second would equalize local ability to raise revenues. These two basic concepts of equalization are reflected in many of the state school finance programs discussed above. Foundation Programs often incorporate provisions to provide higher amounts per pupil on behalf of one or more categories of high-need pupils, and Categorical

[21] Alexander et al., pp. 374-391.

[22] According to ECS, "Under a resource allocation model, states distribute resources rather than assigning weights or dollar values based on certain criteria. For example, the state would provide funding for a prescribed number of teaching positions based on student counts." Education Commission of the States, *50-State Comparison: K-12 Funding*, August 5, 2019, https://www.ecs.org/50-state-comparison-k-12-funding/.

[23] Education Commission of the States, *50-State Comparison: K-12 Funding*, August 5, 2019, https://www.ecs.org/50-state-comparison-k-12-funding/.

[24] Webb et al., p. 421.

Grants often provide increased funds to serve specific high-need pupil groups. In contrast, District Power Equalizing programs focus on equalizing the funds that could be raised per unit of local tax rate.[25]

Examples of Relevant School Finance Court Cases

Beginning in the early 1970s, equalization of resources for public elementary and secondary education across the LEAs in each state has been the topic of a variety of state and, to a much lesser extent, federal court cases. In 1971, in the case of *Serrano v. Priest*, the California State Supreme Court ruled that the quality of a child's education should not depend on the taxable property wealth of the locality in which her or his family resides.[26] This was the first of an ongoing series of cases brought in state courts, based on state statutory law and state constitutions.[27]

At the federal level, the U.S. Supreme Court decided in 1973, in the case of *San Antonio Independent School District v. Rodriguez,* that differences in local expenditures per pupil within a state did not violate the U.S. Constitution, as long as these differences were the result of state actions intended to meet a public purpose, such as increased local control of education that might accompany substantial reliance on local revenue sources.[28] Following this decision, the issue of school finance equalization has been addressed primarily in state courts, based on state constitutional provisions, rather than federal courts.[29]

Weighted Student Funding in State School Finance Programs

In the discussion of state school finance programs above, it was stated that such programs often establish target levels of funding "per pupil." The "pupil" counts involved in these programs may simply be based on total student enrollment as of some point in time, or they may be a "weighted" count of students, taking into account variations in a number of categories—special pupil needs (e.g., disabilities, low family income, limited proficiency in English), grade levels, specific educational programs (e.g., career and technical education), or geographic considerations (e.g., student population sparsity or local variation in costs of providing education).

As noted earlier, existing surveys of state school finance programs, which rely on different respondents in each state, vary in the level of detail and use of terminology in describing the programs in each state. Nevertheless, a review of the individual state entries in a recent survey[30] is an instructive indication of the extent to which weighted student counts are used to determine funding levels under current state programs. It shows that at least 32 states used some degree of weighting of the pupil counts used to calculate state aid to LEAs. Most of these states have policies that assign numeric weights to different categories of pupils, while in other states the

[25] See, for example, Alexander et al., Chapter 14; Webb et al., pp. 420-424, and National Academy of Sciences, *Equity and Adequacy in Education Finance*, 1999, Chapter 1.

[26] Webb et al., p. 211.

[27] For more information, see, for example, Helen F. Ladd, Rosemary Chalk, and Janet S. Hansen, ed., *Equity and Adequacy in Education Finance: Issues and Perspectives* (The National Academies Press, 1999), particularly Chapter 2, "School Finance Litigation in the Name of Educational Equity: Its Evolution, Impact, and Future," https://www.nap.edu/read/6166/chapter/1#v.

[28] Webb et al., p. 429.

[29] Webb et al., pp. 427-429.

[30] Verstegen (2018).

school finance program specifies different target dollar amounts for specific categories of pupils, which is mathematically equivalent to assigning weights.[31]

Another study of the extent to which states use pupil weighting in their school finance programs was published in August 2019 by ECS.[32] These data include fewer categories of pupil weights in state school finance programs than the aforementioned study. Overall, based on this study, 42 states, the District of Columbia, and Puerto Rico used weights for at least one pupil category.[33]

The number of states reported in these two recent studies as applying weights to different pupil categories in their school finance programs is summarized in **Table 3**. Pupil weighting categories for which no data are provided in the third column of this table were not included in the ECS study. It should be noted that the Verstegen study was based on survey data collected from state departments of education on state school finance policies that were in effect during the 2017-2018 school year.[34] The study did not include the District of Columbia or Puerto Rico. The ECS study relied on relevant state statutory language, regulations, and guidance that was in effect as of July 1, 2019, in the 50 states, the District of Columbia, and Puerto Rico.[35]

Table 3. Number of States Assigning Pupil Weights or Target Dollar Amounts in Their State School Finance Programs to Pupils in Selected Categories

Pupil Category	Number of States (Verstegen Survey)	Number of States (ECS Study)
English learners	23	37
Low-income	22	35
Disabilities	22	29
Selected grade levels	21	na
Pupil population sparsity (small schools or LEAs)	12	20
Career and Technical Education program	8	na
Other disadvantaged pupils (foster, transient, pregnant, homeless, migrant, neglected, or delinquent)	6	na
Gifted and talented	4	13
Low-achieving	3	na

Source: Table prepared by CRS based on data from Deborah A. Verstegen, *A Quick Glance at School Finance: A 50 State Survey of School Finance Policies*, 2018, https://schoolfinancesdav.wordpress.com/, and from Education

[31] In addition, a few states apply weights, based on pupil categories, to "instructional units" in their state school finance formulas; this can also be mathematically equivalent to weighting pupil types directly. See Alexander et al., pp. 389-390.

[32] See Education Commission of the States, *50-State Comparison: K-12 Funding*, August 5, 2019, https://www.ecs.org/50-state-comparison-k-12-funding/.

[33] The states that did not use weights for any pupil category include Alabama, Delaware, Idaho, Illinois, Montana, Tennessee, Utah, and Wisconsin. It should be noted that this does not mean that they did not provide funding for any of the pupil categories included in **Table 3**. It just means that if they did provide funding for those categories of pupils, they used a different funding strategy than weights.

[34] Verstegen (2018).

[35] Information about the ECS study methodology was provided to CRS by ECS through personal correspondence on August 23, 2019.

Commission of the States, *50-State Comparison: K-12 Funding*, August 5, 2019, https://www.ecs.org/50-state-comparison-k-12-funding/.

Notes: An individual state may be counted in more than one category. Based on the Verstegen survey, at least 32 states used one or more of the pupil categories. Based on the ECS survey, 42 states, the District of Columbia, and Puerto Rico used one or more of the pupil categories.
na: Not applicable, as this pupil category was not included on the ECS survey.

As detailed in **Table 3**, according to both studies states most often add funding weights for pupils who are English learners, have low family income, or have disabilities. States often employ multiple weights for pupils with specific types of disabilities (i.e., higher weights are assigned as the level of disability increases), and sometimes increase low family income weights for pupils in LEAs or schools with high concentrations of low-income pupils (i.e., higher weights are assigned as the concentration of children from low-income families increases). States that do not employ pupil weights in their primary funding formulas sometimes provide extra funding for high-need pupils through separate Categorical Grants.

Many states also adjust pupil weights for those in selected grade levels, geographic areas, or programs. Weights are often higher for pupils in the earliest grades or in grades 9-12, though policies vary widely, and a few states prioritize other grade levels such as 7-9. The population sparsity weights recognize the diseconomies of scale in areas with especially small LEAs or schools. The career and technical education weights recognize the extra costs of these types of programs.

For example, the state of Oregon bases allocations under its primary school finance formula on a weighted count of students in average daily membership (enrollment) in each of the state's LEAs, which is referred to as the average daily membership weighted (ADMw) count. This policy applies additional weights to counts of students who are English learners; students who are pregnant or are in parenting programs; students with disabilities; students in low-income families; foster, neglected, or delinquent students; and students in remote or small schools.[36]

Another source of information on the extent to which weighted student funding and related concepts are employed in state school finance programs is the Edunomics Lab at Georgetown University.[37] This organization compiles information on the share of state elementary and secondary education funds that various states allocate via primary state aid formulas incorporating weighted student funding, which it also refers to as the "student based allocation." The Edunomics Lab has reported that 20 states allocated 33% or more of their state aid funds through a weighted student funding formula during at least some part of the period from FY2014 to FY2019.[38]

LEA Programs to Finance Public Schools

As seen above, the concept of pupil weighting is often applied in determining funding levels for LEAs under state school finance programs. After state funds reach LEAs, they are combined with locally raised funds to provide educational resources to students in individual schools. LEAs may also use weighted student funding formulas to allocate funds to individual public schools, but more often they use other funding strategies. This section of the report provides an overview of

[36] See Oregon State School Fund Grant 2019-2020, https://www.oregon.gov/ode/schools-and-districts/grants/Documents/ADMw%20breakout%206-26-19.pdf.

[37] For more information about the Edunomics Lab, see https://edunomicslab.org/.

[38] The states are Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Indiana, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Rhode Island, Texas, and Wisconsin; https://edunomicslab.org/our-research/student-based-allocations/.

conventional intra-LEA budgeting policies and the use of weighted student funding policies by LEAs.

Conventional Intra-LEA Budgeting Policies

Under the traditional, and still most common, method of allocating resources within LEAs, there are no specific budgets for individual schools. Available state and local funds are managed centrally, by LEA staff, and various resources—facilities, teachers, support staff, school administrators, instructional equipment, etc.—are assigned to individual schools. In this process, LEA staff typically apply LEA-wide standards such as pupil-teacher ratios or numbers of various categories of administrative and support staff to schools of specific enrollment sizes and grade levels. While levels of expenditures per pupil may be determined for individual schools under these budgetary systems, they are calculated "after the fact," based on whatever staff and other resources have been assigned to the school. And while standard ratios of pupils per teacher or other resource measures may be applied LEA-wide in these situations, substantial variations in the amounts actually spent on teachers and other resources in each school can result from systematic variations in teacher seniority and other factors. These variations might be masked by local policies to apply average salaries, rather than specific actual salaries, in school accounting systems.[39] Further, under traditional school budgeting policies there is little or no immediate or direct adjustment of resources or spending when students transfer from one school to another.

Weighted Student Funding Concept Applied to Intra-LEA Budgeting for Schools

In contrast to traditional, fully centralized budgeting and accounting policies for public schools within LEAs, a number of LEAs have in recent years applied the weighted student funding concept to developing and implementing individual school budgets. These policies are not currently applied to any federal program funds and are applied only to a portion of the state and local revenues received by these LEAs, as they continue to centrally administer and budget for various activities such as school facility construction, operations and maintenance, employee benefits, transportation, food services, and many administrative functions. The LEAs develop school budgets for teachers, support staff, and at least some other resources on the basis of weighted counts of the students currently enrolled in each school, and adjust these budgets when students transfer from one school to another.[40]

CRS is not aware of any comprehensive listing of all the LEAs that are currently implementing weighted student funding policies for intra-LEA allocations to schools. However, the Edunomics Lab compiles data on such LEAs, and it has identified several relatively large urban LEAs that allocated between 21% and 89% of their funds to schools through weighted student funding formulas in FY2017 and/or FY2018. These are Baltimore City, Boston, Chicago, Cleveland, Denver, Douglas County (Colorado), Houston, Indianapolis, Jefferson County (Colorado), Metro Nashville, Milwaukee, New York City, Newark, Norwalk (Connecticut), Orleans Parish, Prince George's County (Maryland), and San Francisco.[41] This is not an exhaustive list of LEAs

[39] See, for example, Marguerite Roza, *Educational Economics: Where Do School Funds Go?* (Washington, DC: Rowman & Littlefield Publishers, 2010), particularly pp. 5-15.

[40] For more information, see Edunomics, *Student Based Allocation*, https://edunomicslab.org/our-research/student-based-allocations, and ERS, *Transforming School Funding: A Guide to Implementing Student-Based Budgeting*, https://www.erstrategies.org/tap/implementing_student-based_budgeting.

[41] For more information, see Edunomics, *Student Based Allocation*, https://edunomicslab.org/our-research/student-based-allocations.

employing weighted student funding for schools, especially with respect to smaller LEAs, but it may be considered to be illustrative of the current extent of the practice.

For example, the Boston public school system allocates funds to individual public schools on the basis of weighted student counts that vary by grade level, pupils with disabilities (multiple categories), ELs, pupils with low family income, and pupils in career and technical education programs. According to Boston Public Schools, the use of weighted student funding promotes the school system's goals of equity, empowerment for school-level staff, innovation by individual schools, accountability, and transparency regarding the level of funding available to each school.[42]

Advocates for weighted student funding policies within LEAs argue that they promote equity by explicitly connecting funding levels with the distribution of high-need pupils, as defined by the LEA, resulting in higher state and local funding in schools with higher proportions of these pupils. Advocates also argue that transparency is enhanced when school budgets reflect funds actually spent at each individual school. They further argue that weighted student funding of schools enhances school choice and school-based management practices, where applicable, and promotes flexibility in resource use by schools.[43] However, the use of weighted student funding within LEAs is a relatively new practice in most cases, and comprehensive research on its effects is not yet available.

Use of Equalization Strategies and Weighted Student Funding in ESEA

The ESEA includes one program and one secretarial authority that incorporate elements of the equalization and weighted student funding strategies used by states and LEAs. The Title I-A program authorizes federal aid to LEAs for the education of disadvantaged children. Title I-A grants provide supplementary educational and related services to low-achieving and other students attending elementary and secondary schools with relatively high concentrations of students from low-income families. It is also the largest ESEA program ($15.9 billion), accounting for over 60% of all ESEA funds in FY2019 ($25.2 billion). The formulas used to determine grants to LEAs under Title I-A include both an equity component and weighted student funding elements. Title I-E provides the Secretary of Education (the Secretary) with authority to provide LEAs with flexibility to consolidate eligible federal funds with state and local funding to create a "single school funding system based on weighted per-pupil allocations for low-income and otherwise disadvantaged students." Both ESEA Title I-A and Title I-E are discussed below.

[42] Boston Public Schools, *Frequently Asked Questions About the BPS Budget*, FY2017, https://www.bostonpublicschools.org/cms/lib07/MA01906464/Centricity/Domain/4/FY17FAQ.pdf. For more information about weighted student funding in Boston Public Schools, see, for example, Marguerite Roza and Cory Edmonds, *Boston Public Schools: Weighting What Matters*, Edunomics Lab, June 2014, https://edunomicslab.org/wp-content/uploads/2014/06/14_EL_001_SBA_Boston_F.pdf.

[43] Edunomics Lab, *An Introduction to Student Based Allocation, a.k.a., WSF or Weighted Student Funding*, November 20, 2018, https://edunomicslab.org/wp-content/uploads/2018/12/SBA-101-Webinar-11.2018.pdf. See also U.S. Department of Education, *Why should your school district apply for the Student-centered Funding pilot?*, https://www2.ed.gov/policy/elsec/leg/essa/scfp/scfbenefits.docx.

Title I-A

Under the ESEA Title I-A program, different portions of each year's appropriation for grants to LEAs are allocated under one of four different formulas—Basic Grant, Concentration Grant, Targeted Grant, and Education Finance Incentive Grant (EFIG).[44] For each formula, a maximum grant is calculated by multiplying a "formula child count," consisting primarily of estimated numbers of school-age children in low-income families, by an "expenditure factor" based on state average per pupil expenditures for public K-12 education. For some formulas, additional factors are multiplied by the formula child count and expenditure factor. These maximum grants are then reduced to equal the level of available appropriations for each formula, taking into account a variety of state and LEA minimum grant and "hold harmless" provisions.

The formula child population used to determine Title I-A grants for the 50 states, the District of Columbia, and Puerto Rico consists of children ages 5 to 17 (1) in low-income families, according to estimates for LEAs from the Census Bureau's Small Area Income and Poverty Estimates (SAIPE) program; (2) in institutions for neglected or delinquent children or in foster homes; and (3) in families receiving Temporary Assistance for Needy Families (TANF) payments in excess of the poverty income level for a family of four persons. Children in low-income families account for about 97% of the total formula child count, so the other formula population categories are of limited significance overall. Each element of the formula child count is updated annually. In general, LEAs must have a minimum number of formula children and/or a minimum formula child rate to be eligible to receive a grant under a specific Title I-A formula.[45]

Among the four Title I-A formulas, the EFIG formula contains an equity factor as well as a weighted student funding component. The Targeted Grant formula also contains a weighted student funding component. Both types of funding factors are discussed below.

Equity Factor

Under the EFIG formula, a measure of the equity of state school finance programs plays a role in the determination of the level of funds each state receives. More specifically, Title I-A grants under the EFIG formula are made to states on the basis of their formula children, an expenditure factor based on state average per pupil expenditures for public elementary and secondary education, an effort factor based on average per pupil expenditure for public elementary and secondary education relative to personal income per capita for each state compared to the nation as a whole, and an equity factor based on variations in average per pupil expenditure among the LEAs in each state. Thus, state total grants under the EFIG formula are based on each state's share, compared to the national total, of a population factor multiplied by an expenditure factor, an effort factor, and an equity factor, adjusted by a state minimum grant provision.

The equity factor is based on a measure of the average disparity in expenditures per pupil among the LEAs of a state called the coefficient of variation (CV). The CV is expressed as a decimal proportion of the state average per pupil expenditure. In the CV calculations for this formula, an extra weight (1.4 vs. 1.0) is applied to estimated counts of children from low-income families. The effect is that grants would be maximized for a state where LEA-level expenditures per pupil from a low-income family are 40% higher than expenditures per pupil from a non-low-income

[44] For more detailed information on the EFIG and other ESEA Title I-A allocation formulas, see CRS Report R44164, *ESEA Title I-A Formulas: In Brief*; or CRS Report R44461, *Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act*.

[45] For an overview of these eligibility requirements, see Table 1 in CRS Report R44164, *ESEA Title I-A Formulas: In Brief*.

family. Typical state equity factors range from 0.00 (for the single-LEA jurisdictions of Hawaii, Puerto Rico, and the District of Columbia, where by definition there is no variation among LEAs), to approximately 0.30 for a state with high levels of variation in expenditures per pupil among its LEAs. The equity factors for most states fall into the 0.10-0.20 range. In calculating grants, the equity factor is subtracted from 1.30 to determine a multiplier to be used in calculating state grants. As a result, the lower a state's expenditure disparities among its LEAs are, the lower its CV and equity factor will be, and the higher its multiplier and its grant under the EFIG formula will be. Conversely, the greater a state's expenditure disparities among its LEAs are, the higher its CV and equity factor will be, and the lower its multiplier and its grant under the EFIG formula will be.[46] Of the $15.9 billion appropriated for Title I-A for FY2019, EFIG received $4.0 billion (25.3% of total Title I-A funding) for the 2019-2020 school year.[47]

Weighted Student Funding

The EFIG formula also employs a weighted student funding concept in the allocation of grants to states. In the calculation of the formula's equity factor, state and local funds per pupil are calculated using a greater weight for students from low-income families (1.4) than for other students (1.0). As a result, a state where greater state and local funds are available for the education of students from low-income families than for other pupils would have a numerically low equity factor and ultimately higher grants under the EFIG formula.

The weighted student concept is also employed in the Title I-A Targeted Grant formula and in an additional way in the intrastate allocation of EFIG formula funds to LEAs within states. As with the EFIG formula, the Targeted Grant formula received $4.0 billion (25.3% of total Title I-A funding) for the 2019-20 school year.[48] Under the Targeted Grant formula, as well as the intrastate allocation of funds under the EFIG formula, formula child counts and formula child rates[49] are assigned weights, with higher weights applied as the formula child count or rate increases in an LEA. The higher the formula child count or rate is, the higher the grants per formula child an LEA would receive will be.

---

[46] As noted above, the equity factor is based upon the coefficient of variation (CV) measure of the average disparity in average per pupil expenditure among the LEAs of a state, and state equity factors generally range from 0.00 to 0.30, with most states in the range of 0.10-0.20. The equity factor is subtracted from 1.30 to determine a multiplier to be used in calculating state grants. For example, a state with very low expenditure disparities among its LEAs might have an equity factor of 0.05 and a multiplier of 1.25 (1.30 - 0.05 = 1.25). In contrast, a state with high expenditure disparities among its LEAs might have an equity factor of 0.25 and a multiplier of 1.05 (1.30 - 0.25 = 1.05). Other factors held constant, the higher a state's multiplier is, the higher its EFIG grant will be.

[47] In addition to ESEA Title I-A, the Impact Aid program, authorized by Title VII of the ESEA, contains a provision related to the equity of state school finance systems. Impact Aid compensates LEAs for a "substantial and continuing financial burden" resulting from federal activities. These activities include federal ownership of certain lands, and the enrollments in LEAs of children whose parents work or live on federal property and children living on Indian lands. In general, states may not take ESEA funds into consideration when determining the amount of state aid that an LEA is eligible to receive (ESEA, Section 8522). However, under the Impact Aid program, if a state has a school finance equalization program that is certified by the Secretary of Education, it can take Impact Aid payments into consideration in carrying out its school finance program (ESEA, Section 7009). Currently, only Alaska, Kansas, and New Mexico have certified state equalization programs. States that meet the Impact Aid equity standard are assigned an equity factor for purposes of the Title I-A EFIG formula (as discussed above) of no greater than 0.10. For more information about Impact Aid and equalization, see CRS Report R45400, *Impact Aid, Title VII of the Elementary and Secondary Education Act: A Primer*.

[48] For more detailed information on the EFIG and other ESEA Title I-A allocation formulas, see CRS Report R44164, *ESEA Title I-A Formulas: In Brief*; or CRS Report R44461, *Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act*.

[49] The formula child rate is calculated by dividing the number of formula children in an LEA by the number of children ages 5-17 who reside in the LEA.

Under the Targeted Grant formula, one set of weighting factors is applied to all LEAs based on formula child counts and one set is applied to all LEAs based on formula child rates. In contrast, under the EFIG formula three sets of weights are used for weighting formula child counts and three sets are used for the weighting of formula child rates. The set of weights used under the EFIG formula depends on the value of each state's equity factor (described above), with lower weights applied to LEA grant calculations in states that have a lower equity factor (i.e., relatively low disparities in expenditures per pupil among the state's LEAs) and higher weights applied to LEA grant calculations in states that have a higher equity factor (i.e., relatively high disparities in expenditures per pupil among the state's LEAs). In determining LEA grants under both the Targeted and EFIG formulas, the higher of the two weighted student counts (one calculated based on formula child counts and one calculated based on formula child weights) is used in calculating grants for each LEA.

Title I-E

The Title I-E authority allows the Secretary to enter into a demonstration agreement with LEAs that are using or agree to implement weighted student funding systems to establish budgets for, and allocate funds to, individual public schools. In order to enter into a local flexibility demonstration agreement under the Title I-E authority, each LEA must have a weighted student funding system that meets specific requirements. The LEA's system must use weights or allocation amounts that provide "substantially more funding" than is allocated to other students to English learners (ELs), students from low-income families, and students with any other characteristic related to educational disadvantage that is selected by the LEA. The system must also ensure that each high-poverty school receives in the first year of the demonstration agreement more per-pupil funding for low-income students than was received for low-income students from federal, state, and local sources in the year prior to entering into the agreement, and at least as much per-pupil funding for ELs as was received for ELs from federal, state, and local sources in the year prior to entering into the agreement.

The weighted student funding system must include all school-level actual personnel expenditures for instructional staff, including staff salary differentials for years of employment, and actual nonpersonnel expenditures in the LEA's calculation of eligible federal funds and state and local funds to be allocated to the school level. It must also allocate a "significant portion of funds," including state and local funds and eligible federal funds, to the school level based on the number of students in a school and an LEA-developed formula that determines per-pupil weighted amounts. In addition, the percentage of state and local funds and eligible federal funds allocated through the LEA's weighted student funding system must be sufficient to carry out the purposes and requirements of the demonstration agreement.[50]

Eligible federal funds that may be consolidated in an LEA's weighted student funding system include, for example, those available under ESEA Title I-A (Education for the Disadvantaged), Supporting Effective Instruction (Title II-A), English Language Acquisition (Title III-A), and Student Support and Academic Enrichment (Title IV-A). No non-ESEA funds (e.g., funds available under the Individuals with Disabilities Education Act or the Perkins Career and Technical Education Act) are considered eligible funds for purposes of consolidation. Once eligible federal funds are consolidated in a participating LEA's weighted student funding system, these funds are treated the same way as the state and local funds. There are no required uses

[50] U.S. Department of Education, Local Flexibility Demonstration Agreements for Student-Centered Funding Authorized by Section 1501 of the ESEA: Frequently Asked Questions, May 31, 2018, Item C-4, https://www2.ed.gov/policy/elsec/leg/essa/scfp/faqs.pdf.

associated with the eligible federal funds provided that the expenditures are "reasonable and necessary" and the purposes of the eligible federal programs for which funds have been consolidated are met.

Recent Efforts to Collect and Publish School-Level Financial Data

A separate development relevant to the adoption of weighted student funding by some LEAs has been increasing interest in the collection and reporting of school-level finance data for public schools. While historically there have not been comprehensive state or federal efforts to calculate or report on specific budgets or expenditure levels for individual public schools, federal efforts to require and support the reporting of such information have expanded rapidly in recent years. The availability of school-level financial data, based on standard concepts applied consistently nationwide, could be especially helpful in the administration of a key fiscal accountability requirement of the ESEA Title I-A program, as discussed below. Such data could also inform state and local level consideration of equity among schools and groups of students, and increase transparency regarding budgeting and financial decisions by LEAs.

One factor that may help explain this increasing attention is the "comparability" requirement associated with the ESEA Title I-A program.[51] This is a requirement that services provided with state and local funds in schools participating in Title I-A must be comparable to those in non-Title I-A schools within the same LEA. If all of an LEA's schools participate in Title I-A, then services funded from state and local revenues must be "substantially comparable" in each school within the LEA. The Title I-A comparability requirement is intended to ensure that state and local funds are used to provide a comparable level of services in Title I-A schools compared with non-Title I-A schools prior to the receipt of Title I-A funds.

Comparability is measured only with respect to the public schools within the same LEA, not statewide. It is designed to ensure that federal Title I-A funds provide a net increase in funding for Title I-A schools compared to non-Title I-A schools, and do not simply replace state and local funds that would, in the absence of Title I-A, be provided to the Title I-A schools. In demonstrating comparability, LEAs are prohibited from using staff salary differentials for years of employment in determining expenditures per pupil from state and local funds or instructional salaries per pupil from state and local funds.[52] That is, actual staff salaries are not used in comparability determinations. In recent years, there has been renewed attention to the extent to which the comparability requirement is being enforced, and to the nature and quality of school-level expenditure data used to determine compliance.[53]

More broadly, a number of other federal requirements and research efforts have reflected this increased interest in school-level finance data collection and reporting. The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5, Title VIII) included a one-time requirement for states to compile and report expenditures for all public schools for the 2008-2009 school year. States were required to report total personnel salaries for all school-level instructional and support staff; salaries specifically for instructional staff; salaries specifically for teachers; and

[51] ESEA Section 1118(c).

[52] ESEA Section 1118(c)(2)(B).

[53] See, for example, U.S. Department of Education, Comparability of State and Local Expenditures Among Schools Within Districts: A Report From the Study of School-Level Expenditures, 2011, https://www2.ed.gov/rschstat/eval/title-i/school-level-expenditures/school-level-expenditures.pdf.

nonpersonnel expenditures, if available. ED provided guidelines on the specific types of expenditures that states and LEAs should include in their reports. States and LEAs were asked to report school-level expenditures from state and local funds only, and to exclude expenditures for special education, adult education, school nutrition programs, summer school, preschool, and employee benefits. All expenditure data was to be reported based on actual expenditures, including those for staff salaries.

A study of the implementation of the Title I-A comparability requirement that was based on the data collection required by the ARRA determined that within LEAs that had both Title I-A and non-Title I-A schools, "more than 40 percent of Title I schools had lower personnel expenditures per pupil than did non-Title I schools at the same grade level."[54] For example, at the elementary school level 46% of Title I-A schools had state and local personnel expenditures per pupil that were below the average for non-Title I-A schools in the same LEA, while 54% exceeded the average for non-Title I-A schools in the same district. Title I-A middle schools and high schools were marginally less likely to have below-average per-pupil personnel expenditures (42% and 45%, respectively) compared to non-Title I-A schools in the same LEA. Across all levels of elementary and secondary education, 48% of Title I-A schools were not receiving the same level of per-pupil state and local personnel expenditures as non-Title I-A schools in the same LEA.[55] While this does not represent a violation of the Title I-A comparability requirements, which are not based on actual personnel expenditures, it is an indication that a sizable group of Title I-A schools may not actually be as equally resourced as non-Title I-A schools prior to the receipt of Title I-A funds. In discussing this study, ED stated that, "[t]raditional district allocation methods have been shown to create significant funding disparities between Title I and non-Title I schools."[56]

Separately, ED's Office for Civil Rights began to collect selected school-level expenditure data starting with the 2009-2010 school year. These data are captured every second year as part of the ongoing Civil Rights Data Collection, and include total personnel salaries; salaries specifically for teachers, instructional aides, support services staff, and school administrators; and nonpersonnel expenditures. All expenditure data must be based on actual expenditures. Unlike data collected under the ARRA (discussed above) and ESEA (discussed below) requirements, these data are collected directly from schools and LEAs, not states.[57]

In spring 2014, the Office of Management and Budget (OMB) and ED's Office of Planning, Evaluation, and Policy Development (OPEPD) requested that ED's National Center for Education Statistics (NCES) develop a school-level finance data collection, as such a collection had not been developed on a comprehensive, annual basis.[58] In response, NCES launched pilot efforts to expand ongoing surveys of state and LEA finances to include school-level financial data as well.

---

[54] U.S. Department of Education, Comparability of State and Local Expenditures Among Schools Within Districts: A Report From the Study of School-Level Expenditures, 2011, https://www2.ed.gov/rschstat/eval/title-i/school-level-expenditures/school-level-expenditures.pdf, p. 18.

[55] Ibid.

[56] U.S. Department of Education, *Education for the Disadvantaged: Fiscal Year 2020 Budget Request*, p. A-26, https://www2.ed.gov/about/overview/budget/budget20/justifications/a-ed.pdf.

[57] For more information, see U.S. Department of Education, Office of Civil Rights, Civil Rights Data Collection, https://www2.ed.gov/about/offices/list/ocr/data.html and https://ocrdata.ed.gov/SurveyDocuments.

[58] U.S. Department of Education, National Center for Education Statistics, "The Feasibility of Collecting School-Level Finance Data, An Evaluation of Data from the School-Level Finance Survey (SLFS) School Year 2013-14," April 2018, https://nces.ed.gov/pubs2018/2018305.pdf, and "The Feasibility of Collecting School-Level Finance Data, An Evaluation of Data from the School-Level Finance Survey (SLFS) School Year 2014-15," August 2019, https://nces.ed.gov/pubs2019/2019305.pdf.

Beginning with the 2013-2014 school year, NCES conducted a pilot School-Level Finance Survey (SLFS) to evaluate the feasibility of collecting school-level finance data in conjunction with the School District Finance Survey and National Public Education Financial Survey for states and LEAs, jointly conducted by NCES and the Census Bureau.[59] Twelve states participated in this pilot survey for the 2013-2014 school year, and 17 states for 2014-2015 (although only 15 states provided data deemed to be usable by NCES). Based on pilot survey results for the 2014-15 school year, NCES determined that (1) approximately one-half of the participating states were able to report complete personnel and/or nonpersonnel data for at least 95% of their public schools, (2) SLFS data are generally consistent with data reported in other school finance surveys, (3) the development of standardized protocols "enhances the efficiency of reporting school-level finance data, (4) there remain "numerous inherent challenges in collecting school-level finance data," (5) and, nevertheless, "the feasibility of collecting and reporting school-level finance data of reasonable quality is relatively high."

A major concern regarding school-level expenditure surveys is achieving consistency among the states on what kinds on expenditures to include or exclude. The SLFS currently includes 15 unique expenditure items covering a wide variety of personnel expenditures (6 items), including salaries, as well as nonpersonnel expenditures (9 items), such as educational technology.[60] Excluded from these items are employee benefits and services provided centrally by LEAs such as transportation, capital spending, food services, central administration, and building operations and maintenance. Data for each of the 15 expenditure items were collected two ways: (1) without additional exclusions (other than the aforementioned exclusions), and (2) with additional exclusions for expenditures paid from most federal funds, expenditures for prekindergarten, and expenditures for special education.

Beginning with the 2015-2016 school year, the SLFS was opened to all states on a voluntary basis.[61] Beginning with the 2017-2018 school year data collection, NCES began collecting complete operational expenditure data.[62] NCES noted that "[c]omplete, accurate, and comparable school-level finance data across states will take time and effort to achieve."[63] However, NCES also noted that recent ESEA school-level finance reporting requirements (discussed below), further development of standardized internal protocols for school-level finance accounting, and continued SEA collaboration with NCES and the Census Bureau on the SLFS data collection should result in improved school-level finance data.[64]

Further, as mentioned above, the ESSA amended ESEA Title I-A to require participating states to include in school report cards data on expenditures at each public school. These report cards are to include "the per-pupil expenditures of Federal, State, and local funds, including actual

[59] Ibid.

[60] For detailed information about the items included on the survey and data exclusions, see U.S. Department of Education, National Center for Education Statistics, "The Feasibility of Collecting School-Level Finance Data, An Evaluation of Data from the School-Level Finance Survey (SLFS) School Year 2014-15," August 2019, https://nces.ed.gov/pubs2019/2019305.pdf, Chapter 2.

[61] U.S. Department of Education, National Center for Education Statistics, "The Feasibility of Collecting School-Level Finance Data, An Evaluation of Data from the School-Level Finance Survey (SLFS) School Year 2014-15," August 2019, https://nces.ed.gov/pubs2019/2019305.pdf, p. 52.

[62] Ibid.

[63] U.S. Department of Education, National Center for Education Statistics, "The Feasibility of Collecting School-Level Finance Data, An Evaluation of Data from the School-Level Finance Survey (SLFS) School Year 2014-15," August 2019, https://nces.ed.gov/pubs2019/2019305.pdf, p. 53.

[64] Ibid.

personnel expenditures and actual nonpersonnel expenditures of Federal, State, and local funds, disaggregated by source of funds, for each local educational agency and each school in the State for the preceding fiscal year" (Section 1111(h)(1)(C)(x)).[65] States are currently beginning to report expenditure data in response to this requirement.[66]

[65] For additional information, see U.S. Department of Education, Opportunities and Responsibilities for State and Local Report Cards under the Elementary and Secondary Education Act of 1965, as Amended by the Every Student Succeeds Act: Non-Regulatory Informational Document, Draft for Public Comment, March 2019, https://www2.ed.gov/policy/elsec/leg/essa/rptcardpubliccomment3282019.pdf.

[66] Daarel Burnette II, "In these States, You Can Now See How Much Districts Spent on Each School," *Education Week*, March 5, 2019, https://blogs.edweek.org/edweek/state_edwatch/2019/03/curious_how_much_your_district_spends.html.

Appendix. Glossary of Acronyms

ARRA: American Recovery and Reinvestment Act (P.L. 111-5)

CV: Coefficient of variation

ED: U.S. Department of Education

EFIG: Education Finance Incentive Grant

EL: English Learner

ESEA: Elementary and Secondary Education Act

ESSA: Every Student Succeeds Act (P.L. 114-95)

LEA: Local educational agency

NCES: National Center for Education Statistics (ED)

OMB: Office of Management and Budget

OPEPD: Office of Planning, Evaluation, and Policy Development (ED)

SAIPE: Small Area Income and Poverty Estimates

SEA: State educational agency

SLFS: School-Level Finance Survey

TANF: Temporary Assistance for Needy Families

Author Information

Rebecca R. Skinner
Specialist in Education Policy

Acknowledgments

Wayne Riddle, former CRS Specialist in Education Policy and current contractor to CRS, co-authored this report.

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.